Afl cio building investment trust annual report

April 2012 File Nose. 333-59762 811-03493 SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549 N-1A Registration Statement under the Securities Act of 1933 x Pre-Effective Amendment No. ˜Post-Effective Amendment No. 58 x and/or Registration Statement under the Investment Companies Act of 1940 Names, Registrant Address and Phone Number: American Federation of Labor and Congress of Industrial Organizations Housing Investment Trust* 2401 Pennsylvania Avenue, N.W., Suite 200 Washington, D.C. 20037 (202) 331-8055 Service Agent Name and Address: Kenneth G. Lore, Esq. Bingham McCutchen LLP 2020 K Street, N.W. Washington, DC 20006-1806 It is proposed that this application become effective: x immediately after submitting the application in accordance with paragraph (b) ˜on (date) in accordance with paragraph (b) 60 days after submission in accordance with paragraph (a)(1) ˜on (date) in accordance with paragraph (a))(1) 75 days after submitting the application in accordance with paragraph (a)(2) ˜on (date) in accordance with paragraph (a)(2) rule 485 If necessary, please check the following box: This post-effective amendment determines the new start date of the pre-submitted fixed amendment. * This application applies exclusively to series A – AFL-CIO Housing Investment Trust AFL-CIO HOUSING INVESTMENT TRUST PROSPECTUS The investment goal of the American Federation of Labor and the Congress of Industrial Organizations Housing Investment Trust (HIT) is to generate competitive overall risk-adjusted return rates for its participants by investing in fixed-income investments, primarily multi-purpose and individual family mortgage-backed securities and mortgage-backed liabilities. Other important objectives of HIT are to encourage housing construction and facilitate employment for union members in construction trades and related industries. THESE SECURITIES WERE NOT APPROVED OR TRANSFERRED BY THE COMMISSION TO THE ACCURACY OR ADEQUACY OF THAT PROSPECTUS BY THE SECURITIES AND EXCHANGE COMMISSIONS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE. Date of this Prospectus is April 27, 2012. TABLE OF CONTENTS AND TARGETS OF THE HIT The investment goal of the American Federation of Labor and the Congress of Industrial Organizations Housing Investment Trust (HIT) is to generate competitive overall risk-adjusted return rates for its investors (Participants) by investing in fixed income investments, primarily multi-personal and individual family mortgage-backed securities and mortgage-backed liabilities (collectively, Mortgage Securities). Other important objectives of HIT are to encourage housing construction and facilitate employment for union members in construction trades and related industries. To achieve its objectives, HIT directs its investments in multi-tier mortgage securities (including those directly or indirectly financing new construction or remediation of multi-tiered housing healthcare institutions) and in mortgage-backed securities backed by multiple or individual family loans. All on-site construction work financed through HIT investments must be done 100% by union work. HIT COSTS This table describes the costs you can pay if you buy and hold units of beneficial interest in HIT (Units). HIT does not estimate any sales costs (loads), redemption fees, exchange fees, or any other account fees. ANNUAL HIT OPERATING COSTS (costs you pay each year as a percentage of the value of your investment) Management fees 0.00% Distribution costs (12b-1) Fees 0.01% Other costs 0.43% Total annual operating costs of HIT 0.44% Example this example is intended to compare the cost of investing in HIT with the cost of investing in other mutual funds. An example assumes that you invest $10,000 in HIT for the specified time periods, and then redeem all of your units at the end of those periods. An example also assumes that your investment has a return of 5% each year and that hit operating costs remain the same. While your actual costs may be higher or lower, based on these assumptions your costs would be: One year three years five years ten years $45$141 $246 $555 Portfolio turnover HIT generally conducts securities transactions on a principal basis and does not pay commissions for trades. HIT may incur transaction costs when it buys and sells certain securities (or spins off parts of its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. During the last fiscal year, the turnover rate of the HIT portfolio was 33.9% of the average portfolio value. MAIN INVESTMENT STRATEGIES The main investment strategy of HIT is to build and manage a portfolio consisting primarily of multi-convert and individual mortgage-backed family securities and mortgage-backed liabilities (combined, Mortgage Securities) with higher yield, higher credit quality and similar interest rate risk compared to securities in the Barclays Capital Aggregate Bond Index (Barclays Aggregate). As such, HIT is implementing a fundamental policy of concentrating in fixed income securities in the mortgage and mortgage finance sectors of the real estate industry on January 1, 2015. THE HIT keeps the government and the agency issued, guaranteed or secured by multi-tiered mortgage-backed securities (MBS) that have an invitational (or advance) protection, rather than holding corporate debt, some U.S. government securities and some government-sponsored entity debt at Barclays Aggregate. As government/agency multifamily MBS offers higher returns than comparable securities with similar credit and interest rate risk, HIT is able to offer superior risk-adjusted returns compared to Barclays Agregat. All securities in which must meet certain requirements detailed in the Statement of Additional Information. Some types of securities must meet certain standards of nationally recognised statistical rating organisations, including creditworthiness indices. Staff track HIT investments compared to those in the Barclays rally and can adjust allocations by buying or selling securities. When deciding whether to buy or sell a particular security value, staff compare security with other similar securities and consider factors such as price, yield, duration and convexity (interest rate sensitivity measures), servicer, geographic location, call or advance protection, as well as liquidity. HIT can buy mortgage-backed securities through forward liabilities. HIT does not invest in mortgage-backed securities that contain subprime loans. HIT uses different strategies to maintain a risk profile comparable to the reference index. These strategies include, but are not limited to, managing the duration of the HIT portfolio within a range comparable to the Barclays aggregate and managing prepayment risk by negotiating advance advance limits for mortgage securities backed by multi-tiered housing or healthcare facilities projects. HIT seeks to minimize the risk of credit and default losses by purchasing securities that are guaranteed, insured or otherwise credit-enhanced. MAIN INVESTMENT RISKS There is no guarantee that HIT will meet its investment objective. The value of the HIT investment and the resulting value of the units can go up or down, and the shares of the participants in the HIT can gain or lose value. As with any investment, you can lose money by investing in HIT. Other mainstays of HIT risk are those of fixed income securities investments, which include the following types of risk: General risk: The value of the securities held by THE HIT may fall, sometimes quickly or unpredictably, due to general market conditions, such as real or perceived unfavourable economic, political or regulatory conditions, inflation, changes in interest rates or unfavorable investor sentiment. Increased uncertainty and weakness in global economic and financial systems, coupled with the perception of political inefficiencies in the US and Europe, could adversely affect market conditions and, in turn, the value and liquidity of some securities. In addition, legislation recently passed in the US calls for changes in many aspects of financial regulation. The impact of legislation on markets and the practical implications for market participants may not be fully known for some time to come. Interest rate risk: As with any fixed income investment, the market value of HIT investments will generally fall below the principal of these investments at times when market interest rates rise above interest rates on such investments. Rising interest rates can also reduce advance rates, causing an increase in the average life of certain HIT securities, which in turn could further the value of the HIT portfolio. Advance Advance Expansion risk: Overall, the market value of HIT investments will rise at times when market interest rates fall below interest rates on these investments. However, in such cases, some borrowers may prepay mortgage loans that support certain hit securities faster than might otherwise be the case. In this case, HIT may be required to reinvest the proceeds from such advances in other investments with lower interest rates than those that were prepaid. When market interest rates rise above HIT investment interest rates, the mortgage advance rate supporting certain hit securities may decrease, causing hit's average investment maturity to be extended and the sensitivity of those investments to interest rate changes to increase. This, in turn, could further reduce the value of the HIT portfolio and make the unit price of HIT volatile. Credit risk: Credit risk is the risk of loss of principal and interest as a result of the failure of credit enhancement supported by HIT mortgage securities after default on underlying mortgage lending, credit rating downgrades (or perceived creditworthiness declines) of investments or credit enhancement providers for investment , or a decline in the value of assets underlying mortgage lending. 2 Default risk: Borrowers are at risk of default under mortgage loans that directly or indirectly provide HIT mortgage or commercial mortgage-backed securities (CMBS). In the event of default, HIT may experience a loss of principal and interest and any premium value to related mortgage securities or CMBS. This risk may be reduced to the extent that securities are guaranteed or secured by a third party, including a U.S. government agency. Liquidity risk: Markets for certain types of securities may have liquidity problems. That is, the lack of customers at certain times could adversely affect the value of the security during such a period, although over time, payment obligations under insurance may be outcomed. This is sometimes referred to as liquidity risk. Markets for some of the types of securities that hit can invest in have had liquidity problems in the past. Leverage risk: the use of some investment or investment techniques can have the effect of increasing or exploiting the impact of small changes in assets, index or market. HIT does not use its portfolio using borrowing or derivatives, but it can invest in forward commitments that can effectively add leverage to its portfolio. HIT PERFORMANCE SO FAR The bar chart below and the following table give an indication of the risk of investing in HIT illustrating how yields can vary from year to year. The table also shows that average annual HIT yields for one, five and 10-year periods compared to those measures of market results. Results. Hit performance so far is not necessarily an indicator of how HIT will perform in the future. Updated performance information is available on the HIT website www.aflcio-hit.com. ANNUAL TOTAL RETURNS (Calendar Years - Net of Operating Expenses) During the 10-year period set out in the bar chart above, the highest yield for the quarter was 4.29% (the quarter ended June 30, 2002), and the lowest yield for the quarter was -2.5% (the quarter ended June 30, 2004). 3 AVERAGE ANNUAL TOTAL RETURNS (FOR PERIODS ENDED DECEMBER 31, 2014 December 1, 2011) ONE YEAR FIVE YEARS TEN YEARS AFL-CIO Housing Investment Trust 7.86% 6.45% 5.89% Barclays Capital Aggregate Bond Index (does not reflect benefit or expense deductions) 7.84% 6.50% 5.78% PORTFOLIO MANAGEMENT The HIT portfolio is internally managed and has no external investment adviser. Chang Suh, executive vice president and chief portfolio manager of HIT, is primarily responsible for the day-to-day management of hit's portfolio. Mr. Suh has been chief portfolio manager since 2003. BUYING AND SELLING UNITS A minimum initial investment of $50,000 is required. There is no limit to the amount of subsequent purchases. ER units can be redeemed. HIT currently accepts and meets monthly redemption requirements from the last business day of the month. If you wish to sell your units, you must apply for redemption to HIT in writing and it must be received at hit offices at 2401 Pennsylvania Ave., N.W., Suite 200, Washington, D.C. 20037 at least 15 days before the last business day of the month, although HIT may waive the 15-day notification request at its discretion. HIT tax information intends to make distributions that can be taxed as ordinary income or capital gains unless participants are tax-free. 4 REVIEW HIT is an open-ended investment firm, commonly referred to as a mutual fund. The hit's Declaration of Confidence (Declaration of Confidence) allows the HIT Board of Directors (Board) to establish one or more additional, separate investment portfolios within HIT. While the Board may execute that authority as stated by future market conditions, HIT currently manages a single portfolio and offers units of beneficial interest to HIT (or Units) representing shares in that portfolio through that prospectus. More detailed information about HIT is contained in the HIT Supplemented Information Statement (SAI). MORE ON HIT INVESTMENT OBJECTIVES, MAIN INVESTMENT STRATEGIES AND INVESTMENT OBJECTIVE RISKS The aim of HIT investments is to create competitive overall risk-adjusted return rates for its participants by investing in fixed-income investments, primarily mortgage securities. Other important objectives of HIT are to encourage housing construction and facilitate employment for union members in construction trades and related industries. To achieve its objectives, HIT focuses its investments multi-tiered mortgage-backed securities (including those directly or indirectly financing the new construction or resolution of multi-tiered housing projects and healthcare facilities) and in mortgage-backed securities backed by multi-tiered or individual family loans. All on-site construction work financed through HIT investments must be done 100% by union work. The Board has the power to change THE HIT's investment objectives without the participants' approval. MORE ON MAJOR INVESTMENT STRATEGIES AND MAJOR INVESTMENTS The main investment strategy THE INVESTMENT STRATEGY HIT Investment Strategy is to build and manage a portfolio consisting primarily of mortgage-backed securities, with higher yield, higher credit quality and similar interest rate risk compared to Barclays Aggregate. HIT replaces the government and agency with issued, guaranteed or insured multi-tiered MBS that have call protection for other securities in Barclays Aggregate. Since government/agency multifamily MBS typically offers higher returns than comparable securities with similar credit and interest rate risk, HIT expects to offer superior risk-adjusted returns. All securities invested in by HIT must meet certain requirements detailed in the Statement of Additional Information. Some types of these securities must meet certain standards of nationally recognised statistical rating organisations among other creditworthiness indices, all of which are described in more detail later in this document and in the HIT Statement on Additional Information. Staff monitor allocations to different sectors, such as individual family MBS or U.S. Treasury problems, compared to Barclays Agregat and can adjust allocations by purchasing or selling securities. Relative value is the most important consideration THAT HIT personnel take when deciding whether to buy or sell a particular security. Factors affecting relative value include price, yield, duration, convexity, adjusted option range (OAS), spices, issuer, repairer, geographic location, call/advance protection, as well as liquidity. Other main investment strategies, implemented under normal conditions, are as follows: • For interest rate risk management, the HIT policy is generally to maintain the actual duration of the portfolio in the range of plus or minus half a year of the effective duration of the Barclays Set. The effective duration of the Barclays rally ranged from approximately 3.50 to 5.25 and averaged about 4.40 over the past seven years. HIT regularly compares the effective duration of its portfolio with the effective duration of Barclays aggregates and sells and acquires securities to adjust its duration to remain within that range and thus remain effectively market neutral compared to Barclays Agregat. HIT does not use interest rate expectation strategies outside the narrow half year range. 5 • To mitigate Risk, HIT typically negotiates advance limits for its investments in mortgage-backed multi-life real estate projects. Such advance limits, also known as call protection, may take the form of a prepayment lock, advance payment premium, yield maintenance premium or odss combination. As of 1 December 2011, 72.6% of the HIT portfolio owned some form of call protection. • In order to reduce credit risk and generate current income, THE HIT seeks to maximize some of its assets in investments secured by the Federal Housing Administration (FHA) or guaranteed by the Government's National Mortgage Association (Ginnie Mae) or issued or guaranteed by Fannie Mae or the Federal Home Loan Mortgage Corporation (Freddie Mac), directly or indirectly, to the extent that market conditions permit and in accordance with its overall goals. • HIT invests in mortgage securities incurred in accordance with forward liabilities, in which HIT agrees to purchase investments in mortgage loans that have not yet been closed or secured. For multi-faceted projects, including market-based housing, low-income housing, senior or handicapped housing, intermediate care facilities, assisted housing facilities, nursing homes and other healthcare facilities (together, Multifamily Projects) to be built, HIT typically agrees to a fixed interest rate and a purchase price for mortgage securities to be delivered in the future. In periods of interest rate cuts, mortgage-backed securities for which HIT has issued liabilities cannot be delivered to HIT. HIT typically seeks to reduce the likelihood of mortgage-backed securities not being included in its obligations by default clauses, which in some cases are secured by liqueuring on the property. In addition, HIT typically requires a deposit in good faith, payable when liabilities are issued for mortgage-related securities related to multilayered projects. HIT retains the deposit if such an investment is not delivered to it. These mechanisms help ensure the delivery of related mortgage-backed securities, but there is no guarantee that any investments made by HIT to purchase will actually be delivered to it or that the deposit will cover the lost value of any mortgage security not delivered as needed. Many of the mortgage securities hit invests in are backed by mortgage loans for multi-tiered housing developments, which HIT negotiates and structures directly to meet its requirements. In such cases, it may consider a number of factors in addition to its primary objective of obtaining competitive returns in order to improve the production of such mortgage-backed securities or otherwise benefit HIT. For example, HIT may look for securities that finance projects that will improve the development efforts of the local community. It can also be included in targeted initiatives designed to increase activity in certain geography regions or segments of the housing sector. It may also claim assets with financial or other support from local or state states, such as tax credits or subsidies, and/or assets adapted to the risk requirements and duration of the HIT. Hit main investments are invested primarily in the following types of securities: federally insured or guaranteed mortgage securities; Fannie Mae/Freddie Mac-Related Mortgage Securities; Other mortgage-backed securities. HIT invests primarily in these types of mortgage-backed securities, which include: • Construction and permanent mortgage loans or mortgage-backed securities or guaranteed by the federal government or federal government agencies, including the FHA, Ginnie Mae and the Department of Veterans Affairs, or interests in such mortgage loans or securities; • Securities backed by mortgage loans and/or securities secured or guaranteed by the federal government or federal government agency and rated in one of the two highest categories by a nationally recognised statistical rating organisation, including Real Estate Mortgage Investment Conduit Securities (REMICS), which are mortgage-backed securities collateralised or represent interest in a group of mortgages or mortgage-backed securities; 6 • Mortgage loans, securities or other liabilities issued or guaranteed by Fannie Mae or Freddie Mac (including Fannie Mae mortgage-backed securities, Freddie Mac and REMICS participation certificates); • Securities supported by Fannie Mae or Freddie Mac and rated by a nationally recognised statistical rating organisation in one of the two categories of highest rating at issue; i • Securities provided by an individual family or multi-person mortgage securities and/or single family or multi-personal mortgage loans and rated in the highest rating category by a nationally recognised statistical rating organisation at the time of issue. HIT intends to channel its investments in these types of mortgage-backed securities to the extent allowed by market conditions, in line with HIT's overall targets. HIT can invest up to 100% of its assets in mortgage-backed securities that meet these criteria, regardless of the fact that they may also share the characteristics with the securities described below in which HIT can only invest with restrictions. Credit-enhanced government/local government mortgage securities; Private credit-enhanced mortgage securities; Loans for credit-enhanced bridge; Mortgage loans for projects with evidence of state or local government support; Loans to investment funds involving new tax credit transaction markets. HIT can invest up to 30% of its assets in mortgage-backed securities provided or guaranteed by state or local governments, state or local entities or entities rated A or better by a nationally recognised statistical rating organisation; credit-enhanced bridge loans for low-income housing tax credit or federal rehabilitation tax credit projects; construction and/or permanent mortgage loans for projects that have evidence of support from state or local government (or the agency or its instrumentality), provided that any such investment meets certain loan approval criteria. In addition, certain investments in these categories are subject to restrictions, expressed as the highest percentage of HIT assets, as set out below. For example, the ceilings described in this section do not limit HIT's ability to invest in any asset that also meets the criteria of another asset category for which the cap does not apply. Investments in the categories described in the immediate preceding paragraph include the following types of mortgage loans (as well as interest and securities secured by these types of mortgage loans): • Construction and/or permanent mortgage loans that have certain credit improvements by the state or local government (or the agency or its instrumentality), including state and local housing finance agencies; • Construction and/or permanent mortgage loans provided by a state or local government entity or any other lender, as long as the loan (or credit-backed securities) is secured by cash or by letter of credit, insurance or other form of guarantor issued by an entity meeting certain credit rating requirements; • Credits for bridging loans for residential projects, whose owners are eligible to receive and have allocated funds or other rights to receive low-income federal housing tax credits or federal rehabilitation tax credits and which meet certain credit improvement criteria. The total principal of investments in this category outstanding from time to time shall not exceed 5% of the value of all HIT assets; i • Construction and/or permanent mortgage loans for projects with evidence of support from state or local self-government; projects that have private credit improvements; or loans to certain investment funds involving federal new market tax credit transactions, provided that the total principal amount of such 7 investments outstanding from time to time does not exceed 4 % of the value of all HIT assets. Such loans must meet certain loan approval criteria or other additional requirements specified in HIT, ITS INVESTMENTS AND RISK DESCRIPTION in hit SAI. HIT can also invest in government and local government credit enhanced mortgage securities or privately credit-enhanced mortgage securities that have any combination of types of loan improvements needed to hit investments, as long as 100% of the main portion of the investment takes an acceptable form of loan improvement. Multiple forms of credit improvement can be combined simultaneously or sequentially. The mortgage securities described in this section usually be insured by the FHA or guaranteed by Ginnie Mae or issued or guaranteed by Mae or Freddie Mac. In addition, these mortgage securities do not have to be assessed or evaluated, although some of these mortgage-backed securities must have a credit enhancement provided by an entity that has an assessment equal to or better than a certain level. For more information on these types of investments, including the criteria for granting loans and increasing the loans applicable to each of them, see A DESCRIPTION OF THE HIT, ITS INVESTMENTS AND RISKS – CREDIT-ENHANCED STATE/LOCAL GOVERNMENT MORTGAGE SECURITIES; PRIVATE CREDIT-ENHANCED MORTGAGE SECURITIES IN SAI HIT. Other securities. HIT cannot invest more than 15% of its assets in the following categories, together: (i) securities issued by the U.S. Treasury, (ii) corporate securities issued or guaranteed by Fannie Mae and Freddie Mac or the Federal Housing Loan Bank (FHLBs), (iii) securities backed by Fannie Mae, Freddie Mac, or FHLB, as long as such securities are rated in one of the two categories of the highest rating at the time of acquisition by at least one nationally recognised statistical rating organisation, and (iv) subject to a further limit of no more than 10% of the value of all HIT assets, CMBS, as long as such securities are rated in the highest rating category by at least one nationally recognised statistical rating organisation at the time of acquisition (collectively) , Other Securities). CMBS are generally multileaser pass-through securities backed by a mortgage loan or a set of commercially backed mortgage loans, including multifamily apartments, office buildings, shopping malls, retail space, a hotel, a motel and other catering facilities, mobile home parks, self-storage facilities, and industrial and storage properties. Underlying mortgage loans are often ballooning loans rather than fully depreciated loans relative to their terms, and properties that provide CMBS-backed mortgage loans may also be subject to subordinated debt and/or mezzanine. Short-term investments. In anticipation of investment in mortgage securities or other securities, HIT assets may be had in various short-term instruments, including U.S. Treasury issues, redemption agreements, federal agency issues, mutual funds that invest in such securities, deposit certificates and other domestic bank liabilities, commercial paper, collateral and redemption agreements, and instruments that are liquid but may or may not be secured by real estate or federal guarantees or insurance (Short-Term Investments). MORE ON THE MAIN INVESTMENT RISKS As with any mutual fund, there can be no guarantee that HIT will meet its targets or that HIT yields will be positive over any time period. This section contains a summary discussion on the primary risks that may affect value of investment in HIT. General risk The net asset value (NAV) of each unit in THE HIT reflects the fair market value of the HIT portfolio. Value of securities hit can go up or down. If the value of the securities owned by HIT falls, the value of the portfolio and the resulting NAV units in THE HIT will decrease. The value of securities held by HIT may fall due to general market conditions, such as actual or perceived unfavourable economic, political or regulatory conditions, inflation, changes in interest rates, lack of liquidity in certain markets or unfavourable investor sentiment. The recent global financial crisis and the consequent economic weakness and uncertainties have caused a significant decline in the value and liquidity of many securities and disruption to markets. Unforeseen events may have significant effects that may lead to market turbulence and additional losses of value and liquidity. Unfavourable conditions may be extended by 8 and may not have the same impact on all types of securities. In addition, recently passed legislation in the US calls for changes to many aspects of financial regulation. The impact of the legislation on financial markets and the practical consequences for market participants may not be known for some time to come. Interest rate risk The value of the HIT portfolio and the resulting NAV unit will ossified, primarily in response to the change in interest rates. In general, when market interest rates rise, NAV will fall and vice versa, when market interest rates fall, NAV will rise. If market interest rates rise above hit fixed income securities, the value of those investments, and thus the value of participants' hit investments, will fall below the main amount of those investments. Participants who redeem units at such moments may suffer a loss. As a risk mitigation strategy, HIT periodically buys or sells portfolio investments to address fluctuations in the expected weighted average portfolio life, manage portfolio duration and maintain a desirable level of portfolio diversification. A weighted average life is the average life expectancy of security, taking into account maturity, depreciation and probability of a security advance. Duration is a measure of risk used to express the price (value) sensitivity of fixed income security as it relates to changes in the general level of interest rates. It measures this sensitivity more accurately than maturity because it takes into account the time value of the projected cash flows generated by security throughout its life. The duration is calculated by discounting future interest and principal payments to reflect their present value and then multiplying such payments by the number of years expected to be received to produce the value expressed in years. Effective duration takes into account call features and advance expectations that can shorten or extend the life of security. There is no guarantee that the HIT risk mitigation strategy will be effective. Prepayment and expansion risk of declining market interest generally cause the value of mortgage securities and other HIT securities to rise. However, unlike most other fixed-income investments, a decline in market interest rate environments can also result in downward pressures on the value of HIT or CMBS mortgage securities if these securities are not subject to advance protection as borrowers tend to refinance in this environment. Reducing the principal of high-yield mortgage securities, or CMBS as a result of refinancing and reinvesting income at lower interest rates, can reduce the potential increase in the value of mortgage-backed securities or CMBS, which could otherwise occur in response to falling interest rates, declining returns on mortgage securities, or CMBS, and cause mortgage asset values, or CMBS, to fall below what HIT paid for them, resulting in an unrealized loss. Any of these events may cause a decrease in HIT revenue and/or unit pricing. As described above, HIT negotiates forms of down payment limits for its Multifamily Projects-backed mortgage securities to mitigate this risk. There is no guarantee that the HIT risk mitigation strategy will be effective. When market interest rates rise above hit investment interest rates, the pre-payment rate of mortgage loans supporting mortgage-backed securities or CMBS hit may decrease, causing the average maturity of hit investments to be extended. This may increase the sensitivity of the HIT portfolio to rising rates and the potential for portfolio value to fall. Economic conditions can also affect prepayment and the risk of expansion for mortgage-backed securities in directions that may not be predictable. While HIT does not invest in subprime-backed mortgage securities, many borrowers who have not been approved have also been negatively affected by recent economic events. Some of these events, such as the trend of stricter loan approval requirements and falling property values, may have reduced the likelihood of an advance impact on mortgage-backed securities. Other developments, including higher default and foreclosure rates (which may be related to falling property values) and refinancing programs, modifications and mitigations of mortgage losses, may have resulted in higher than expected loan redemption rates supporting these mortgage securities by mortgage initiators or servicers, all of which may have had the same effect as if mortgage loans had been repaid in advance faster than expected. Credit risk Credit risk is the risk of loss of principal and interest as a result of the failure of credit enhancement supported by HIT mortgage securities after default on underlying mortgage lending, credit rating downgrade of 9 investments (or perceived credit decline) credit enhancement providers for investment or a decline in the value of the assets on which the mortgage loan is located. HIT assets are primarily invested in securities guaranteed or insured by the U.S. government, Fannie Mae, Freddie Mac or FHLB. As of December 1, 2011, about 93.4% of HIT assets (without cash) were issued, guaranteed or insured by the U.S. government, Fannie Mae, Freddie Mac or FHLBs. Fannie Mae, Freddie Mac and FHLB's privately owned enterprises and their obligations are not directly supported by the U.S. government. However, in September 2008, the US government took Fannie Mae and Freddie Mac to the conservatory. As a conservationist, the Federal Housing Finance Agency (FHFA) has the authority to transfer any assets or liabilities of Fannie Mae or Freddie Mac, including their pits, without the approval of any other party, including any mortgage asset holders guaranteed by Fannie Mae or Freddie Mac. To date, the FHFA has not publicly announced its intention to transfer any guarantor Fannie Mae or Freddie Mac to another party. In addition, Fannie Mae, Freddie Mac and FHLB can borrow funds from the U.S. Treasury Department. In late December 2009, the U.S. Treasury Department committed to covering all losses of Fannie Mae and Freddie Mac through 2012. Under the commitment, the last request to finance any capital shortfalls for operations in 2012 was 1.5 million euros. After that date, Fannie Mae would still have access to $123.8 billion and Freddie Mac $148.3 billion (less any positive capital as of December 31, 2012 anyway) that would still be funded by the U.S. government indefinitely. If the FHFA becomes the recipient of any entity, it could exercise certain powers that could adversely affect mortgage asset exchanges guaranteed by such an entity, as described in more detail under HIT DESCRIPTION, its investments and risks - RISK FACTORS - 12. Risks associated with Fannie Mae and Freddie Mac Investments in SAI HIT. While the federal government has taken steps intended to stabilize the support of Fannie Mae and Freddie Mac and provided funds to meet its obligations and manage their affairs, it cannot be ensured that the federal government will continue to do so beyond the dates above or will not change the terms of its obligations. To the extent that credit enhancement of HIT mortgage securities is provided by private entities or state or local governments or agencies or the instrumentality of state or local authorities, there is a risk that, in the event of default on a core mortgage loan, the insurer/guarantor will not be able to meet its insurance or guarantee obligations. Up to 30% of HIT assets can be invested in mortgage-backed securities that have credit enhancement provided by such entities or have evidence of support from the state or local government or agency or their instrumentality. The declaration of confidence generally imposes certain rating requirements on entities providing such credit enhancement, but the investments themsed do not have to be rated or ratable. Ratings are just opinions of the companies that issue them and are not guarantees of quality. There is no guarantee that the assessed credit enhancement provider will maintain the required level of rating for the lifetime of the investment. Instead, as is the case with any rating, the rating could be revised downwards or withdrawn altogether at any time by the rating entity that issued it. A rating downgrade or rating downgrade may indicate an increase in the risk of default by credit enhancement providers in the event of default on related assets, and may also result in a decrease in the value of the investment and/or make it illiquid. Rating organizations tend to issue ratings that reflect lower credit quality based on risk perceptions over the past few years. Whether the investment or credit enhancement provider meets the required credit rating is determined at the time of purchase. HIT is not required to dispose of any assets simply because the assessment of any entity providing credit enhancement for such an investment has been reduced or withdrawn, even if HIT would not have been authorized to acquire such assets had the reduced rating been in place at the time hit acquired such assets. For more information on these evaluation requirements, see THE DESCRIPTION OF HIT, ITS INVESTMENTS AND RISKS – CREDIT-ENHANCED GOVERNMENT/LOCAL GOVERNMENT MORTGAGE SECURITIES; PRIVATE CREDIT-ENHANCED MORTGAGE SECURITIES IN SAI HIT. As noted above, HIT may invest a limited portion of its assets in mortgage-backed securities that have not been evaluated or credit-enhanced. The rating does not provide any guarantee of repayment and is subject to revision or withdrawal at any time by the rating agency, but the ratings provide the potential investor with some indication that the proposed structure and analysis of investment income meet the rating agency's internal criteria for the applicable rating. Unvarnished investments may also be less liquid than rated investments. Recent market developments have put some questioning the extent to which ratings can be relied on. 10 CMBS typically does not have credit enhancement provided by a government agency or instrumentality, by any private mortgage insurer or any other company or entity. Instead, the CMBS offer will consist of several different classes or securities tranches, which have different exposure to default. The credit risk in relation to CMBS is the risk that the level of default on underlying mortgage loans could be severe enough to result in a shortfall in payments due to a specific tranche of CMBS in which HIT has invested. HIT can only invest in CMBS rated in the highest rating category by at least one nationally recognised statistical rating organisation at the time of cmbs acquisition (e.g. Again, ratings are only opinions of companies that issue them and are not Quality. Risk of default There is a risk that borrowers will default under mortgage loans that directly or indirectly provide mortgage-backed securities, or HIT CMBS. In the event of default, HIT may experience a loss of principal and interest on related mortgage securities, or CMBS. THE HIT seeks to reduce the risk of default by seeking in most cases to invest in credit-enhanced mortgage-backed securities. Regardless of credit improvement protection, HIT may experience default losses under loans that directly or indirectly support mortgage securities, or CMBS HIT. In addition, credit improvements extend only to the nominal amount of the security and not to any premium in the price or value of such securities. As of December 1, 2011, 93.5% of HIT assets were directly or indirectly insured by FHA or guaranteed by Ginnie Mae or issued or guaranteed by Fannie Mae, Freddie Mac or FHLBs or were in cash, short-term investments or U.S. Treasury securities. In addition, almost all other HIT mortgage securities have some form of credit improvement to guard against losses in the event of default. Regardless of credit enhancement protection, HIT may experience default losses under loans that directly or indirectly support HIT mortgage securities. Some forms of loan improvement, including Ginnie Mae, Fannie Mae and Freddie Mac guarantees, may eliminate the risk of loss of principal and interest on mortgage-backed securities if they are respected in accordance with their terms. Ginnie Mae-backed mortgage securities bear the full faith and merits of the U.S. government. As of December 31, 2011, about 30.8% of the HIT portfolio was supported by Ginnie Mae, which guarantees a 100% return on principal and interest on mortgage-backed securities. Ginnie Mae's credit enhancement mitigates the risk of loss of principal and interest on mortgage-backed securities. Other forms of loan improvements, including guarantees from Fannie Mae and Freddie Mac, would mitigate the risk of loss of principal and interest on mortgage-backed securities if they are respected in accordance with their terms. As of December 1, 2011, about 51.1% of HIT assets were issued or guaranteed by Fannie Mae or Freddie Mac. Mortgage securities supported by Fannie Mae or Freddie Mac are not insured or guaranteed by the U.S. government, any government agency, or any other company or entity. However, at the end of December 2009, the US Treasury Department committed to covering all losses of Fannie Mae and Freddie Mac until 2012. FHA-backed mortgage securities are fully insured in the amount of principal of a related mortgage loan, but FHA deducts 1% of the principal amount of a default mortgage loan as an insurance claim. The FHA regulates interest on a default mortgage loan up to but mortgage insurance fees do not include accrued interest due on the default date. The FHA may also deduct certain other amounts or make other adjustments in mortgage insurance fees paid under its mortgage insurance program. To the extent that guarantees, insurance or other credit enhancements cover any incurred principal and interest losses, the impact on the HIT portfolio on any mortgage default ensuring mortgage security will be premature liquidation of the relevant loan and associated mortgage security, and loss of any premium in the value of such mortgage security. Investment in HIT is not secured by the federal government, any government agency, Fannie Mae, Freddie Mac, FHLB or any other company or entity. 11 If an entity or private entity of state or local self-government providing credit enhancement for mortgage security fails to meet its obligations in the event of default from a basic mortgage loan, the HIT would be subject to the risks applicable to real estate investments in general with regard to that mortgage security. In the case of mortgage securities supported by a nursing home, assisted housing or other healthcare facilities, economic performance may also be affected by state and federal laws and regulations affecting the operation of the core institution, as well as state and federal reimbursement programs and delays or reductions in reimbursement. A very small portion of HIT mortgage securities without a form of credit enhancement will be subject to all risks inherent in investing in real estate-backed loans. During the five years ended December 31, 2011, HIT made losses of $82,897 due to default. HIT also seeks to minimise the risk of default against cmbs-provided mortgage loans by investing only in CMBS rated in the highest rating category by at least one nationally recognised statistical rating organisation at the time of acquisition. However, ratings are only opinions of the companies that issue them and are not guarantees of quality. For more information on property-related risks and potential losses, see SAI RISK FACTORS - real estate risks and RISK FACTORS - loan defaults. Liquidity risk markets for certain types of securities may have liquidity problems. That is, the lack of customers at certain times could adversely affect the value of the security during such a period, although over time, payment obligations under insurance may be outcomed. This is sometimes referred to as liquidity risk. If HIT is forced to sell illiquid assets to meet redemption or other monetary needs, HIT may be forced to sell at a loss. Markets for some of the types of securities that hit can be invested in in the past have had problems with Risk of risk leverage occurs in some securities or techniques that tend to magnify the impact of small changes index or market. As noted above, HIT can invest in forward commitments (and is allowed to invest in total return replacement (TRS) contracts, which can effectively add leverage to the HIT portfolio. Forward liabilities can add leverage as HIT would be subject to potential compound losses on the assets it has committed to buy and on the assets it holds until that purchase. Investments in TRS contracts are not the main investment strategy, but if entered, they can add leverage as, in addition to total net assets, HIT would be subject to exposure to investments on the notional replacement amount. Leverage risk can affect HIT to the extent that losses taken on both the TRS contract and the investments generated by the revenues from the associated sale of tax-exempt bonds could lead to each other. To date, HIT has not entered into any TRS contracts. For more information on hit investment risks, see SAI's DESCRIPTION OF THE HIT, ITS INVESTMENTS AND RISKS – RISK FACTORS. Portfolio Holdings A description of HIT's policies and procedures regarding the publication of the HIT securities portfolio is available under hit description, its investments and risks – portfolio disclosure in SAI. BUYING AND SELLING UNITS IN HIT ELIGIBLE INVESTORS Only Labor Organizations and Acceptable Retirement Plans can buy units in HIT. In accordance with the Declaration of Trust, the

Labour Organisation is an organisation involving employees, directly or through affiliated organisations, which exists for the purpose, whole or in part, of doing business directly or through affiliated organisations with employers regarding terms or conditions of employment. The term also includes any employee benefit plan (such as the Voluntary Employee Beneficiaries Association (VEBA)) that benefits members of 12 such Labor Organizations or any other organization that, at the discretion of the HIT Board of Trustees, is affiliated with or sponsored by such Labor Organization. In accordance with the Declaration of Trust, Eligible Pension Plans mean certain plans that have beneficiaries represented by the Labour Organisation and managed without direct intervention from beneficiaries. This includes pension plans opposed to qualifying trusts under Section 401(a) of the Internal Income Act 1986, as amended (Code), government plans within the meaning of Section 414(d) of the Code and major trusts having assets of at least one such pension plan or government plan. This also includes pension or pension schemes outside the United States, including those in Canada and the European Union, which are similar to those of the U.S. state or local government or that are subject to regulations that are similar to the purpose and intent of the Employee Pension Income Security Act of 1974, as amended. For more information on investors in HIT, see UNITS OF PARTICIPANTS – ELIGIBLE PARTICIPANTS IN SAI. To unsear about buying or selling units in HIT, contact the HIT at the address and phone number on the back cover of this prospectus. Hit purchase and pricing units can only be purchased from HIT. A minimum initial investment of $50,000 is required. Whole or fractional units can be purchased. Units can only be purchased from the last business day of each month (date of purchase). THE HIT defines a business day as the day on which New York's main bond markets opened. Each order order will also be processed at the price of the last business day of the month in which it was received. You must pay your purchase order and the required payment for your units to the hit transfer agent by checking or transferring the verification wire by the transfer agent no later than 4:00 p.m.m. Eastern time on the actual date of purchase. All purchase payments received before the actual date of purchase will be retained in one or more short-term investment vehicles provided by the transfer agent, as instructed by the Participant, until the actual date of purchase. A copy of the participation form that must track your purchase payment is available from the hit at no charge on demand. All units are sold without any sales fee (load) or commission. Units are issued and redeemed by entering a book and without the physical delivery of securities. HIT has the right to reject any purchase order or suspend or modify the sale of units. The price of all units purchased will be equal to their net asset value (NAV) from the close of operations of the main Bond markets in New York (usually 4 p.m.m Eastern Time) on the last business day of each month. New York's main bond markets are closed for certain SAI-listed holidays. Nav is calculated by dividing the total value of the HIT (the value of all HIT assets minus all HIT liabilities) by the total number of units outstanding on the day of calculation. HIT calculates nav units only from the last business day of each month. HIT uses market quotes provided by its fund accountant to value HIT assets for which market quotes are readily available. ER personnel check these values in reasonableness. HIT assets for which there are no readily available market quotes shall be valued at fair value established in good faith in accordance with consistently applied procedures approved by the Management Board. HIT has also retained an independent company that will determine the fair value of such securities. This process ensures that the valuation of assets in the HIT portfolio accurately reflects the fair value of each investment based on its unique characteristics. The fair value of the value space is the amount, as determined in good faith, that HIT reasonably expects to receive after the immediate sale of the value space. Valuation of securities using value methodologies include a higher reliance on judgment than valuation of securities based on market quotes. A fund that uses fair value methodologies may value these securities higher or lower than another fund using its own fair value methodologies for the price of the same securities. There can be no guarantee that AN HIT could obtain the value assigned to a value insurance if it sold a value order around the time its net asset value was determined by THE HIT. In accordance with the procedures adopted by the Committee, the monthly valuation of a third party shall be reviewed by ER staff to determine whether valuation adjustments are appropriate on the basis of, for example, material impairments arising from specific facts and investment circumstances (e.g. advance rate). All such HIT adjustments must be reviewed and approved by an independent valuation company before inclusion in 13 NAV. Short-term investments are valued at amortised cost, representing fair value in accordance with the procedures adopted by the Management Board. For more information on the valuation methodology used by HIT, see UNIT VALUATION in SAI. SALE OR REDEMPTION OF UNITS Hit has been granted an exemption by the SEC that allows it to value its assets and accepts redemption claims on a quarterly basis. However, HIT currently accepts and meets monthly redemption requirements from the last business day of each month. You may not sell or transfer your units to anyone but HIT and may not swear an oath to your units. You can redeem whole or fractional units. If you wish to sell your Units, you must apply for redemption to HIT by signed writing and it must be received on business day at least 15 days before the last business day of the month, although HIT may waive the 15-day notice request at its discretion. Without waiver, redemption applications received less than 15 days before the last business day of the month will be processed from the last business day of the following month. You can submit redemption requests with a facsimile. HIT will redeem units, free of charge, on their NAV calculated from the last business day of the applicable month. Typically, it takes five days of work to calculate a HIT NAV after the last business day of the month. Proceeds from any redemption request will be paid for the purchase of the Participant by checking or transferring the wire as soon as feasible starting on the first day after the last business day of the month, but no later than seven business days after the last business day of the month. If a participant redeems him or her, HIT can deliver securities, mortgages or other assets with complete or partial satisfaction with the redemption claim. The participant receiving such assets may bear the costs of the sale or the disposal of such assets for cash. As described above, in accordance with the exemption granted by the SEC, HIT accepts requests for the purchase and redemption of portfolio per month. Accordingly, there is almost no risk that participants could engage in frequent purchases and redemptions of units in a way that would affect the interests of other participants. As a result of this extremely low risk, the Management Board did not consider it necessary to adopt policies and procedures regarding the frequent purchases and redemption of units by participants. DISTRIBUTION FEES (RULE 12b-1 FEES) HIT has adopted a Distribution Plan under Rule 12b-1 under the Investment Firms Act of 1940, as amended, which allows it to pay for the sale and distribution of its units in excess of $600,000 per fiscal year or 0.05% of the average NET ASSETS OF HIT on an annual basis per fiscal year For the year ended December 31, 2011, these distribution fees were $480,194, representing 0.01% of hit average net assets. HIT expects its distribution fees will not exceed $600,000 for calendar year 2012. Costs covered by HIT distribution fees primarily include, without limitation, costs associated with printing and sending prospectuses to potential HIT investors, compensation to sales staff (salaries plus marginal fees), travel and meeting expenses, office supplies, consulting fees and expenses, and costs for printing and sending sales literature. Any change in Rule 12b-1 Distribution plan that materially increases the amount of distribution fees to be paid by HIT requires approval from the holder of most of the outstanding HIT units. As distribution fees are paid out of pending HIT net assets, over time, these fees will increase the cost of your investment and can cost you more than paying other types of sales costs. MANAGEMENT AND STRUCTURE MANAGEMENT The HIT portfolio is managed internally and has no external investment advisors. HIT portfolio management is carried out by the Portfolio Management Group and portfolio management committee. Portfolio Management Group 14 is responsible for the day-to-day management of the HIT portfolio, including portfolio management to maintain a risk profile similar to the Barclays Capital Aggregate Bond Index. The Portfolio Management Board, made up of senior HIT staff, sets out the HIT portfolio management strategy and oversees the portfolio management group's work. Chang Suh, Executive Vice President/Chief Portfolio Manager, is primarily responsible for hit's day-to-day portfolio management. Mr Suh has been chief portfolio manager at HIT since March 2003 and executive vice president since November 2004. Prior to March 2003, Mr Suh had been assistant manager of the HIT portfolio since 2001. Mr. Suh doesn't manage other accounts. As a private person, Mr. Suh is. right to invest in HIT and has no ownership stake. The Investment Committee reviews and approves proposed investments in mortgage-backed securities for transactions that have been contracted and structured by HIT staff to ensure they meet risk requirements and hit returns. The Investment Committee consists of senior HIT staff. Any proposed individual investment or transaction exceeding $50 million requires approval by the Executive Board of the Management Board. HIT STRUCTURE HIT Hit is organized in the District of Columbia as a business trust of common law and is registered under the Investment Company Act of 1940, as amended, as an open investment firm (or mutual fund). Because HIT is managed internally, all officers and employees who oversee hit management are HIT employees. Most jurisdictions in the United States recognize a trust such as HIT as a separate legal e person, completely different from its users. In these jurisdictions, beneficiaries are not liable for debts or other obligations of business trust. Several jurisdictions do not recognise business trusts as separate legal entities and hold beneficiaries of such trusts personally responsible for the actions of business trusts. The hit will not exclude otherwise eligible investors in such jurisdictions from investing in units. The practice of the hit is to require that any written contract executed by the HIT includes a provision that states that the contract is not binding on any commissioner, officer or participant in person, but is solely an OBLIGATION of THE HIT. In most jurisdictions, participants will not have personal liability under any contract containing this provision. However, in jurisdictions that do not recognise the separate legal status of trusts such as HIT, Participants could be personally liable for HIT claims. These claims may include contract receivables if the contract does not limit personal liability, cake claims, tax receivables and certain other legal obligations. If such liability were ever imposed on participants, participants would only be liable to the extent that THE HIT's assets and insurance were not suitable for pampering claims. From time to time, HIT can make contributions or other payments to organizations that promote the production of housing, the labor movement, or charitable activities. Some of these payments, such as buying ads at a sponsored event, are included in costs covered by HIT's 12b-1 policy plan. In the fiscal year ended December 31, 2011, those contributions and payments totaled about $182,839, of which about $16,764 was included as a 12b-1 cost rule. DISTRIBUTIONS AND TAXES HIT distributes net income per month and all capital gains at the end of each fiscal year. Participants can choose to receive these distributions in cash or reinvest them Units. HIT has decided to qualify and intends to remain qualified as a regulated investment firm under the Subchapter M Code. As a result, HIT is not required to pay federal income tax and net capital gains that are shared with participants. Participation in the HIT is limited to certain labor organizations and acceptable 15 pension plans that provide evidence to HIT that they are exempt from federal income taxation. Tax-exempt organisations are subject to tax on unrelated business revenues. Cutting off is a summary of some of the important federal income tax considerations that affect participants and is not a complete analysis of all relevant tax considerations, nor is it a complete list of all potential tax risks involved in purchasing or holding units. Participants should consult their own tax advisers on specific issues of federal, state, local or foreign tax considerations, including the application of an unrelated business income tax. HIT is not and will not make any decision on the tax-exempt status of any participant. 16 FINANCIAL HIGHLIGHTS The financial highlights table is intended to understand the financial performance of HIT over the past five years. Certain information reflects the financial results for one unit. The total returns in the table represent the rate an investor would earn or lose on investing in HIT (assuming the reinvestment of all revenues and distributions). The information provided below was audited by Ernst & Young LLP, HIT's independent registered public accounting firm, whose report, along with financial statements and related notes (included in the reference to this prospectus), appears in the HIT annual report to participants. The annual report is available on request and on hit's website on www.aflcio-hit.com. Financial highlights of the year Enddec. 31,2011 year endedDec. 31,2010 year endedDec. 31,2009 years endedDec. 31,2008 years endeddddec. 31,2007 Net Asset Value Per Unit, Beginning of Period $ 1,133.82 $ 1,114.72 $ 1,098.48 $ 1,097.01 $ 1,081.27 Income from Investment Operations: Net Investment Income 43.58 * 47.27 * 50.68 * 53.64 * 52.72 Net Gains (Losses) on Investments – Realized & Unrealized 43.81 20.75 17.15 1.91 17.54 Total Income from Investment Operations 87.39 68.02 67.83 55.55 70.26 Less Distributions from: Net Investment Income (45.52) (48.92) (51.59) (54.08) (54.52) Net Realized Gains on Investments 5.48 — — — — Total Distributions (51.00) (48.92) (51.59) (54.08) (54.52) Net Asset Value Per Unit, End of Period $ 1,170.21 $ 1,133.82 $ 1,114.72 $ 1,098.48 $ 1,097.01 Total Return (Net of Operating Expenses) 7.86 % 6.16 % 6.28 % 5.25 % 6.70 % * The average shares outstanding method has been applied for this per share information. 17 Ratios/Supplemental Data (Dollars in Thousands) Year EndsDec. 31,2011 year endedDec. 31,2010 year endedDec. 31,2009 finishedDec. 31,2008 years endeddddec. 31,2007 Net End of period $4,262,471 $3,889,839 $3,623,437 $3,467,603 3.43716,773 Cost-to-average net asset ratio 0.44% 0.44% 0.43% 0.41% 0.41% 0.41 % % Ratio of net investment income to average net assets 3.8% 4.1% 4.5% 5.0% 5.0% portfolio turnover rate 33.9% 42.9% 2% 28.5% 23.8% 42.1% 18 AFL-CIO HOUSING INVESTMENT TRUST Read this prospectus before investing in HIT and keep it for future reference. For more information, see: STATEMENT OF ADDITIONAL INFORMATION THE SEC has submitted an Additional Information Statement (SAI) that includes additional information about THE HIT. The SAI is included by reference to that prospectus and is legally considered to be part of that prospectus. No other information is included by reference to this prospectus. SAI can be obtained as provided below. ANNUAL AND SEMI-ANNUAL REPORTS TO PARTICIPANTS Additional information on HIT investments is available in the annual and semi-annual reports of hit participants. In the HIT annual report, you'll find a discussion about market conditions and investment strategies that significantly impacted HIT's performance during its last fiscal year. A copy of the latest annual and semi-annual report can be obtained as foreseen below. CONTACT HIT SAI and HIT annual and semiannual reports are available on request, free of charge, from our headquarters and also posted on the HIT website. Contact HIT to request SAI, annual or semiannual reports to participants, or ask about HIT as follows: By phone: Collect at 202-331-8055 in writing: Marketing Department of AFL-CIO Housing Investment Trust 2401 Pennsylvania Avenue, N.W., Suite 200 Website Address: www.aflcio-hit.com SECURITIES AND EXCHANGE COMMISSION Hit information (including SAI) can be viewed and copied in the SEC Public Reference Room in Washington, D.C. Information about the operation of the Public Reference Room can be obtained by calling the SEC at 202-551-8090. Annual and semiannual reports to participants and other information about HIT are available in the EDGAR database on the SEC's website in and copies of this information can be obtained, with the payment of a duplication fee, by electronic request publicinfo@sec.gov or by writing the SEC Public References Section, Washington, D.C. File #811-03493 Investment Firms Act. STATEMENT OF ADDITIONAL INFORMATION AFL-CIO HOUSING INVESTMENT TRUST 2401 Pennsylvania Avenue, N.W., Suite 200 Washington, D.C. 20037 (202) 331-331 ADDITIONAL INFORMATION STATEMENT This Supplemental Information Statement (SAI) is not a prospectus and should be read in conjunction with the Prospectus of the American Federation of Labor and congress of industry organization Housing Investment Trust (HIT), as of 27 October 2015. The report), which has been submitted to the Securities and Exchange Commission (SEC) and can be obtained, Free of charge, from HIT by calling 202-331-8055, visiting www.aflcio-hit.com or writing at 2401 Pennsylvania, N.W., Suite 200, Washington, D.C. This SAI includes a reference to the Prospectus and financial statements contained in the 2011 annual report. The date of this SAI is April 27, 2012 TABLE OF CONTENTS and II III HISTORY GENERAL The American Federation of Labor and the Congress of Industrial Organizations Housing Investment Trust (HIT) is a common law trust created under District of Columbia laws in accordance with the Declaration of Trust originally executed on September 19, 1981, as amended from time to time (Declaration of Trust). The HIT name was changed from the AFL-CIO Pooled Investment Trust on May 27, 1982. HIT acquired all assets of the AFL-CIO Mortgage Investment Fund (Mortgage Trust) in exchange for HIT units (Units) based on relative net asset values as of May 30, 2015. The exchange was granted on an order from the Securities and Exchange Commission (SEC) of 1. HIT units received in the exchange were distributed on a proportionate basis to mortgage trust participants as of 30. HIT is registered with the SEC as an open-end investment firm under the Investment Company Act of 1940, as amended (Investment Company Act), and, accordingly, is subject to the SEC regulatory body. On 21 April 1982, HIT obtained from the SEC an order signed in section 6, exempting HIT from certain requirements of that Act (SEC No. 1000/2007). The following is a brief summary of certain of these exemptions. No diversification the Investment Firms Act provides that no registered investment firm will change its subclassification from diversified to non-diversified without shareholder approval. In accordance with Section 5(b) of the Investment Firms Act: • A diversified company is a management company that meets the following requirements: At least 75 percent of the value of its total assets represents cash and cash items (including receivables), government securities, securities of other investment firms, and other securities for the purpose of this calculation limited to any issuer to an amount not greater than five percent of the value. the total assets of such a management company and no more than 10 per cent of the outstanding voting securities of such issuer. • An un diversified company means any management company other than a diverse company. HIT will seek to remain diversified as feasible. However, the mortgage securities in which it proposes to invest are often offered in large apoenes, HIT can switch from diversified to non-diversified status from time to time. HIT received an exemption from shareholder voting requirements before shifting its diversification status. Restrictions on the redemption of Section 22(c) of the Investment Firms Act and SEC Rule 22c-1 imply that no registered investment firm issuing a redeemable security and any major sponsor of such a company will sell or redeem such a security except at a price based on the current net asset value of such security next calculated after receiving the offer of such a value redemption order or order to purchase such security. Section 22a. provides that no registered investment firm postpones the payment date upon redemption of redeemable security in accordance with its terms for more than seven days after bidding such security for 1 redemption except in certain limited circumstances. HIT redemption policies do not comply with these requirements. See BUY AND SELL UNITS IN HIT – Sale or redemption of units in prospectus. HIT received an exemption from generally applicable redemption requirements on the grounds that the interests of its participants would make investment and redemption, except on a quarterly basis unnecessary, and that the day-to-day valuation of portfolio investments would be unduly burdensome. On October 1, 1987, the Board of Trustees approved investments and redemptions for HIT on a monthly basis instead of a quarterly one. DESCRIPTION OF HIT, ITS INVESTMENTS AND GENERAL RISKS The aim of the HIT investment is to generate competitive overall risk-adjusted return rates for HIT participants (Participants) by investing in fixed income investments, consisting primarily of multi-person and individual mortgage-backed family securities and mortgage-backed liabilities (common Mortgage Securities). Other important objectives of HIT are to encourage housing construction and facilitate employment for union members in construction trades and related industries. To achieve its objectives, HIT directs its investments in multi-tier mortgage securities (including those directly or indirectly financing the new construction or resolution of multi-tiered housing projects and healthcare facilities) and into mortgage securities backed by multiple or individual family loans. All on-site construction work financed through HIT investments must be done 100% union workforce. INVESTMENTS AND HIT STRATEGIES The following discussion complements information on HIT investment objectives and policies, as outlined in the Prospectus, and describes the types of investments and investment practices that HIT is generally allowed (but not necessary) to achieve or include, subject to HIT's investment objectives. See more about HIT investment objectives, main investment strategies and in the Prospectus for a summary of investment objectives, strategies and hit risks. The types of mortgage securities that HIT is allowed to invest in, which are described below, are also listed in the HIT Declaration of Trust. The declaration of confidence requires HIT to invest primarily in mortgage securities provided or guaranteed by the Federal Housing Administration (FHA) or the Government National Mortgage Association (Ginnie Mae), both parts of the United States Department of Housing and Urban Development (HUD), or issued, guaranteed or supported by Fannie Mae or the Federal Housing Credit Mortgage Corporation (Freddie Mac). As such, HIT implements a fundamental policy of concentrating in fixed income securities in the mortgage and mortgage finance sectors of the real estate industry. Other mortgage securities that HIT is authorized to buy are unforeseen interest mortgage loans, loans for early repayment, pass-through and pay-through securities, construction and/or permanent mortgage loans secured by bank letter loans, insurance or other guarantors, credit-enhanced investments by the state and local government, obligations prior to construction and bridge loans enhanced by loans, in any case as described below and subject to the restrictions set out below. HIT may also invest a maximum of 15% of its assets in the following categories, together: (i) securities issued by the U.S. Treasury, (ii) corporate securities issued or guaranteed by Fannie Mae and Freddie Mac, or the Federal Housing Loan Bank (FHLBs), (iii) securities backed by Fannie Mae, Freddie Mac, or FHLB, as long as such securities are rated in one of the two categories of highest rating at the time of acquisition by at least one nationally recognised statistical rating organisation and (iv) subject to a further limit of no more than 10% of the value of all HIT-rated assets commercial mortgage-backed securities (CMBS), as long as such securities are rated in the highest rating category by at least one nationally recognised statistical rating organisation at the time of acquisition (. , Other securities). 2 HIT will only acquire mortgage-backed securities with expected returns competitive to those that then generally prevail on similar investments that have comparable terms and conditions, taking into account differences in risk, including those resulting from differences in real estate, borrowers and lending conditions. HIT is allowed to invest in certain categories of safety species subject to restrictions, expressed as the highest percentage of HIT assets. In some circumstances, securities could meet the criteria of two or more categories at the same time. In these cases, HIT can classify security into any category it qualifies for in determining whether an HIT has remained within the limit. The ceilings for some of the categories are measured only at the time of security, and as a result The Trust would not be forced to sell securities to meet the cap in the event that market developments cause shares in these categories to exceed the ceiling. Certain HIT authorised investments are related to ratings at different levels by one or more nationally recognised statistical rating organisations. Summary description of general definitions of rating debt standard & poor's rating service, division of The McGraw-Hill Companies, Inc. (S&P), is listed in Appendix A. The debt rating categories of other nationally recognised statistical rating organisations are similar to those of S&P. Summary description of S&P State Housing Finance Agencies (HFA) The highest level of criteria is set out in Appendix B, a concise description of S&P on the general obligation of HFA (GO) debt and the credit rating criteria of the state-owned HFA are listed in Appendix C. Appendix D contains a concise description of the definitions of debt assessment used by S&P. Ratings are only opinions of the companies issuing them and are not guarantees of quality. HIT is an unattended mortgage from Title II and is eligible under the FHA's applicable rules for the origination and service of multi-priced mortgages nationwide. If HIT were to originate from loans under that authority, it could also invest in the multi-faith mortgage loans from which it originates. Federally insured or guaranteed HIT mortgage securities can invest up to 100% of their assets in mortgage-backed securities that are federally insured or guaranteed. The term assets used in this SAI means funds invested or available for investment by HIT. Under existing federal housing programs, federally insured or guaranteed mortgage loans eligible for direct purchase by HIT are mortgage loans provided by HUD that operate both through the FHA to provide construction and/or permanent financing for multifamily housing and intermediate care facilities, assisted living facilities, nursing homes and other medical facilities, or to finance the purchase and ownership of completed family dwellings and, in some circumstances, the construction or renovation of single-family dwellings. FHA-backed multi-tier mortgage loans typically have maturities that range from 10 to 40 years from project completion and principal repayment. FHA secured individual family mortgage loans typically have a 30-year period. HIT can also buy mortgage loans guaranteed by the Veterans Administration (VA) to finance the purchase of singles family apartments. The FHA's obligations are supported by the General Insurance Fund established in accordance with the National Housing Act of 1934, as amended. VA obligations are supported by the Loan Guaranty Revolving Fund. HIT may also purchase notes or other obligations guaranteed under Section 108 of the Housing and Community Development Act of 1974, as amended (Section 108). In accordance with Section 108, HUD shall be authorised for guarantors or other obligations issued by eligible public persons; revenues from the sale of banknotes is used by such public figures for acceptable community development and economic development activities, including the rehabilitation of privately owned or publicly owned housing. HIT may purchase such notes in cases where the proceeds will be used to finance the construction or remediation of housing, and may invest in mortgage loans to build or remediate housing if such mortgage loans are guaranteed under Section 108. In section 108 of the guaranteed notes, there are conditions that do not exceed 20 years and bear interest rates that are generally slightly higher than the rates on Treasury liabilities of comparable maturity. In accordance with Section 108, the timely payment of all principal and interest on a guaranteed note is guaranteed by full faith and credit from the United States Government. HIT can also buy federally guaranteed mortgage-backed certificates known as Ginnie Mae Securities. Such certificates are issued by a mortgage banker or other lender and are entitled to receive principal and interest related to the planned principal and interest payments under one or more of the 3 mortgages identified. The full and timely payment under these mortgage-backed securities is guaranteed by Ginnie Mae and supports the full faith and credit of the U.S. government. These Ginnie Mae securities are easy to sell, generally at publicly quoted prices. Such Ginnie Mae securities typically bear interest at rates ranging from 0.25% to 0.50% less than the interest rates on entire loans that underpin such securities, reflecting the cost of servicing and Ginnie Mae guaranteeing pool mortgages. Furthermore, HIT may purchase real estate mortgage investment channel Conduit Securities (REMICS) collateralized or representing an interest in Ginnie Mae's set of mortgage-backed securities. Fannie Mae and Freddie Mac Securities HIT can invest up to 100% of their assets in Fannie Mae and Freddie Mac securities, consisting of (i) liabilities issued or guaranteed by Fannie Mae or Freddie Mac, including Fannie Mae and Freddie Mac mortgage-backed securities, (ii) securities supported by Fannie Mae or Freddie Mac and backed by pooled mortgages , (ii) securities supported by Fannie Mae or Freddie Mac and whether , at the time of their acquisition by HIT, they were rated in one of the two highest categories by at least one nationally recognized statistical rating organisation and (iii) REMICS collateralised or representing an interest in a set of mortgage-backed securities by Fannie Mae and Freddie Mac. The support under clause (ii) may take the form of Fannie Mae mortgage-backed securities and Freddie Mac's certificate of participation. Please see below A DESCRIPTION OF THE HIT, ITS INVESTMENTS AND RISKS – pass-through and pay-through securities. As of December 31, 2011, about 51.1% of HIT assets were issued or guaranteed by Fannie Mae or Freddie Mac. Fannie Mae and Freddie Mac are federal corporations primarily engaged in the provision of secondary markets. Market. mortgage obligations. Neither Fannie Mae mortgage-backed securities nor Freddie Mac's certificates of participation, nor any other Fannie Mae or Freddie Mac securities, are federally insured or guaranteed. In September 2008, he was 15 years old. For more information on certain risks related to mortgage securities guaranteed by Fannie Mae or Freddie Mac, see HIT DESCRIPTION, its investments and risks - Risk Factors - 12. Risks associated with Fannie Mae and Freddie Mac Investments below. Mortgages supporting all Fannie Mae and Freddie Mac multi-life mortgage investments that HIT invests in (i) will meet the standards of Fannie Mae or Freddie Mac, as applicable, (ii) when hit makes a claim, it will carry competitive market returns and (iii) will be secured by real estate, on which all buildings, buildings and improvements to be built or rehabilitated with 100% union work will be built or rehabilitated. Most of fannie Mae's individual family and Freddie Mac mortgage-backed securities purchased by HIT to date are supported by fixed-rate mortgage loans, although HIT has the authority to acquire individual family securities fannie Mae and Freddie Mac that are backed by mortgage loans with an adjustable interest rate. THE HIT predicts that if prevailing interest rates for adjustable rate mortgages are more favorable to mortgagors than fixed rates, much of the individual Fannie Mae family and Freddie Mac securities it buys may be backed by adjustable rate mortgage loans. There is a wide variety of adjustable rate mortgage loans that can be used for the sneering securities of one Fannie Mae and Freddie Mac families. These range from loans on which the interest rate is periodically adjusted (with adjustments occurring from every 6 months to every 3 or 5 years) based on a specific market index at the time of each adjustment, to loans carrying a fixed fixed fixed rate for a period of time (e.g. Some types of adjustable interest rate mortgages that may be back for individual family securities Fannie Mae and Freddie Mac also have provisions under which they can be converted into fixed rate mortgages with the possibility of mortgagor at certain times. With regard to the individual Fannie Mae family and Freddie Mac securities backed by adjustable rate mortgage loans, Fannie Mae or Freddie Mac, as applicable, guarantee timely interest payments, based on interest rates borne by underlying mortgage loans, as they are adjusted from time to time, less applicable service fees and guaranty. HIT can also invest up to 15% of its assets in, among other things, (i) corporate securities issued or guaranteed by Fannie Mae and Freddie Mac and (ii) securities supported by Fannie Mae, Freddie or FHLBs, as long as it is so are assessed in one of the two categories of highest scores at the time of acquisition by at least 4 of one nationally recognised statistical rating organisation. Both Fannie Mae and Freddie Mac issue various debt securities in a wide range of maturities in the domestic and global equity markets to support their business. Unforeseen Interest Mortgage Loans HIT is authorized to provide or invest in federal government-affiliated mortgage loans, Fannie Mae or Freddie Mac. An unforeseen mortgage loan of this type is a mortgage loan on a rental project that provides for the repayment of principal and base interest at a fixed rate provided by the FHA or guaranteed by Ginnie Mae, or guaranteed by Fannie Mae or Freddie Mac, and includes separate contractual terms that oblige the borrower to pay additional interest entirely on the basis of net or gross cash flow and/or net or gross income per sale, refinancing or disposal of the project. This additional interest is not insured or guaranteed, and is sometimes referred to as a potential interest. Agreements on such unforeseen interest mortgage loans would be negotiated by project. Accordingly, the exact formula for calculating the amount of contingent interest payments would vary depending on several factors, including projected cash flow, the borrower's base interest rate and financial resources, and other factors considered relevant by HIT. The receiving of unforeseen interest is influenced by the amount of appreciation, as well as rental income and project costs. In general, if there is insufficient cash flow or accelections, unforeseen interest is not due or are paid. Contingent interest mortgages typically require lenders or investors to accept a lower base interest rate than they might otherwise negotiate, in exchange for the right to receive as additional interest a portion of cash flow and/or proceeds from the sale, refinancing or disposal of the project. HIT is allowed to make an unforeseen interest mortgage in exchange for a base interest rate that is up to 2% a year lower than the rate it would otherwise be willing to accept (e.g. in the absence of a potential interest feature). While the FHA would remain insured by all major and base interest, or be guaranteed by Ginnie Mae, Fannie Mae or Freddie Mac, as is the case, this structure may result in a decrease in current revenues (especially during construction and rental) in the hope that they will have higher returns in future years based on the economic performance of the project. As noted above, such amounts of contingent interest are neither federally guaranteed nor insured nor guaranteed by Fannie Mae or Freddie Mac. See below DESCRIPTION OF HIT, ITS INVESTMENTS AND RISKS – Risk Factors. HIT early repayment loans can also invest in FHA-backed mortgage securities or guaranteed ginnie Mae, Fannie Mae or Freddie Mac include the right to require the borrower to repay a mortgage loan before the regular maturity date of the mortgage loan after the initial period during which the loan cannot be invoked. This approval provides HIT with additional flexibility for shorter-term loans. Such loans may be more attractive to borrowers, as the interest rate on short-term loans may be lower and may be more attractive to HIT as it includes a short-term commitment of funds. In the case of such early repayment loans that are federally insured or guaranteed, while all principal and base interest would be insured or guaranteed by the FHA or Ginnie Mae, the obligation to repay the bubble would not be secured by mortgage real estate or any government insurance or guarantor. Such an obligation is foreseen instead to be secured by a security interest in the equity interests of the principal of the borrower or other security as negotiated by HIT and the borrower or principal. Since the obligation to repay the loan prior to its stated maturity would not be included in the being and the mortgage, HIT would not have the right to foreclosure on the mortgaged property or obtain insurance income in case of non-compliance with the repayment claim on that earlier date. HIT expects that if it is unable to make its right to early repayment, it will continue to hold a mortgage loan or securities backed by such a mortgage loan, the principal and interest of which would remain federally insured or guaranteed. In this case, there could be a loss as the hit would require a higher rate for a mortgage or mortgage-backed insurance that was not accompanied by the right to request repayment on an earlier date. The risk described in this paragraph does not apply to early repayment or bubble loans, or securities insured by that, guaranteed by Fannie Mae or Freddie Mac. This is because the payment of such loans and securities is guaranteed by Fannie Mae or Freddie Mac on the specified due date. 5 Pass-through and pay-through securities HIT is also authorized to invest in pass-through or pay-through mortgage-backed securities if the securities are rated in one of the two categories of the highest rating of the organization's nationally recognized statistical rating, such as S&P, at the time of acquisition, and also backed by certain mortgage securities in which HIT is otherwise authorized to invest. A description of S&P's debt rating categories is attached as Appendix A to this SAI. Mortgage-backed pass-through or pay-through securities are securities that can be issued by privately owned entities or public issuers and secured by mortgages or mortgage-related instruments such as FHA-backed loans or va guarantees, ginnie Mae securities or securities guaranteed by Fannie Mae or Freddie Mac, and provide certain characteristics and characteristics that federally secured loans or guaranteed certificates have Although the payment of principal and interest on such mortgage-backed securities may be provided by Ginnie Mae Securities, FHA-backed loans, loans or securities guaranteed by the VA guaranteed by Fannie Mae or Freddie Mac, such mortgage or pay-through securities represent liabilities solely of the issuer and will not be guaranteed or insured by any government entity or instrumentality or any other entity. While HIT will only buy pass-through and pay-through mortgage-backed securities, as described above, which are rated in one of the two highest rating categories by the organization's nationally recognized statistical rating, there is no guarantee that any rating of securities purchased by HIT will continue for any period of time or will not be revised downwards or fully withdrawn by the rating organization if, in its judgment, the circumstances so guaranteed. Any such revision down or withdrawal of such a rating would likely mean an increase in the risk to HIT related to related securities and would likely result in a decrease in the value of related securities. HIT is not required to dispose of transience or payment – through securities the rating for which it has been revised below the second category of the highest rating or withdrawn, except to the extent that certain investment restrictions so require. See below a DESCRIPTION OF THE HIT, ITS INVESTMENTS AND RISKS – investment constraints. Credit-enhanced government and local government mortgage securities; Private credit-enhanced mortgage securities; Loans for credit-enhanced bridge; Mortgage loans for projects that have evidence of state and local government support and meet these loan approval criteria HIT is authorized to invest up to 30% of its assets in the following four categories of investments. 1. Credit-enhanced state and local government Mortgage Securities Hit may invest in the types of credit-enhanced state and local government mortgage securities described below. (a) Full faith and credit. HIT may invest in construction and/or permanent loans, or securities secured by construction and/or permanent loans or interest in such loans or securities, where such loans or securities are supported by the full religion and credit guarantor of the state or local government or agency or its instrumentality which has a general tax authority, regardless of the credit rating of such entity or acquired obligations. There is no requirement for commitments acquired under this category to be assessed or assessed. If the state or local government or agency or instrumentality that secured such a guarantor fails or is unable to meet its obligations, the HIT would be subject to the same real estate risks and uncertainties that generally apply to real estate investments, which could have a material negative impact value and investment performance. Look at the description of the hit, the hit, INVESTMENTS AND RISKS - Risk factors - 7. Risks associated with real estate below. In addition, it cannot be ensured that the current or future economic difficulties faced by certain local and state authorities will not adversely affect the ability of state or local governments or agencies or their instrumentalities to fulfil their obligations. (b) Top Tier Agencies. HIT may invest in construction and/or permanent loans, or securities secured by construction and/or permanent loans or interest in such loans or securities, provided that such loans or securities are issued (with or without recourse) or guaranteed, as may be the case, by the state or local housing finance agency 6 designated by S&P by Top Tier (or a comparable assessment by another nationally recognised statistical rating organisation, as determined by the HIT Executive Board) at the time of its acquisition by HIT, and (i) with full recourse (directly or through guarantor or remuneration) to the general credit and assets of such an agency, or (ii) secured by resorting to such agency assets or by such credit enhancement by a third party in order to ensure , in the judgment of the administration, protection comparable to the pledge of the general credit of the agency, or (iii) the assisted moral obligation of the State in which such an agency takes the form of an obligation on the State to supplement any inadequacy in the funds pledged to the debt service on the basis of obligations. Although the agency must be rated Top Tier by S&P (or comparable rating), there is no requirement that the obligations it acquires are evaluated or evaluated at all, as long as the Agency Top Tier agency is at the time of acquiring the obligation by HIT. S&P has unofficially indicated to HIT that the only relevance that the Top Tier label would have on the assessment of certain obligations issued by such an agency is that S&P would, in certain circumstances, increase the rating of such obligations from a level they would otherwise be entitled to receive by half the level within the existing rating category. For example, a problem that might otherwise be eligible for an A grade could receive an A+ grade if the agency is the highest level (or the AA rating could be raised to an AA grade). However, the A+ rating would not increase to AA - as it would take the rating to another rating category (that is, from one A to double A). Before determining a housing agency as Top Tier, S&P must assess a number of criteria favorably, including the agency's general results, unlimited fund balance sheets, administrative capabilities, investment policy, internal controls, portfolio quality and the patronage state's commitment to housing. A more complete description of the guidelines used by S&P in relation to the Top Tier labels is attached to this SAI as Appendix B. It cannot be ensured that such a rating by any agency would continue for any period of time after HIT has obtained such an obligation or not to be revised downwards by the rating entity or withdraw it altogether if, in its judgment, the circumstances justify it. Downgrading the rating of the agency or withdrawing the rating may mean an increase in the risk that the obligations issued or guaranteed by that agency would not be paid in accordance with their terms and would likely result in a decrease in the value of the related liabilities, except to the extent that the HIT has received other forms of credit improvement or has taken other steps to secure its interests in the project. HIT is not obliged to have obligations issued or guaranteed by an agency losing its highest rating, except to the extent required by certain investment constraints. In addition, the rating is only the opinion of the company that issues it. SEE DESCRIPTION OF THE HIT, ITS INVESTMENTS, AND ITS RISKS— THE LIMITATIONS OF INVESTMENT. In view of any obligation issued or guaranteed by Top Tier, HIT expects to be secured either by a recourse obligation by the issuer (or its guarantee) or by other collateral insurance, in addition to benefiting (directly or indirectly) from liening on the underlying property. THE HIT management intends to selectively undertake transactions with agencies of the highest level

under absentee authority, and only after having made its own independent evaluation and investigation into experience, credit history and expertise in approving and managing agencies issuing obligations to be made. THE HIT therefore considers that direct liability or other collateral security provided by top-level issuers will be a significant factor in helping ensure the security and strength of hit investments. If such recourse or other collateral security received by the HIT in relation to an investment issued by Top Tier proves insufficient to ensure the full and timely functioning of the issuer's obligations under the investment conditions, HIT (or the agent or candidate on its behalf) will be entitled to lien for underlying real assets providing financed projects. If the hit is obliged to exercise its rights to the underlying property, as its resort to issue or other collateral security is insufficient, the HIT will be subject to the same risks and uncertainties related to real estate that are generally applied to real estate investments, which could have a material negative impact on the value and performance of the investment. Description of these potential risks see HIT DESCRIPTION, ITS INVESTMENTS AND RISKS – Risk Factors - 7. Risks associated with real estate below. (c) Agencies rated A or higher. HIT is permitted to invest in construction and/or permanent mortgage loans, or securities backed by construction and/or permanent mortgage loans, or interest in such loans or securities, provided that such loans or securities are issued or guaranteed, as may be the case, a state or local housing finance agency with a general obligation A rating or better by S&P (or a comparable assessment of another nationally recognised statistical rating by an organisation, as established by the HIT Executive Board) at the time of the acquisition of the investment by HIT, and (i) with complete recourse (directly or through full 7 non-options or guarantees) to the general credit and assets of such agency or (ii) are supported by a moral obligation. the state in which such an agency is located, in the form of an obligation on the State to supplement any inadequacy in the funds promised to the debt service on the basis of obligations or similar obligations. Although a state or local issuing agency or a member of an ACQUISITION obligation by AN HIT must have a general obligation debt assessment A or better, there is no requirement for the obligation itself to be assessed or ratable. There is no assessment requirement for states that ensure their moral obligation for such obligations. As noted above, HIT may acquire obligations supported by the moral obligation of the state in which the agency is located (regardless of the credit rating of such a state), rather than resorting to a state or local agency. Obligations supported by a moral obligation from a related state could include loans from HIT to the agency, securities issued by the agency or loans or participations in loans provided by HIT or the agency to the underlying borrower (or credit-backed securities provided by the agency to the borrower). However, these obligations would be ensured by the moral obligation of the state, not by fully resorting to the agency. The state's moral obligation could take the form of an obligation to supplement any weaknesses in the funds committed to the investment debt service or the obligation to pay any amounts due on the investment in the event that the income from the underlying immas estate is insufficient to pay all amounts when due. However, the moral obligation of the State would not be binding, the legal obligation of the State to pay the amounts due under the obligations acquired by the HIT and cannot be exercised against the state or its general loan and assets. Before assessing the general debt of the housing agency as A or better, S&P indicated that it must assess a number of criteria favourably, including the economic base of the state, the agency's legislative mandate, operational results and agency management, and the quality of earnings and financial strength of the agency. The description of the general obligation criteria used by S&P is annexed to this SAI as Appendix C. It cannot be guaranteed that the assessment of the general debt obligation of Agency A would or better continue for any period of time after HIT has defined an obligation issued or guaranteed by that agency, or that the rating would not be revised down or withdrawn altogether by the assessment if, according to the judgment, circumstances so require. A downgrade of an agency or a rating downgrade may mean an increase in the risk that the obligations issued or guaranteed by that agency would not be paid in accordance with their terms and could result in a decrease in the value of the related liabilities, except to the extent that HIT received other forms of credit increase in investment. The HIT would not be required to have obligations issued or guaranteed by an agency that loses its general obligation A rating or better, except to the extent required by certain investment constraints. See below a DESCRIPTION OF THE HIT, ITS INVESTMENTS AND RISKS – investment constraints. Provided that the issuing agency or the pede pedia obligation in which HIT invests has an A or better grade on its general debt obligations, there is no requirement that the obligation itself be assessed or ratable. While the liability rating is only the opinion of the issuing company, provides no guarantee of repayment and is subject to revision or withdrawal at any time by the rating organization, such ratings provide some indications to the potential investor that the proposed structure and revenue analysis for the liability meet the organization's internal rating criteria for the applicable rating. However, THE HIT intends to selectively undertake transactions within that authority, and only after having made its own independent evaluation in terms of experience, credit history and expertise in approving and managing agencies that issue or guarantee obligations to be made. The HIT considers that direct recourse provided by the agency involved in these investments or the moral obligation of the associated state will be a significant factor in assisting in ensuring the security and strength of investment to HIT. However, if such recourse proves insufficient to ensure the full and timely compliance of the issuer's obligations under the investment conditions, HIT (or agent or candidate on its behalf) will have the possibility to pledge the underlying property providing the funded project. If the hit is required to exercise its rights to the underlying property as its recourse against the issuer is insufficient, THE HIT will be subject to the same risks and uncertainties related to real estate that generally apply to real estate investments, which could have a material negative impact on the value and performance of the investment. See DESCRIPTION OF HIT, ITS INVESTMENTS, AND RISKS—Risk Factors—7. Risks associated with real estate below. (d) Sovereign insurance funds/programmes. HIT may invest in construction and/or permanent loans, or securities backed by construction and/or permanent loans, or interest in such loans or securities, if at least the first 8 75% of such credit or securities are supported under government insurance or guarantor by a state agency with creditworthiness records, as evidenced by the rating of the agency or the obligations issued or guaranteed by such an agency, by at least A- by S&P (or comparable assessment of another nationally recognised statistical rating agency) at the time of the acquisition of such investment by HIT. An assessment is the opinion of the issuing company and it cannot be guaranteed that such an assessment would continue for any period of time after the issuance of the insurance or guarantor or that the rating entity would not revise it downwards or withdraw it altogether if, according to the judgment, the circumstances are such a guarantee. Rating downgrade or withdrawal may mean an increase in the risk to HIT related to related investments and is likely to result in a decrease in the value of related liabilities. A hit is not obliged to dispose of those investments where the rating of an agency or obligations issued by such an agency or guaranteed by such an agency has been reduced or withdrawn, except to the extent required by certain investment restrictions. See below a DESCRIPTION OF THE HIT, ITS INVESTMENTS AND RISKS – investment constraints. There is no requirement for commitments acquired under this category to be assessed or assessed. If a government agency providing guarantors for commitments acquired under that investment body has failed or is unable to fulfil its obligations, or if the guarantor was insufficient to cover any losses in the event of default on a construction or permanent loan in which the hit invests or which supports the securities or interests in which HIT invests, THE HIT would be exposed to the same risks and uncertainties related to real estate investments in general, which could have a material negative impact on the value and performance of the investment. See DESCRIPTION OF HIT, ITS INVESTMENTS, AND RISKS—Risk Factors—7. Risks associated with real estate below. HIT considers that renouncing state and local government credit-enhanced investments provide HIT with considerable flexibility in creating investment opportunities for HIT. In addition to the above issues, investments may include certain risks that are not present with other authorized investments. Without a rating requirement or access to tax power, credit determinations in relation to proposed investments by the state and local governments by increased credit could be more difficult and their credit quality could be lower than that of other investments allowed by HIT. Credit-enhanced investments by the state and local governments may also be less liquid than most other investments approved for HIT. See THE DESCRIPTION OF THE HIT, ITS INVESTMENTS AND RISKS – investment constraints and DESCRIPTION OF THE HIT, ITS INVESTMENTS AND RISKS – Risk Factors - 2. Redemption below. 2. Privately credit-enhanced HIT mortgage securities may invest in the construction and/or mortgage loans or securities secured by construction and/or permanent mortgage loans or interest in such loans or securities, where the loans are provided by the state or local government or agency or its instrumentality, including a state or municipal housing finance agency or any other hit-friendly lender and such loans or securities secured by such loans are fully credit-enhanced or secured in a manner satisfactory to HIT: (i) cash placed in trust or escrow by a state or local government or agency or its instrumentality with an independent third party satisfactory hit under hit-satisfactory terms and conditions; or (ii) a credit letter, insurance or other guarantor from a public or private entity is satisfactory for an HIT that has an assessment (at the time of the acquisition of a related loan, securities or interest by HIT in such loans or securities) which is at least A or better than S&P (or a comparable assessment by another nationally recognised statistical rating organisation, as established by the Executive Board of the HIT Board of Commissioners). The assessment is only the opinion of the issuing company and there is no guarantee that the rating of the issuer of any credit letter, insurance or other form of guarantor collateralising the construction and/or permanent credit investment acquired by HIT will continue for any period of time or that the rating organisation will not revise it downwards or withdraw it alright if, according to the judgment, the rating of the organisation is guaranteed by the circumstances. Any such downward revision or withdrawal of such a rating may mean an increase in the risk to the HIT associated with the related investment and is likely to result in a decrease in the value of the related commitment. Hit is not required to dispose of privately credit-enhanced investments if the issuer's rating of the related loan, insurance or guarantor letter is reduced or withdrawn, except to the extent required by certain investment constraints. See DESCRIPTION OF HIT, ITS INVESTMENTS AND RISKS – investment limits 9 below. Regardless of any of the above, such downward revision or rating withdrawal would not in itself have any impact on the flow of revenue from the project to the HIT. If the issuer of any credit letter, insurance or other form of guarantor providing a private credit enhanced investment fails or is unable to meet its obligations under such credit letter or other guarantor, the HIT would be subject to the same risks and uncertainties related to real estate that generally apply to real estate investments, which could have a material negative impact on the value and performance of the investment. See DESCRIPTION OF HIT, ITS INVESTMENTS, AND RISKS—Risk Factors—7. Risks associated with real estate below. 3. Credit enhanced Hit Bridge loans may invest up to 5% of HIT assets in credit-enhanced override loans in (Credit Enhanced Bridge Loans), as part of a category in which it can invest up to 30% of its assets. This category includes mortgage securities increased by state and local government loans, private credit-enhanced mortgage securities, and mortgage loans for projects that have evidence of state and local government support and that meet certain loan approval criteria. Loans for credit-enhanced bridge loans are loans relating to housing developments, whose owners are eligible to receive and have allocated funds or other rights to receive low-income housing tax credits (LIHTCs) under Section 42 of the Internal Revenue Act 1986, as amended (IRC) or Rehabilitation Tax Credits (RTCs) under Section 47 of the IRC. Borrowers on LIHTC projects are entitled to receive tax credits that can be used in dollars to offset federal taxes that are otherwise due, subject to certain restrictions. LIHTCs are insured in significantly equal annual amounts to development owners over a 10-year period, generally starting from the year in which the units of each building were put into service, or when selecting the owner of the development in the year after the year the building was put into service. RTCs are generally loans in relation to the federal income tax liability for expenses incurred for the rehabilitation of certain qualifying buildings. Remediation includes renovation, renovation and reconstruction. In general, RTC is equivalent to 10 percent of the amount of qualifying expenditures for the rehabilitation of certain non-residential buildings put into service before 1936 and 20 percent of the amount of qualifying expenditure for the rehabilitation of certified historic buildings, subject to certain restrictions. The full amount of RTC can be requested in the year in which the property was put into service. RTCs are often used by developers to complete adaptive reuse of schools, office buildings and factory buildings for use as multi-comfortable apartment rentals in urban markets. Sponsors of LIHTC and RTC projects often sell equity stakes in their projects to investors who want to get the benefits of LIHTCs or RTCs. LIHTCs or RTCs, as applicable, are available to owners in proportion to their proprietary developing interests. Investors generally agree to pay their equity stakes in development (and thus in favour of movement owners receiving LIHTCs or RTCs) in installments during construction, lease and later periods, which are negotiated on a case-by-case basis. The investor usually pays the initial payment per equity admission and pays subsequent instalments as different milestones are achieved. Such milestones generally include pausing for free completion of construction and achieving stabilised occupancy at the agreed time (usually three to six consecutive months of occupancy at a certain level of debt service coverage). obligations are mainly proven by notes or contractual contracts. Development sponsors generally need revenue from the sale of LIHTCs or RTCs in or before construction can begin to make a distinction between construction financing and other available sources of funds and the overall costs of development development. Accordingly, it is common for sponsors to receive bridging loan financing on or before closing financing for construction loans to close this gap. It is generally considered that bridge loan financing will be repaid from payments due from LIHTC or RTC investors as the development is built and reaches milestones of achievement required by LIHTC or RTC investors. Unlike other construction financing, bridge loans with increased credits of the type in which HIT is allowed to invest 10 are usually not secured by a commitment or a direct obligation of fundamental development. Therefore, there is no mortgage or other mortgage against fundamental development. Instead, such credit-enhanced bridge loans are secured, as described below, primarily by the general loan of the e-obligation maker or guarantor and, to a lesser extent, by the equity holdings of LIHTC or RTC investors in the owner of the development. HIT intends to make loans for bridges enhanced by loans in a way that it believes will minimize HIT's risks to such loans. HIT proposes to limit such loans to loans that are on the day of the acquisition or adoption of loans by HIT: (a) issued or guaranteed by a state or local housing finance agency designated by S&P as Top Tier (or a comparable assessment by another nationally recognised statistical rating organisation, as determined by the Executive Board of the HIT Steering Board) with full recourse to the assets and credit of such an agency (or to such complete regressions , secured by such credit enhancement by a third party providing security comparable to the complete resort to the assets and credit of such an agency in the HIT management judgment; or (b) issued (with recourse) or guaranteed by a state or local agency with a long-term credit rating of A or more by S&P (or a comparable rating by another nationally recognised rating of an organisation approved by Executive Board of the HIT Board of Trustees) for credit enhanced bridge with a term of more than 12 months and at A-1 rating level or better by S&P (or comparable rating per rating. another nationally recognised statistical rating organisation approved by the HIT Executive Board) for a credit-enhanced bridge loan with a period of less than 12 months; or (c) issued (with recourse) or guaranteed by the FHA, Ginnie Mae, Fannie Mae, Freddie Mac or another entity with an AA credit rating or more by S&P (or a comparable rating by another nationally recognised statistical rating organisation approved by the HIT Executive Board of Trustees) or fully obligations issued (in addition to recourse) or guaranteed by the FHA, Ginnie Mae, Fannie Mae, Freddie Mac or any other entity with an AA credit rating or higher by S&P (or a comparable assessment by another nationally recognised statistical rating organisation approved by the HIT Executive Board of Commissioners); or (d) fully collateralised by a letter about a loan or other guarantors by a bank or other financial entity with an AA credit rating or higher by S&P (or a comparable rating by another nationally recognised statistical rating organisation approved by the Executive Board of the HIT Steering Board). Ratings are only opinions of the companies that issue them and are not guarantees in the quality or guarantee of the performance or quality of any such investment. HIT will only invest in credit-enhanced bridge loans where HIT is otherwise committed to investing in development construction and/or permanent mortgage credit, except in cases where a permanent development loan is expected to have an original principal amount of less than $1 million or expected to be financed primarily on a tax-free basis, in which case hit can provide credit to an improved bridge even if the hit is not committed to construction or permanent credit. The abovementioned loan improvement mechanisms may be structured to provide a guarantee that all planned payments under bridge loans enhanced by loans will be made at maturity or guarantee only the final repayment of all amounts due under such a loan at maturity or after enforcement or other liquidation. There is no requirement for the credit-enhanced bridge loan itself to be evaluated or evaluated. The credit for the credit-enhanced bridge will be disbursed in a HIT-approved manner as capital contributions are made by LIHTC or RTC investors, although not all proceeds from investor payments will be required to reduce the HIT loan if hit approves it. Unlike most other assets in which HIT invests, credit-enhanced bridge loans cannot be secured by real estate mortgages, are not directly related to mortgage payments with first-time mortgages, and are not insured or guaranteed by the federal government or entities such as Fannie Mae or Freddie Mac. However, as described above, Credit-enhanced bridge loans will be guaranteed or credit-enhanced by government housing finance agencies, 11 credit service providers or other mechanisms that are of the same credit quality as those providing credit enhancement for government and local government investments and investments that have evidence of support from the state or local government or agency or its instrumentality, and for privately credit-enhanced mortgage securities in which HIT can invest up to 30% of its assets. The debtor's obligation to pay principal and interest on a loan-enhanced bridge loan will not depend on the borrower's receipt Payment. However, the owner of the development may depend on investor payments to obtain funds with which to pay the loan on the credit-enhanced bridge. Payments to the development owner from its investors may depend on certain factors relating to completion, rent, other issues relating to LIHTC or RTC and otherwise. In the HIT, however, they expect that its investments will be made on the basis of a guarantor or debtor loan as described in (a) through (d) the above, and to a lesser extent the lihtc investor's equity stakes in the development owner. HIT's investment criteria are designed to increase the likelihood that HIT will only invest in loans worthwho credit for credit-enhanced bridges. HIT also believes that any additional risk associated with override loans, compared to other authorized HIT investments, will be offset by higher interest rates paid on bridge loans enhanced by loans. 4. Mortgage loans for projects with evidence of support from the state or local government; Which include the tax breaks of federal new markets and the trust's subsidiary community development entity; and/or who meet the above-mentioned approval criteria. HIT may invest in construction and/or permanent mortgage loans or in certain special purpose investment funds to facilitate the use of tax credits for emerging markets (NMTCs), provided that the total principal of such investments outstanding from time to time does not exceed 4 % of the value of all HIT assets and additionally provided that such loans meet the loan approval criteria or other requirements set out in the Trust Statement; including: (a) in the case of construction and/or permanent mortgage loans related to projects having evidence of support from the state or local government (or the agency or its instrumentality), that the loan-to-value ratio does not exceed 60% (or, 80% if HIT receives mortgage insurance or any other form of guarantor or credit support of the HIT investment in the amount that will cover all losses up to the loan level up to the value of 60% , or the project benefits from THE LIHTCs), that the state or local self-government (either the agency or its instrumentality) or the tax-exempt foundation make or facilitate the financial contribution to the project and that the minimum debt service cover for these stabilisation projects is at least 1.15, based on HIT projections on future revenues and expenditures; (b) in the case of the construction and/or permanent financing of mortgage loans in market interest rate projects, that the loan-to-value ratio does not exceed 60% (or 80% if HIT receives mortgage insurance or other form of HIT investment guarantee or credit support in the amount that will cover all losses up to the loan level and value of 60%) and that the minimum debt service cover is at least 1.25 in stabilisation, based on HIT projections on future revenues and expenditures; and (c) in the case of loans to specific investment funds (directly or through hit subsidiary Community Development Entity (CDE)) to facilitate the use of NMTCs, that CDE (or its designated subsidiary) is whoever owned by the Trust is a participant in the structure of the NMTC and that part of the credit is intended for the acquisition and construction and/or resolution of residential or mixed use projects or healthcare facilities; that CDE has a beleashed legal right to investment security (Investment Security) in the form of (i) interest on mortgage-backed securities guaranteed by Ginnie Mae or (ii) certain mortgages or interest on mortgages in which HIT is otherwise authorised to invest and in principal amount at least equal to the amount lent to the investment fund; that a fully owned HIT CDE (or its designated subsidiary) must be expected to have a belied legal right to investment security during the holding period required by NMTC rules, and the whot-owned CDE of HIT or HIT (or its designated subsidiary) must have the right to receive investment security at the end of that holding period; and that in the event of default on a mortgage covering or ensuring investment security during the holding period, HIT has the right to direct the reinvestment of the proceeds of 12 liquidations of Investment Security to the extent permitted by NMTC regulations in accordance with generally the same requirements as those set out in this subsect 4(c). There is no requirement for ER commitments in this category to be assessed or evaluated. As stated above in paragraph (c), HIT is allowed to invest in transactions involving the NMTC program under certain conditions. The NMTC program is a federal program run by the U.S. Treasury Department's Community Development Financial Institutions Fund that provides tax breaks to equity investors who invest in companies operating in low-income areas, including those engaged in creating housing and other construction activities. The purpose of the programme is to ensure access to capital for persons and/or entities in identified low-income areas by providing NMTCs working to provide capital at lower costs and under better conditions than would otherwise be available on the market. Investments in this category are subject to real estate risks that could have a materially adverse impact on the value and performance of liabilities. See DESCRIPTION OF HIT, ITS INVESTMENTS AND RISKS – Risk Factors--7. Risks associated with real estate below. In evaluating investments in all categories of investments in previous subseas from 1 to 4, HIT staff may consider, among other factors: (i) experience, past performance, credit rating, competence and managerial and marketing capacity of potential project developers; (ii) geographical area; (iii) location, quality of construction, condition and design of the project; (iv) the envisaged assessment loan the ratio and underlying assumptions on which such projections are based; (v) current and projected cash flow; (vi) the potential for capital appreciation; (vii) occupancy, supply and demand for similar-type properties nearby; (viii) liquidity prospects through the sale, financing or refinancing of the project; and (ix) such other factors that become relevant during the evaluation process. When assessing such approval criteria, HIT may retain consultants to assist HIT personnel. Please see below A DESCRIPTION OF THE HIT, ITS INVESTMENTS AND RISKS – retaining technical consultants. In determining whether to invest in state and local state investments increased by loans, private credit-enhanced investments, bridging loans increased loans, mortgage loans for projects that have evidence of support from the state or local government or agency and meet certain loan underwriting criteria such as the special purpose investment funds involving NMTCs, HIT is not limited to investments that have an assessment or are rated in any particular category by a nationally recognised organisation for statistical rating. Hit will endeavour to mitigate the risk of loss by investing only in instruments that meet certain criteria, as set out above. However, it cannot be ensured that the current or future economic difficulties faced by certain local and state authorities will not adversely affect the ability of state or local authorities or agencies or their instrumentalities to fulfil their obligations. Other HIT securities cannot invest more than 15% of their assets in the following categories, taken together: (i) securities issued by the U.S. Treasury, (ii) corporate securities issued or guaranteed by Fannie Mae and Freddie Mac or FHLBs, (iii) securities supported by Fannie Mae, Freddie Mac or FHLB, as long as such securities are rated in one of the two categories of highest rating at the time of acquisition at least once nationally recognized statistical organisations and (iv) subject to a further limit of no more than 10% of the value of all ASSETS of HIT, CMBS, as long as such securities are rated in the highest rating category by at least one nationally recognised statistical rating organisation. Treasury and FHLB liabilities of the United States and CMBS are described below, and the liabilities of Fannie Mae and Freddie Mac are described above under the headings HIT DESCRIPTION, its investments and risks fannie Mae and Freddie Mac Securities and DESCRIPTION OF HIT, ITS INVESTMENTS AND RISKS – Transitory and Pay-Through Securities. 1. Treasury obligations of the United States Sale to the market banknotes, notes and bonds with fixed principal, notes and bonds indexed by inflation and other similar instruments in regularly scheduled auctions. Full faith and credit of the United 13 States guarantees timely payment of principal and interest government securities. Marketable Marketable notes and fixed-principal bonds and bonds and bonds indexed by inflation are freely transferable and traded on capital markets. They are published in the book registration form and can be purchased through financial intermediaries or directly from the Treasury. 2. Federal Bank of Housing Credit Liabilities The federal home loan bank system consists of twelve regional FHLBs and the FHLB Finance Office and is overseen and regulated by the Federal Housing Finance Agency. The Federal Housing Finance Agency is an independent agency in the executive branch of the United States government established on July 30, 2008 by the Housing and Economic Recovery Act of 2008, which consolidated the headquarters of the Federal Housing Finance Board (previous FHLB regulator) the Office of Federal Housing Oversight (OFHEO) and the GSE Mission Office of HUD. It has a director appointed by the President and confirmed by the United States Senate and a committee consisting of a director, a Treasury secretary, a HUD secretary and a SEC chairman. The Finance Office is a joint office of FHLB that was established by the Federal Housing Finance Board to facilitate the eviction and servicing of FHLB's consolidated liabilities. The Federal Home Loan Bank system was created by Congress in 1932. FHLB's provide loans, called advances, to their members and eligible mortgages backed by mortgages and other collateral promised by members and mortgages. Advances generally provide funds for mortgage origination and portfolio lending, and can also be used to provide funds to any community financial institution for loans to small businesses, small farms and small farms. On January 1, 2001, FHLB's issued debt securities through the Treasury Office as their agent. FHLB debt securities include discount bonds, fixed-rate bonds and fixed maturities, call bonds, bonds that can be placed, variable rate bonds and global bonds. Discount bonds typically have maturities ranging from 1 to 360 days, and bonds typically have maturities ranging from 1 year to 10 years, but bonds are not subject to legal or regulatory maturity limits. These securities are sold through a network of traders or as direct placements. These securities are jointly and several liabilities of twelve FHLB's and are provided solely by FHLB funds. As of April 31, 2012, all long-term debt securities issued by the Federal Bank's home loan system carried grades AA+ from S&P and Aaa ratings from Moody's. Each FHLB shall operate in such a way and take all necessary actions to ensure that FHLB debt securities receive and maintain the highest credit rating of any nationally recognised statistical rating organisation currently evaluating such securities. Debt securities are not obligations of the United States and are not by the United States of America. Each of the twelve regional FHLB's is the instrumentality of the United States organized under the authority of the Federal Housing Loan Bank Act of 1932, as amended. Each is a privately capitalized, separate corporate entity and has its own management, employees and board of directors. Each FHLB is a cooperative in that only member institutions own an FHLB capital fund and receive dividends on their investment. Each FHLB operates almost exclusively with member institutions, and most directors of each FHLB choose its membership from and out of it. Additional information about FHLB's can be found in the FHLB Combined Financial Report and on its website in www.fhlbanks.com or www.fhfa.gov. 14 3. Commercial securities backed by a CMBS mortgage are generally multileaser pass-through securities backed by a mortgage loan or a set of commercially backed mortgage loans, including multifamily housing, office buildings, shopping malls, retail space, a hotel, a motel and other catering facilities, mobile home parks, self-storage facilities, and industrial and storage properties. Underlying mortgage loans are often ballooning loans rather than loans that depreciate against their terms, and properties that provide CMBS-backed mortgage loans can also be subject to subordinated debt and/or mezzanine debt. As with most current hit housing investments, the servicer transfers principal and interest payments from underlying mortgage loans by loan beneficiaries to CMBS holders. Typically, a CMBS transaction contains several different classes or tranches with varying exposure to default, advances and interest rate risk. The CMBS release is often structured by credit subordinates, namely the creation of grade bonds from AAA to unsubserved use of subordination. Each CMBS tranche typically receives interest payments with the bulk distributed sequentially starting with the top rated tranche. Usually, all principal and advances are first allocated to the current depreciating tranche, and when that tranche pays off, principal and advances flow into the next tranche in the waterfall. In credit-tranched CMBS issues, loss and payment tranches are typically reversed, and the top-rated classes are therefore the last to be hit by losses and usually the first to receive an early principal payment. Mortgage-backed securities supported by more than one form of HIT credit enhancement may also invest in the construction and/or permanent loans or securities or liabilities secured by the construction and/or permanent loans or interest in such loans, securities and liabilities supported by any combination of two or more types of credit enhancement that must support mortgage-backed securities in which HIT is otherwise authorised to invest, as described above, as long as all the main such loans or securities liabilities supported by such loans or interest in 2000 were fully collateralised by one or more of these types of credit enhancement. Multiple forms of credit improvement can be combined simultaneously or sequentially. Obligations prior to the construction of the HIT may assume obligations prior to construction to ensure permanent financing upon satisfactory completion of a particular project. Such commitments, commonly known as permanent financing or commitments to take out, are often a prerequisite for a developer's ability to obtain a construction loan. HIT may receive deposits in good faith for such ongoing financing obligations, but such deposits are not expected to be the main source of HIT revenue. Unlike a company that hopes to earn a fee for a no-investment liability, HIT will assume ongoing financing commitments with the purpose and ability to acquire mortgage security. As full financing of construction and permanent mortgage loans requires up to three years after the financing commitment, HIT estimates the amount of funds it expects to have available for principal and advance investments for existing mortgage securities, dividend reinvestment and the sale of additional units to new or existing participants. Loan commitments were made after considering reasonable projections of available funds. HIT's short-term cash balances can sometimes be less than its outstanding funding commitments. This liability policy reduces the amount of assets HIT would otherwise invest in lower-yielding short-term investments. HIT maintains highly liquid government securities in a separate account which, in addition to short-term liquid assets and projected amounts, is at least equal to outstanding financing liabilities. However, if a significant amount of the funds projected to be available are not actually received, HIT would either borrow funds in accordance with credit lines previously established with commercial banks (in accordance with applicable asset cover requirements) or sell long-term assets to raise the cash needed to finance financing liabilities. Forward Obligations Hit invests in mortgage securities incurred in accordance with forward liabilities, in which HIT agrees to purchase investments in mortgage loans that have not yet been concluded or supported. For mortgage-backed securities backed by multi-tiered projects to be built, HIT typically agrees to a fixed interest rate and purchase price for 15 mortgage-backed securities shipped in the future. In periods of interest rate cuts, mortgage-backed securities for which HIT has issued liabilities cannot be delivered to HIT. HIT typically seeks to reduce the likelihood of defaulting on mortgage-backed securities backed by multi-tiered projects and certain individual family loans by including mandatory delivery clauses in its liabilities, which in some cases are secured by pledged mortgages on the property. toga, HIT HIT requires a deposit in good faith, payable when liabilities are issued for mortgage-related securities related to multi-use projects. HIT keeps the deposit if no such investment has been provided to THE HIT. These mechanisms help ensure the delivery of related mortgage-backed securities, but there is no guarantee that any investments made by HIT to purchases will actually be delivered to HIT or that the deposit will cover any lost value of any mortgage security not delivered as needed. Short-term investments HIT will temporarily invest funds in liquid assets until they can be placed in mortgage securities or other securities that have wacky HIT investment targets. Such liquid assets are limited by the Declaration of Confidence on: matters of the Treasury of the United States of America; federal agency issues; commercial bank certificates of deposits and deposits of savings banks in banks insured by the Federal Deposit Insurance Corporation (through the Bank Insurance Fund); deposits of savings and credit associations insured by the Federal Deposit Insurance Corporation (through the Savings Association Insurance Fund); acceptance of bankers (drafts or bills of exchange accepted by a bank or trust company that pays them guaranteed); commercial work assessed by S&P as category A-1 (or comparable assessment by another nationally recognised statistical rating agency); collateral loans and dry-up agreements (temporary allocation of mortgage notes or mortgage-backed securities to family homes insured by the FHA or va-guaranteed family home or multi-tiered FHA-backed projects; and interests (including the purchase of contracts, i.e. the purchase of securities accompanied by an agreement on the subsequent resale of securities) in United States government securities that the bank or other borrower has committed to provide short-term loans from HIT. HIT may also temporarily invest in registered investment firms that predominantly invest in United States Treasury matters or federal agency matters. Investments in other registered investment firms are limited as follows: (a) Such HIT-acquired securities do not exceed 3 % of the total outstanding voting stock of any investment firm; (b) The total value of such hit securities in any investment firm shall not exceed 5 % of HIT's assets; and (c) The total value of such hit securities in all investment firms shall not exceed 10 % of HIT's assets. Contracts to replace the total return on tax-exempt bonds hit is allowed to sell its investments in tax-exempt bonds to another contract and at the same time enter into a total return swap (TRS contract) under which HIT retains the bond risk from label to market and agrees to pay a variable interest rate in exchange for interest payments equal to Bonds. HIT may only enter into such TRS contracts with other contracts rated in one of the two categories of highest rating per two nationally recognised statistical ratings of the organisation. A TRS Contract is a contract in which one party pays on the basis of a certain rate, fixed or variable, while the other party pays on the basis of the return of the reference asset (in this case tax-exempt bonds supported by a mortgage providing multi-tiered assets), which includes the income it makes and the gains or losses associated with the change in the price of bonds. The total notional value of tax-exempt bonds included in such TRS contracts outstanding from time to time shall not exceed 10% of the value of all HIT assets. HIT will segreg liquid assets with its custodian or otherwise cover its current obligations under the TRS contract in accordance with applicable regulations and rules applicable to HIT. 16 Investing in complementary entities The HIT Trust Statement allows HIT to form and own businesses that can help it create potential investments that HIT is otherwise allowed to invest in, including those that facilitate or promote housing construction using union workforce, housing construction or the availability of mortgage loans for union members. HIT fully owns Building America CDE, Inc. (Building America), a Delaware corporation that was set up mainly to act as a CDE or act as a channel for a separate CDE to facilitate transactions that may use NMTCs. Retention of technical consultants Most of the construction and permanent mortgage loans and mortgage-backed securities in which HIT is invested are insured to meet the requirements of HUD , Fannie Mae or Freddie Mac, or are subject to a specific qualifying loan under value standards by state or local housing finance authorities. However, in assessing certain investments, HIT may retain consultants to provide site inspections, assessments, environmental analyses, asset management reviews and other statistical and factual information that HIT may find useful for its evaluation and investment decision-making. Such consultants may provide such analysis on a case-by-case basis and only with regard to occasional transactions in specific proposals. All such consultants are reimbursed by the hour or for a specific fee for evaluating each particular proposal. Portfolio turnover Portfolio turnover Rate decreased from 42.2% in 2010 to 42.5% in 2013. Turnover was mainly driven by the mortgage securities advance rate and active portfolio interest rate management and spread risks against the HIT benchmark, barclays capital aggregate Bond Index. Proxy Voting The HIT invests exclusively in non-voting securities (excluding shares of its whot-owned subsidiary, Building America CDE, Inc.) and did not consider it necessary to adopt policies and procedures for voting on portfolio securities. During the most recent 12-month period, HIT held in its portfolio that the issuer securities for which issuers were considered were not taken into account at the shareholder meeting. HIT reported this information in a filing with the SEC on form N-PX. The HIT report on the N-PX 12-month voting report for the 12-month period ended june 30, 2015. Participants can also obtain a copy of the HIT report on form N-PX, free of charge, on request, by calling 202-331-8055. The disclosure of HIT portfolio holdings may, on request, provide disclosure in relation to HIT portfolio securities to its participants, their advisers or advisers, and to certain third-party consultants and service providers hired by the hit. In accordance with HIT policies and procedures, all such disclosures are subject to a requirement that such information be kept confidential and subject to a prohibition on trading or other misappropriation of information. Information is usually available within thirty (30) days of the most recent end of the month. HIT or any other party does not receive any compensation or other compensation in connection with the disclosure of securities portfolio information. Disclosure of HIT portfolio securities to any party must be pre-approved by an HIT officer and the HIT legal department, and notice must be given to the HIT's chief compliance officer. This clearance procedure is designed to ensure that disclosure of any information about the securities portfolio is in the best interests of participants and the policy has been approved by the Management Board. In accordance with the HIT Declaration of Confidence and Data, the Management Board delegated powers to HIT business management officers, including disclosure of portfolio securities. HIT senior management found that due to the nature of the HIT portfolio share, there is no material risk that disclosing such holdings would lead to front-running or other predatory trading practices (such as forward trading) that could adversely affect hit performance. In addition, HIT Senior Management found 17 that because HIT values its portfolio monthly while allowing purchases and buybacks only on a monthly basis, there is no material risk that an investor could engage in market timing at the expense of other HIT participants. The ER custodian is not authorized to disclose HIT portfolio securities to any person. HIT has informal ongoing arrangements with certain participants to ensure the release of the securities portfolio every month. This disclosure is subject to the same procedures and limitations as described above and is provided at the same time. Other hit policy hit is Title II of an unsupervised mortgage and is eligible under applicable FHA regulations for origination and service multilayer mortgages nationwide. Are they a hit that they come from loans under this competent authority, can also invest in multi-suspension mortgage loans originating. If feasible and profitable, HIT can directly service some of the permanent loans in which it invests. In general, however, the mortgage securities in which HIT proposes to invest, whether it originates a hit or not, will typically be serviced by mortgage banks or other mortgage servicing institutions, such as commercial banks, located throughout the United States. Such institutions are generally reimbursed for their services at rates ranging from 0.05% to 0.75% per year, calculated monthly, on the then valid outstanding principal in the case of permanent first mortgage loans, and at rates ranging from 0.125% to 0.25% per year or more of outstanding balance in the case of construction loans. HIT is authorized to invest in project-assisted mortgage securities anywhere in the United States. HIT will only invest in mortgage-backed securities that provide returns competitive to those that then generally prevail in the market taking into account all factors relevant to

the appropriate risk and return assessment and the overall HIT targets. Among comparable yield mortgage securities, HIT will, if possible, invest in projects in geographical areas where participants or their members are located. As a portfolio management and risk mitigation strategy, HIT will from time to time buy or sell mortgage securities and other securities to prevent fluctuations in weighted average portfolio maturity, manage portfolio duration, or maintain a desirable level of portfolio diversification. Furthermore, HIT remains free to dispose of mortgage-backed securities and other securities at any time in order to meet THE HIT targets, generally based on changed circumstances or market conditions. Short-term liquid assets in which HIT can temporarily invest is subject to a very high turnover rate. The fees associated with the purchase, sale or redemption of such liquid assets are nominal. To the extent that HIT invests overnight cash through its custodian, it may be required to pay fees of 0.25% of the assets invested, however, such fees have been abolished since May 2009. HIT mortgage securities are directly or indirectly secured by mortgages or real estate mortgages, resulting in a concentration of investment in the real estate industry. For the purposes of the Investment Firms Act, concentration means investing more than 25% of the value of assets in any industry. The HIT investment restrictions below adopted the restrictions cited as core policies. According to the Investment Firms Act, the underlying policy is one that cannot be changed without the approval of the holders of most of the outstanding HIT units. HIT won't: (a) concentrate their investments in any industry other than the real estate industry as set up above (i.e., in fixed income securities in the mortgage and mortgage finance sectors of the real estate industry); (b) allow less than 55 % of mortgages and securities backed by mortgages and securities backed by mortgages or securities backed by HIT companies that are federally insured or guaranteed or guaranteed by Fannie Mae or Freddie Mac with regard to principal and interest payments or in cash or short-term investments, including United States Treasury matters, repurchase agreements , the federal agency 18 issues, mutual funds investing in such securities, deposit certificates and other liabilities of domestic banks, commercial paper, collateral and drainage agreements and instruments that are liquid but may or may not be secured by real estate or federal guarantees or insurance (Short-term investments); (c) originate or purchases any mortgage security secured by a project involving new construction or remediation, unless buildings, structures or other improvements to be built on properties subject to such a mortgage are built or rehabilitated 100% by union work; (d) issue higher securities, except as permitted (i) by the Investment Firms Act and the rules and regulations therein, or interpretations or amendments by the SEC, SEC personnel or another body with appropriate jurisdiction, or (ii) exempt or other relief from the SEC, SEC personnel or other bodies; (e) borrow money, except as permitted (i) by the Investment Firms Act and the rules and regulations therein, or interpretations or amendments by the SEC, SEC personnel or another body with appropriate jurisdiction, or (ii) exempt or other relief from the SEC, SEC personnel or other bodies, provided that no more than 50% of HIT assets are used as insurance for such borrowings; (f) sell all short securities; (g) write path and call options; (h) bribe other issuers' securities, except that HIT may resell to other financial institutions all or part of mortgage securities acquired by hit in transactions exempt from registration under the Securities Act of 1933, as amended (Act 1933); (i) the purchase or sale of real estate (other than mortgage loans for real estate and construction loans) other than foreclosure properties on mortgage loans and construction loans held by HIT; (j) buy or sell goods or goods futures contracts; (k) borrow any HIT assets except under the permissible (i) Investment Firms Act and the rules and regulations therein, or interpretations or amendments by the SEC, SEC personnel or other bodies with appropriate jurisdiction, or (ii) exempt or other relief from the SEC, SEC personnel; or another body; or (l) invest more than 15% of assets in securities that cannot be sold or disposed of in within seven days at approximately the value at which the assets were valued by HIT. Single Effect Effect the above clause is to prohibit HIT from investing more than 15 % of its assets in investments that do not meet the liquidity requirement described in the clause, although it may otherwise be allowed under the Declaration of Confidence. Risk factors The primary risks of investing in HIT units are summarised in the Prospectus entitled MORE ON THE MAIN INVESTMENT RISKS. The following section contains a more complete discussion of the risks associated with investing in HIT units. General risk The value of securities owned by HIT can go up or down, sometimes quickly or unpredictably. If the value of THE HIT-owned securities falls, the value of your HIT investment will decrease. The value of securities held by HIT may fall due to general market conditions, such as real or perceived unfavourable economic, political or regulatory conditions, inflation, changes in interest rates or unfavourable investor sentiment. Periods of 19 economic downturns can cause a significant drop in the value and liquidity of some securities and market distortions. In addition, legislation recently passed in the US calls for changes in many aspects of financial regulation. The impact of legislation on markets and the practical implications for market participants may not be known for some time to come. Unfavourable market conditions may be extended and may not have the same effect on all types of securities. Some of these general risks are discussed in more detail in the more specific categories below. 1. Fluctuating interest rates The market value of hit investments and the resulting net asset value of the HIT portfolio will fluctuate with short-term changes in market interest rates. In general, when market interest rates rise, the net asset value of HIT will decrease; Participants who redeem units in such circumstances will suffer the resulting loss of value of the HIT assets. On the other hand, at certain periods of interest rate cuts, the investment held by HIT will increase market value, but mortgage securities or CMBS can be repaid in advance by different borrowers or other obligedes so that expected returns on such investments cannot be realised. Planned principal payments and any advance payments will be reinvested at prevailing interest rates, which may be less than the interest rate for investments at which such payments were made. In addition, to the extent that HIT buys investments at a premium (i.e. an amount higher than the principal amount of the purchased asset), partial advances on principal would reduce the return on HIT and, in the event of a full advance, HIT would not be able to repay or reimburse the premium. While registered investment firms generally have to value their assets and accept redemption claims on a daily basis, HIT is allowed to value its assets and accept redemption claims no more often than quarterly, based on an exclusion order obtained from the SEC. On 1 October 1987, the Board of Trustees approved investments and redemptions on a monthly basis instead of on a quarterly basis. For the fiscal year ended December 31, 2011, total redemptions came to $101.6 million, or 2.5% of the HIT average net assets. Frequent redemptions can interfere with effective management of the HIT portfolio, increase portfolio transaction costs, and negatively affect long-term HIT participants. Unfavourable market conditions may encourage investors to increase buybacks. To ensure that it will be able to meet all redemption claims in a timely way, HIT will not invest more than 15% of assets in securities that cannot be sold or disposed of in the ordinary course of business within seven days at approximately the value at which the assets are valued at a hit (see HIT DESCRIPTION, ITS INVESTMENTS AND RISKS – Investment restrictions above). 3. The restricted market for the resale of certain types of mortgage-backed securities for investments that are federally insured or guaranteed or guaranteed by Fannie Mae or Freddie Mac shall be highly liquid and there is an active secondary market for such investments. The prices of these investments are often publicly quoted. If federal aid to Fannie Mae or Freddie Mac ends at a time when they are not generating enough revenue to pay all their liabilities, or if federal aid is insufficient to meet all of Fannie Mae and Freddie Mac's gourmet liabilities, it would negatively affect the liquidity of their mortgage-backed securities. There is no similar secondary market for mortgage-backed securities that are not federally insured or guaranteed or that are not issued or guaranteed by Fannie Mae or Freddie Mac or that are backed by loans or securities that are not federally insured or guaranteed or are not issued or guaranteed by Fannie Mae or Freddie Mac. Such mortgage-backed securities can be difficult to sell or illiquid, especially in times of market turmoil. A number of factors limit the affordability of mortgage-backed securities that are not federally insured or guaranteed or not issued or guaranteed by Fannie Mae or Freddie Mac or are backed by loans or securities that are not federally insured or guaranteed or are not issued or guaranteed by Fannie Mae or Freddie Mac. This includes the fact that many of these investments are structured in a one-off rather than a standardised way as they are tailored to the specific needs of the project to be funded. As these investments have been adapted in such a way, the published quotes do not exist and potential buyers must be contacted individually. The requirements and costs of administrative servicing of loans and other factors limit to some extent the resale market for individual family mortgage loans. Large mortgage asset apoenas for multi-tiered and medium-sized care facilities, assisted living facilities and nursing homes limit the number of customers interested in them. In the case of long-term 20 Security, the market is appropriate to be more constrained than for shorter-maturity mortgage securities. The necessary liquidation of long-term mortgage-backed securities on an unfavourable market could result in significant nominal losses. Uncertainties inherent in building buildings are affecting the market for the period of construction of mortgage-backed securities. If mortgage security is sold during the construction period, the buyer will usually seek guarantees on the status of construction, the nature of the permanent financing obligation and other issues relating to the underlying project. These and other factors may cause delays in the event of a decision to sell mortgage-backed securities during the construction period. Default on loans may occur for a variety of reasons, including those described below under the heading DESCRIPTION OF THE HIT, ITS INVESTMENTS AND RISKS - Risk Factors - 7. Real estate risks. HIT may experience certain losses in case of default on loans, which directly or indirectly back to HIT investments. To a limited extent, this applies even to federally insured or guaranteed loans. Losses on federally insured or guaranteed loans may arise as a result of: (i) claims in some cases that the default mortgage loan owner typically pays a 1% allocation fee when receiving an insurance settlement; (ii) an application in some cases for the mortgage loan owner to obtain ownership of the property, foreclosure or otherwise, in order to obtain an insurance settlement; (iii) the fact that federal agencies may in some cases settle insurance obligations by paying in debt rather than cash; (iv) possible offsetting of insurance revenues against amounts held by HIT or a mortgage banker; (v) loss of certain interest payments by default not covered by certain FHA insurance schemes; (vi) foreclosure costs and associated costs; (vii) errors or omissions by the mortgage banker or fraud or material inaccuracies of the borrower resulting in a decrease in insurance revenues, including where the HIT acted as a lender; (viii) loss of premiums even if principal and interest are resale; and (ix) other reasons. For VA guaranteed loans not included in ginnie mae pools, it's possible the amount of loss will exceed the maximum exposure to VA loss under its guarantee. If that were to happen, THE HIT would bear some of the loss not covered by va's gurantia. HIT may invest in certain loans or securities that, in addition to principal and basic interest insured or guaranteed by FHA, VA or Ginnie Mae, or guaranteed by Fannie Mae or Freddie Mac, include separate unsecured liabilities. These investments may consist of (i) federal government-related mortgage loans, Fannie Mae and Freddie Mac which include separate contractual terms obliging the debtor to pay additional interest in full on the basis of net or gross flow and/or net net gross remuneration from the sale, refinancing or disposition of a project (contingent interest) and (ii) mortgage loans involving the right to require the borrower to repay a mortgage loan before the ordinary maturity date of the secured mortgage loan. See ABOVE DESCRIPTION OF THE HIT, ITS INVESTMENTS AND RISKS – loans with contingent interest mortgages and DESCRIPTION OF HITS, ITS INVESTMENTS AND RISKS – early repayment loans. Contingent interest liabilities in excess of principal and base interest are not secured by mortgage credit, government insurance or guarantor or any errand or guarantor of Fannie Mae or Freddie Mac. Moreover, in the event of default on a mortgage loan resulting in an insurance claim or a federal government guarantor, or against the obligation or guarantor of Fannie Mae or Freddie Mac, the right to receive contingent interest would be granted to a federal government agency, Fannie Mae or Freddie Mac, as the case may be, or terminated. In addition, the obligation of the principal of the project owner to pay unforeseen interest is generally not a personal obligation of such parties. There can be no guarantee that any project or principal owner will have sufficient financial resources to pay any unforeseen interest that may be due. HIT expects to attempt to secure an unforeseen interest obligation by obtaining, where possible, a subordinated mortgage and/or security interest in the equity interest of the principal of the borrower or other securities. Under certain circumstances, state lihyphrry laws lay down limits on the maximum interest rate that can be charged and impose penalties for providing loans, including fines, interest deduction and debt indigestibility. While HIT does not intend to provide or invest in mortgage loans that charge unforeseen interest rates higher than those allowed by law, there is a risk that interest on unforeseen interest mortgages could exceed legal limits as a result of uncertainty about setting a maximum statutory 21 interest rates in certain jurisdictions, especially with regard to contingent interest. In order to address this risk, in circumstances where HIT invests in unforeseen interest mortgage loans, THE HIT intends to obtain (i) an opinion from an adviser from the jurisdiction where the mortgage assets are located stating that, in the opinion of the lawyer, the unforeseen interest rate does not exceed and will not exceed the maximum interest rate allowed by law and/or (ii) special approval under the retinsured insurance policies, in jurisdictions where possible, providing a HIT against penalties that may result from interest collection above the maximum interest rate allowed by law. If HIT receives a subordinated mortgage or other insurance to ensure that unforeseen interest is paid, no such subordinated mortgage or security will provide meaningful protection for HIT with regard to all due payments, as entitlements under such subordinated mortgage or other security and project revenue will be subordinated to the rights of first priority holders. However, in most of these cases, HIT will be the bearer or beneficiary of the first priority inn. HIT's ability to gather unforeseen interest greater than the insured base interest will also depend on the economic impact of the project and will be subject to the risks inherent in investing in real estate. The economic performance of a project can be influenced by a number of factors, including, but not limited to, occupancy levels, tenant defaults in rent payments, rising costs of doing business for projects and Works of God, such as earthquakes and floods. Given federally insured or guaranteed mortgage loans that include the right to require the borrower to repay the indebtedness before the regular maturity date of the mortgage loan, the obligation to repay the bubble would not be secured by a federally insured note or mortgage or any government insurance or pit. Instead, such an obligation is expected to be secured by a security interest in the equity interests of the debtor's principal or other securities, including, if possible, a subordinated mortgage. Since the loan repayment obligation would not have been included in the federally insured or guaranteed note and mortgage prior to its maturity, HIT would not be entitled to obtain insurance income in the event of non-compliance with the repayment claim on such an earlier date. If HIT received a subordinated mortgage to secure early mortgage repayment, HIT could, in compliance with certain conditions, foreclosure on a mortgaged property and obtain rights (directly or through an agent or candidate) to a basic property subject to a federally insured first mortgage. However, even if HIT receives a subordinated mortgage or other security, it cannot be ensured that such a subordinate mortgage or other security will provide meaningful protection for HIT in relation to early loan repayment, as entitlements under such a subordinated mortgage or other security and project income will be subordinate to the rights of the first mortgage holder. HIT expects that if it is unable to make its right to early repayment, it would still have its interests in a mortgage loan or securities backed by such a mortgage loan, principal and interest from which a mortgage loan or securities would remain federally insured or guaranteed. In this case, there could be a loss as the hit would require a higher rate to invest in a mortgage loan or mortgage-backed insurance that was not accompanied by the right to request repayment on an earlier date. The (song) described in this paragraph does not apply to balloon loans or that of securities guaranteed by Fannie Mae or Freddie Mac, as payments on such loans and securities are guaranteed on the specified due date. In addition, not all loans or assets related to a mortgage in which HIT can invest are federally insured or guaranteed or guaranteed by Fannie Mae or Freddie Mac. Mortgage securities that are not as insured or guaranteed and CMBS will be subject to any risks inherent in real estate investment. See DESCRIPTION OF HIT, ITS INVESTMENTS AND RISKS – Risk Factors - 7. Risks associated with real estate below. There can be no guarantee that the assessment that exists when investing in HIT will continue for any period of time or that the rating entity would not revise it downwards or withdraw it altogether if, in its judgment, circumstances so require. A rating downgrade or rating downgrade may mean an increase in the risk of default on the related investment and is likely to result in a decrease in the value of the investment. Ratings are only opinions of the companies that issue them and are not guarantees in the quality or guarantee of the performance or quality of any such investment. Market events during the recent financial crisis that began in 2007 22 The Investment Firms Act defines a diversified company as an investment firm maintaining at least 75% of the value of its assets in, among other investments, securities of any issuer limited to a value of no more than 5% of the value of the company's assets. In this regard, the Statement of Trust does not specify the proportion of HIT assets that may be committed to single mortgage security or mortgage-backed securities issued, secured or guaranteed by any company or entity. HIT plans to follow an investment policy of no more than 15% of its assets in any individual mortgage security from the moment of investment. Given the previous definition of a diversified company, HIT's ability to invest up to 15% of its assets in single mortgage security under this policy may from time to time result in a transition of the HIT portfolio from not diversified to diversified to diversified and back again, without prior approval from investors. This shift is contrary to section 13. However, HIT received an exemption from the SEC from that requirement to the extent that an exemption might be required for HIT to implement its investment practices as described above. To the extent that HIT operates as a non-diversified enterprise, the risk of losing investment will increase. SEE HISTORY – EXEMPTIONS FROM SPECIAL REQUIREMENTS OF THE INVESTMENT FIRMS ACT IN THIS SAI ABOVE. To the extent that HIT invests in assets of fewer issuers, HIT will be more vulnerable to negative events these issuers. 7. Real estate-related risks HIT is required to invest primarily in mortgage-backed securities that are (i) federally insured or guaranteed or issued or guaranteed by Fannie Mae or Freddie Mac, or (ii) backed by securities, liabilities or loans that are federally insured or guaranteed or issued or guaranteed by Fannie Mae or Freddie Mac. In addition, almost all other HIT mortgage securities have some form of credit improvement to guard against losses in the event of default. However, to the extent that mortgage security does not have credit enhancement, or if Fannie Mae, Freddie Mac, a state or local government entity or private entity providing credit enhancement for mortgage security defaults does not meet its obligations in the event of default under an underlying mortgage loan or in certain cases where hit acts as an initiator, the HIT would be subject to risks applicable to real estate investments in general with respect to that mortgage security. The current economic difficulties in the real estate market and in the equity and debt markets have increased these risks. Some of these risks are described below. (a) Building risks. The construction period is an extremely risky phase of any project development for different reasons. For example, it is sometimes difficult to accurately estimate before the start of construction the total construction costs and the associated carrying costs that will be required to complete the project and pay operating costs, leasing costs and debt services until the project reaches permanent occupancy. In addition, the construction period may be subject to unforeseen delays and difficulties that may adversely affect the project and the associated construction loan. The total cost of project development and the projected completion date are subject to change as the construction and operation of the project progresses. During all stages of development and construction, the developer is subject to extensive environment, building, land use, zoning and other statutes and regulations governed by various federal, state, county and local governments. Such legal and regulatory requirements (as well as any changes to such requirements during construction) may result in increased costs, construction delays and/or inability to complete the project on schedule and in accordance with development plans. For example, changes in environmental or other laws can impose or increase restrictions on the use or operation of a project, may increase certain project costs, or may require potentially costly changes in the physical configuration of the property. Changes in federal tax laws can make real estate investment less attractive economically and thereby negatively affect real estate values. Other factors that may result in increased costs, construction delays and/or inability to complete the project on schedule under development plans, they include, without limitation, cost increases or shortages or unavailability where necessary, materials, operation and/or services, construction or labour disputes, construction delays caused by adverse weather conditions, casualties and other 23 factors, mismanagement, delays, unforeseen costs and difficulties in obtaining project leases and other unforeseen occurrences. Such cost overruns and delays can adversely affect the developer's ability to complete the construction of the project, as well as the economic viability of the project. While the project and sponsor will be carefully reviewed and secured, there is no guarantee that the debtor will have the funds available to finance the total construction and marketing costs of the project or will be able to provide secondary or alternative financing of cost overruns or unforeseen costs. In the event that revenues from construction loans and other funds available to the borrower are insufficient to pay all such costs, the project must not be completed, meet all the conditions for permanent financing and/or reach permanent occupancy, in case the borrower is unlikely to be able to repay the loan. There is no guarantee that the debtor will be able to complete the construction or lease of the project as needed. Delays may be due to various causes, including, without limitation, the factors mentioned above, despite the developer's contractual obligations in the area of completion and lease. Any failure to complete the construction or lease of a project on schedule and in accordance with development plans may result in loss of rental income, loss of permanent financing (if HIT provides only construction financing) or other financial assistance for the project. Market conditions may also change between the time when the obligation or lease for the construction and completion of the project is issued, making the project economically unfeasible or projected rents elusive. In the event that any waiver or other difficulties occur during the construction period, the debtor may not repay in due time any amounts that have progressed below or in relation to the construction loan. (b) Risks affecting the operation of projects and the repayment of permanent loans. The borrower's ability to pay for the required mortgage loans after the project is completed will be influenced by various factors. These include, but are not limited to, achieving and maintaining a sufficient level of occupancy, good project management, timely receipt of rental income, increasing rents to cover increases in operating costs (including taxes, utility rates and maintenance costs), and the costs of necessary repairs resulting from reasonable wear and tear and casualties, and changes in applicable laws and government regulations. In addition, the continued feasibility of the project may depend in part on and local economic factors, supply and demand for rental housing in the area where the project is located, competition from other rental housing projects, high unemployment rates, rent controls and profit controls. There are no guarantees that the project owner will be able to earn and retain sufficient rental income in order to pay in a timely way all operating costs and the costs of maintaining and repairing the project and the debt service on the linked mortgage loan. In the event that the project owner is unable to pay for all such costs, costs and debt service, it is likely that the obligation of the tied mortgage loan will be defaulted. (c) Environmental and litigation risks. Certain states impose legal obligations on the associated costs of property that is the subject of a state action for cleaning for hazardous waste or hazardous substances that are released or deposited on the property. Such a claim will generally take priority over any subsequent insou sidesilments on the property and, in certain states, will take priority over previous recorded inerloils, including mortgage mortgages. In addition, under federal environmental law, and possibly under state law in a number of states, an insured party that takes a work instead of foreclosure or acquires a mortgaged property when selling foreclosures can be liable for the cost of cleaning up the contaminated site. Such costs could be significant. Imposing such costs on the project owner may adversely affect the ability of such an owner to pay for a debt service on a mortgage loan. It is unclear whether such costs would be imposed on an insured lender such as HIT or any secured lender acting on behalf of HIT in the event that the secured lender does not actually acquire the title of project. In the event that the title of the project providing the mortgage loan is acquired by HIT or any lender acting on behalf of HIT and the cleaning costs incurred in respect of the project (or such cleaning costs are imposed on HIT as an insured lender or any secured lender acting on behalf of HIT even if HIT or such other lender has not acquired ownership rights over the project) , HIT could make a loss. 24 Any project owner may be sensitive to potential litigation arising from public or private disputes about the operations or operations of his project. The project owner may engage in disputes or litigation, during construction or during continuing operations, with regard to violations of federal, state or local laws, assessment and assessment of property taxes, rent or profit control, terms of the lease agreement with tenants or any other contract or contract on which party or will become a party during business. Litigation arising from such disputes could be adversely resolved to the project owner, and the existence of such a dispute or the adverse resolution of such a dispute could adversely affect the ability of the project owner to pay the debt on its own Loan. (d) Risks of foreclosure. In those limited cases where HIT invests directly in mortgage loans rather than mortgage-backed mortgage-backed securities, the mortgage loan is expected to be secured by a trust or mortgage agreement, depending on the prevailing practice in the country where the assets in matter are located. Enforcement of a trust agreement may be exercised in certain jurisdictions by the sale of an out-of-court trustee under a specific provision in the trust agreement granting the manager the sale of assets on any default of the borrower in accordance with the terms of the trust agreement. Mortgage enforcement is usually achieved through legal proceedings. The lawsuit is initiated by serving legal statements with all parties with an interest in the property. Delays in completing enforcement may occasionally be due to difficulties in locating the necessary party defendants. The borrower may request bankruptcy protection in an attempt to delay or prevent enforcement and/or validation of other defences in the proceedings. Any insolvency proceedings, and the claim of other defences, will significantly delay the proceedings and increase the lender's costs in prosecuting the proceedings, and may result in a reduction in insured debt in the event of pushing by the insolvency court. Depending on market conditions, net proceeds from the sale of the property after foreclosure, mixed and selling costs may be less than the investment of HIT. Recent economic conditions have caused a relatively large increase in the number of foreclosures. In some countries, after foreclosure and sale, the borrower and under foreclosure are given a legal period in which the property will be redeemed from the sale of enforcement. In some countries, redemptions may occur only after the full amount of the loan principal, accrued interest and enforcement costs has been paid. In other countries, redemption may be granted if the former debtor pays only a portion of the amounts due. The effect of the legal right to buy back is to diminish the lender's ability to sell scum assets. Consequently, the practical effect of buyback rights is often to force the lender to keep the property and pay the cost of ownership until the start of the redemption period. 8. Default on bridge loans enhanced by loans where the issuer of any credit letter or other form of guarantor providing credit for a credit-enhanced bridge fails or cannot meet its obligations under such credit letter or other guarantor, The HIT would be subject to the risk that LIHTC or RTC investors would not be able to make the necessary payments based on their obligations to the development owner as planned, as well as for certain real estate risks relating to the underlying development. LiHTC or RTC investors cannot make payments for reasons relating to development performance, i.e. because circumstances have been agreed payments become due do not occur, in which case HIT may not have any remedy. In addition, LIHTC or RTC investors cannot make payments as a result of changes in the financial capacity of lihtc investors itself. This may be more likely during periods of economic downturn. In the event that Lihtc or RTC investors do not make the necessary payments, HIT may be required to implement lihtc or RTC investor obligations in accordance with their notes or other payment agreements with the development owner. Enforcement actions may include enforcement of or otherwise acquiring the default equity interests of LIHTC or RTC investors. As the owner of such interests in the development owner, HIT would be subject to the risks of real estate faced by any development owner. Some of these risks are described above under the heading DESCRIPTION OF THE HIT, ITS INVESTMENTS AND RISKS – Risk Factors - 7. Real estate risks. 25 Overall, the risks of investing in CMBS reflect the risks of investing in properties that provide underlying mortgage loans, as payments and payment times made with respect to CMBS depend on payments received and other returns in relation to underlying mortgage loans. These risks reflect, inter alia, the effects of local and other economic conditions on property markets, the ability of tenants to pay rent and the ability of the property to attract and retain tenants. Economic difficulties in the real estate market and capital markets can increase these risks. See DESCRIPTION OF HIT, ITS INVESTMENTS, AND RISKS—Risk Factors—7. Risks associated with the properties above. Certain types of commercial real estate may also be subject to other risks in addition to those described in that section. CMBS is not insured or guaranteed by any state agency or instrumentality, by any private mortgage insurer or any other company or entity. 10. Risks of total return swap contracts Total return swaps (TRS contracts) are highly specialised instruments requiring investment techniques and risk analyses other than those related to traditional investments. The use of TRS contracts requires an understanding not only of the reference asset and the reference rate, but also of the contract itself, without the benefit of observing the performance of the contract under all possible market conditions. As a result, TRS contracts may include risks that vary and may be higher than those of tax-exempt underlying bonds, other assets held by HIT, or the HIT market index. The risks of trs contracts may be higher during periods of economic and financial volatility. Some of these risks are described below: a) The risk of other contractual contractual contractual contractual contractual contractual contractual contractual contractual contractual contractual contractual contractual contract contracts to the TRS is subject to the possibility that the other contracting party may not make payments to the HIT or otherwise fulfil contractual obligations and that the collateral offered in the such a default event may be inadequate for the HIT to be complete. b) Market risk and convergence. HIT risks not accurately predicting future market trends or asset values, benchmark rates, indices or other economic factors when entering into TRS contracts. In particular, the relationship between tax-exempt rates and taxable rates could move in a direction that differs from that expected hit. Market forces could, among other things, cause the rate of payment determination due to HIT to decrease relative to the payment determination rate owed by HIT. In addition, HIT may lose money to the extent that transaction costs associated with TRS contracts outweigh the benefits obtained by entering them. c) Liquidity risk. TRS contracts may also be subject to liquidity risk, which exists where a particular contract is difficult to buy or sell or when it is not possible to enter into a TRS contract or terminate a TRS contract at a favourable time or price. In addition, certain TRS contracts may be subject to the HIT limit for investments in illiquid securities. d) Leverage risk. TRS contracts can effectively add leverage to the HIT portfolio because, in addition to total net assets, HIT would be subject to exposure to investments on an notional swap amount. Leverage risk can affect HIT to the extent that losses taken on both the TRS contract and the investments generated by the revenues from the associated sale of tax-exempt bonds could lead to each other. A TRS contract shall not be deemed to constitute a higher security and shall not be subject to a 300% asset cover requirement otherwise applicable to loans by HIT, if HIT covers the transaction in accordance with SEC requirements. e) Payment date and valuation risk. HIT could bear the temporary payment date risk associated with TRS contracts that require payment flows on a non-matching schedule. HIT may bear an additional risk of loss on TRS contracts requiring subjective estimates of underlying bonds' gains or losses for the purpose of calculating termination payments. 11. Risks of future liabilities As explained above, HIT may invest in mortgage securities incurred in accordance with forward liabilities, in 26 that HIT agrees to buy investments in mortgage loans that have not yet been closed or supported. In periods of interest rate cuts or as a result of other market factors, the mortgage securities for which HIT issued liabilities cannot be delivered to HIT. Overall, the risks of investing in forward liabilities reflect the risks of investing in other mortgage-backed securities. However, HIT usually seeks to reduce the likelihood of non-production of mortgage-backed securities secured by multi-tiered projects and certain individual family loans by including mandatory delivery clauses in its liabilities, which in some cases are secured by pledged liabilities for In addition, HIT typically requires a deposit in good faith, payable when liabilities are issued for mortgage-related securities related to multilayered projects. HIT keeps the deposit if no such investment has been provided to THE HIT. These mechanisms help ensure the delivery of related mortgage-backed securities, but there is no guarantee that any investments made by HIT to purchases will actually be delivered to HIT or that the deposit will cover any lost value of any mortgage security not delivered as needed. Ultimately, forward liabilities may add leverage risk to the HIT portfolio as HIT would be subject to potential compound losses on any assets it has committed to buy and on the assets it holds up to that purchase. 12. Risks related to Fannie Mae and Freddie Mac Investments As of December 31, 2011, about 51.1% of HIT assets were issued or guaranteed by Fannie Mae or Freddie Mac. Market conditions that arose in 2008 However, in September 2008, the US government took Fannie Mae and Freddie Mac to the conservatory. As a conservationist, the Federal Housing Finance Agency (FHFA) has the authority to transfer any assets or liabilities of Fannie Mae or Freddie Mac, including their pits, without the approval of any other party, including any mortgage asset holders guaranteed by Fannie Mae or Freddie Mac. To date, the FHFA has not publicly announced its intention to transfer any guarantor Fannie Mae or Freddie Mac to another party. In addition, Fannie Mae and Freddie Mac can borrow funds from the U.S. Treasury Department. In addition, under existing legislation, the FHFA must bankrupt Fannie Mae or Freddie Mac if the FHFA director determines that any entity's assets are, and over a period of 60 days it was less than its liabilities or that any entity is unable to pay its debts and has not been able to do so for a period of 60 days. The FHFA director can also bankrupt Fannie Mae or Freddie Mac for other reasons. At the end of December 2009, In February 2011, the Obama administration reiterated its commitment to ensuring that Fannie Mae and Freddie Mac have enough capital to honor any guarantees issued now in the future and meet any of the debt obligations. Under the commitment, the last request to finance any capital shortfalls for operations in 2012 was 1.5 million euros. After that date, Fannie Mae would still have access to $123.8 billion and Freddie Mac $148.3 billion (less any positive capital as of December 31, 2012 anyway) that would still be funded by the U.S. government indefinitely. However, there can be no that the federal government will continue to provide assistance to Fannie Mae and Freddie Mac beyond December 2012 or that it will not change the terms of its commitments. If the FHFA becomes the recipient of any entity, it may exercise certain powers that could adversely affect the mortgage asset holder guaranteed by such an entity. This includes the right to reject the contract and the transfer of guarantor obligations. As a receiver, the FHFA could unseal any contract entered into by Fannie Mae or Freddie Mac, as applicable, before the start of the receivership if the FHFA determines, in its own discretion, that the performance of the contract would be burdensome and that the rejection of the contract would promote the orderly administration of the obligations of Fannie Mae or Freddie Mac, as applicable. If any pushy commitment were repulsive, the applicable admissions property would be liable for some damage under the Federal Housing Finance Regulatory Reform Act of 2008. Any such liability could only be satisfied to the extent that the assets of Fannie Mae or Freddie Mac, as applicable, are for that purpose. If the pushy liabilities were to be waived, the holder of the related mortgage-backed securities would receive from the trust on the basis of which the mortgage securities were issued only amounts paid on underlying mortgage loans. As a result, owners of such mortgage-backed securities would be subject to the same risks and uncertainties related to real estate that generally apply to real estate investments, which could have a material negative impact on the value, performance and liquidity of investments. Description of these potential risks see HIT DESCRIPTION, ITS INVESTMENTS AND RISKS – Risk Factors - 7. Risks associated with the properties above. Fannie Mae and Freddie Mac stated that, in certain circumstances, the FHFA would also have the right to transfer or sell any property or liability of Fannie Mae or Freddie Mac to another party without any approval, 27 assignments or consents of that entity or any other party. If the FHFA, as the recipient, were to make such a transfer, the owners of the mortgage securities guaranteed by Fannie Mae or Freddie Mac, as applicable, should rely on the recipient for the satisfaction of the guaranteed liabilities and would be exposed to the credit risk of the transferee. Any such transfer may also have a significant negative impact on the value, performance and liquidity of affected mortgage-backed securities. Fannie Mae and Freddie Mac stated that during the admissions of Fannie Mae or Freddie Mac, in certain circumstances, the owners of mortgage-backed securities guaranteed by such an entity may not be able to exercise rights under the trust documents under which mortgage securities were issued against the FHFA or the enforcement of such rights may be delayed. If Fannie Mae or Freddie Mac have been bankrupted and can't or can't live up to their heinousness. mortgage-backed securities holder for which they have guaranteed, the holder could become unsecured creditors of Fannie Mae or Freddie Mac, as applicable, with regard to guarantee claims under the guarantee. As of December 1, 2011, approximately 48.3% of HIT mortgage securities guaranteed by Fannie Mae or Freddie Mac were provided with individual family loans. Fannie Mae and Freddie Mac currently operate certain mortgage refinancing, modification and loss mitigation programs with funds from federally sponsored programs for vulnerable individual family borrowers. Fannie Mae and Freddie Mac can provide financial incentives to loan servicers and borrowers participating in certain of these programs. These programs may result in higher-than-expected loan redemption rates that support these mortgage-backed securities by mortgage initiators or servicers, which would have the same effect as if mortgage loans had been repaid in advance faster than expected. However, certain other pre-payment conditions, such as a decrease in credit availability, stricter loan approval requirements and a decrease in domestic values, may reduce the likelihood of prepayment for mortgage-backed securities backed by individual family loans. 13. Risks associated with investments in special purpose investment funds in order to facilitate the use of tax credits for new markets, HIT is allowed to invest, directly or through 100% cde, in loans to special purpose investment funds to facilitate the use of federal NMTCs, subject to the requirements set out in the HIT Declaration of Trust. However, due to the NMTC program requirements, the underlying investment securities would have a CDE whoever owns HIT (or its appointed subsidiary) rather than HIT during the NMTC holding period. HIT would have contractual, secured interests and/or other rights in the fundamental security of the investment, including indirect ownership rights with its ownership of CDE, but the exercise of those rights includes an additional risk of loss that HIT would not bear if it were directly the owner of the security. In addition, investments in NMTC structures will usually remain illiquid and may be subject to liquidity risk during the NMTC holding period. Finally, there is a risk that HIT may not be able to fully control all aspects of the choice of any necessary replacement investment in the case of underlying transactions in NMTC-related investments during the holding period. HIT generally holds securities that do not have easily available price offers. These securities are valued on the basis of a fair value methodology under consistently applied procedures approved by the Management Board. For more information about evaluating HIT units, see Valuation of units. The selling price that HIT could receive for any particular portfolio investment may differ from hit's investment estimate, in particular for valued using a fair value methodology. Investors Investors Purchasing or repurchase units may receive fewer shares or lower repurchase income than they would have received if HIT had used alternative management of hit evaluation methodology HIT is a common rights trust organized under District of Columbia laws in accordance with its Declaration of Trust. Under the terms of the Declaration of Confidence, the HIT Board of Commissioners has overall responsibility for the management and policies of the HIT. The Steering Board currently maintains four 28 committees: the Executive Board, the Audit Committee, the Nomination Committee and the Committee for The Whole. The CHIEF Executive Officer, assisted by other HIT officers, is responsible for the day-to-day administration of THE HIT. Up to 12 commissioners may be officers of the AFL-CIO or its member unions (Union Commissioners); up to 12 trustees may be (i) officers or management employees of organisations contributing to an acceptable pension plan or officials or managing employees in an acceptable pension plan or (ii) officers, directors or managers of housing, finance or real estate development organisations or current or former

officials of federal or former federal, state or local administration (together, trustees of the administration). One trustee, the Chair, must be an individual who is not an official, trustee or employee of any organization participating in the HIT. As of the date of this SAI, the Management Board shall be composed of the President, seven Commissioners of the Union and five Commissioners of administration. The number of Commissioners of administration shall not exceed the number of Commissioners of the Union, unless the Commissioner of the Union dies or resigns before the end of his or her term of office. Not all members of the Management Board, including the Chair, are interested persons as defined in Section 2(a)(19) of the Investment Firms Act. The executive board is currently composed of Chairman John Sweeney, who serves as Chairman of the Board, Board Commissioner Richard Ravitch, Board Commissioner Tony Stanley, Commissioner of Administration Marlyn Spear and Union Commissioner Richard Trumka. The Executive Board shall have all the powers of the Management Board when the Committee does not session. The Audit Committee monitors accounting practices and the performance of HIT management and an independent registered public accounting firm. The Committee consists of Commissioner for Governance Stephen Frank (Appointed Financial Expert of the Audit Committee), Commissioner for Management Marlyn Spear (Appointed Financial Expert of the Audit Committee), Commissioner of the Union Elizabeth Shuler, Commissioner of the Union Frank Hurt and Commissioner for Governance Tony Stanley. The Audit Committee shall act in accordance with a written charter adopted by the Management Board. In accordance with its charter, the Audit Committee must meet with an independent registered public accounting firm every year to review the audit outside the management of HIT. The nomination committee was formally established in April 2004. It is currently made up of Chairman John Sweeney, Board Commissioner Richard Ravitch, Board Commissioner Tony Stanley, Board Commissioner Marlyn Spear and Union Commissioner Richard Trumka. The Nomination Committee recommends candidates for selection to the Management Board. In accordance with Section (4) of its charter, the Nomination Committee will consider commissioners's candidates recommended by participants. The Nomination Committee did not adopt formal procedures for participants to adhere to in submitting such recommendations. However, it is the practice of the Board of Commissioners, all of whom are disinterested, to set a date for records by which participants can submit questions for consideration to attendees at the annual meeting, including recommendations for Commissioners-designate. Upon receipt, the Nomination Committee shall review the eligibility of each candidate in accordance with the criteria set out in the charter. Commissioners' policy is to nominate commissioners in a way that seeks to produce the best candidates with a diversity of qualities, experience, backgrounds and complementary skills. The Board of Entities monitors HIT's investment practices and policies, reviews proposed changes across the country, reviews new investment practices and policies, and oversees HIT's marketing policies and strategies. This committee is currently composed of all Commissioners. No board functions as a compensation committee as such. However, the Executive Board makes recommendations to the Management Board regarding the remuneration paid to Commissioners acting in their capacities as Commissioners and the remuneration paid to executive officers. In line with its overall responsibility for HIT management and policy, the Management Board directly oversees hit risk management and, through its board structure and HIT management delegates, indirectly. The Steering Board has adopted and periodically reviews and approves policies and procedures designed to address areas of potential issue, such as valuation, internal controls and portfolio management and that regulate HIT's day-to-day business conduct. The Board of Trustees requires regular reports from the trust's management on risk-related matters at regular meetings and occasionally throughout the year. The Chief Financial Officer shall regularly report to the Management Board and audit committee 29 on matters relating to internal controls, audits and accounting. The Chief Compliance Officer shall inform the Management Board in person and in writing of the effectiveness of the HIT compliance programme and other compliance matters at least once a year. In addition, the Steering Board and the Audit Committee require regular reports from independent validation consultants and an independent HIT auditor and periodic reports advise and fund compliance service providers to assist in its risk management efforts. The Board of Commissioners met four times during the HIT fiscal year, which ended on 31 October 2014. The review board met twice, the Nomination Committee met once and the Executive Board met three times during the HIT fiscal year that ended on 31 December 2014. The CHIEF Executive Officer, assisted by other HIT officers, is responsible for the day-to-day administration of THE HIT. Portfolio Management Group staff, assisted by the Portfolio Management Board, manage the portfolio to maintain a risk profile comparable to the reference index. The Investment Committee reviews and approves proposed investments in mortgage-backed securities for transactions that have been contracted and structured by HIT staff to ensure they meet risk requirements and hit returns. Portfolio management and investment committees consist of senior HIT staff. The Executive Board of the Management Board reviews and approves any proposed individual investment or transaction of $50 million or more. HIT COMMISSIONERS Current HIT Commissioners, their principal occupations and qualifications for the Management Service, and other information are as follows: Name, Address, Age position with HIT office term and Length of time served main occupation & business over the past 5 years/Qualification for service of administration* OtherDirectorships byHeldTrustee** John J. Sweeney 815 16th Street, N.W. Washington, D.C. 20006 Age 77 President service as president began November 2009, Service as Commissioner began April 1981, Term expires 2012 President Emeritus, AFL-CIO; former president, AFL-CIO; former president, AFL-CIO staff retirement plan. Mr Sweeney has particular knowledge and experience in significant aspects of the operations of HIT, the mutual fund industry, pension funds and the labour movement. None of Arlene Holt Baker's 815 16th Street, N.W. Washington, D.C. 20006 Age 61 UnionTrustee Service began in March 2008, the term expiring in 2014. Commissioner, AFL-CIO Staff Retirement Plan; former President, Voices for Working Families and Executive Assistant to the President, AFL-CIO. Ms. Holt Baker has special knowledge and experience regarding pension funds and the labor movement. None of the HIT commissioners are interested in the person as defined in the Investment Firms Act. ** Disclosure is linked to the past five-year period and is limited to directorships in a corporation or foundation that has securities registered under Section 12 of the Securities Exchange Act of 1934, as amended or subject to the requirements of Section 15(d) of such Act, or a company registered as an investment firm under the Investment Company Act. byTrustee** James Boland 620 F Street, N.W. Washington, D.C. 20004 Age 61 UnionTrustee Service began October 2010, term expires in 2012. Co-chairman, International Masonic Institute; Co-chairman, the International Shovel Trade Pension Fund and the International Health Fund; Member of the Executive Board, BAC Health Plan; former Executive Vice-President and Secretary-Treasurer, BAC. Mr. Boland has special knowledge and experience in terms of union pension funds, the construction industry and the labor movement. None Frank Hurt 10401 Connecticut Avenue Kensington, MD 20895 Age 73 UnionTrustee Service started March 1993, Term expires 2013 International President, Bakery, Patisserie & Tobacco Workers and Grain Millers International Union; President, Bakery & Confectionery Union Industry Pension and Health Benefits Fund. Mr Hurt has special knowledge and experience in significant aspects of the business of HIT, union pension and charitable funds and the labour movement. No Kenneth E. Rigmaiden 7234 Parkway Drive, Hanover, MD 21076 Age 58 UnionTrustee Service began in 2011, the term expires in 2014 by the director, the Black Trade Union Coalition and the Partnership Committee for Working Families; former Assistant to the General President, IUPAT; National Project Coordinator, IUPAT Job Corps; Director, United Way. Mr Rigmaiden has special knowledge and experience in terms of the construction industry and the labour movement. None of Elizabeth Shuler's 815 16th Street, N.W. Washington, D.C. 20006 Age 41 UnionTrustee Service began in 2009, the term expiring in 2012 secretary-treasurer, AFL-CIO; Commissioner, AFL-CIO Staff Retirement Plan; former Executive Assistant to the President, IBEW. Ms. Shuler has special knowledge and experience regarding the construction industry, pension plans and the labor movement. No 31 names, addresses, age positions with office mandates and length of time served a major occupation & business over the past 5 years/qualification for board service * OtherDirectorshipsHeld byTrustee ** Richard L. Trumka 815 16th Street, N.W. Washington, D.C. 20006 Age 62 UnionTrustee Service began December 1995. President, AFL-CIO staff retirement plan; former Secretary-Treasurer, AFL-CIO. Mr Trumka has special knowledge and experience in significant aspects of the hit business, the financial industry, fund management, pension funds and the labour movement. None Stephen Frank 8584 Via Avellino Lake Worth, FL 33467 Age 71 ManagementTrustee Service started May 2003, Term expires 2012 Retired; Former Vice President and Chief Financial Officer, The Small Business Funding Corporation. Mr Frank has special knowledge and experience in mortgage securities, accounting issues and the financial industry. No One Richard Ravitch 610 5th Avenue Suite 420 New York, NY 10020 Age 78 ManagementTrustee Service started in 1991, Term expires 2012 Principal, Ravitch Rice & Co. LLC; Director, Parsons, Brinckerhoff Inc.; former Lieutenant Governor of the State of New York; Co-chairman, Millennium Housing Commission; President and CEO, Major League Baseball Player Relations Committee. Mr Ravitch has particular knowledge and experience in significant aspects of HIT's operations, real estate finances, housing industry, employment relations and public policy. None 32 Name, Address, Age position Confirmed with THIS term and length of time served main occupation & business over the past 5 years/qualification for board service * OtherDirectorshipsHeld byTrustee ** Marlyn J. Spear, CFA 500 Elm Grove Road Elm Grove, WI 53122 Age 58 ManagementTrustee Service began in March 1995, term expires in 2012 Charter Financial Analyst designation and long-term investment management experience. Ms Spear has particular knowledge and experience in significant aspects of the HIT business, union pension funds, finance and accounting and investment management industry. BairdFunds, Inc. Tony Stanley TransCon Builders Inc 25250 Rockside Road Cleveland, OH 44146 Age 78 ManagementTrustee Service began December 1983 by former Executive Vice President, TransCon Builders, Inc. Mr Stanley has special knowledge and experience in significant aspects of the HIT, finance, long-term healthcare business; and the construction industry. No Jack Quinn 700 13th Street, N.W. Suite 400 Washington, D.C. 20005 Age 61 Management Trustee Service began in June 2005, term expiring 2014 president, Erie County Community College; former Chairman, Cassidy & Associates; Member of Congress, 27. Mr Quinn has special knowledge and experience in relation to significant aspects of hit's business and public policy. KaiserAluminumCorporation Union Trustees Holt Baker, Rigmaiden and Trumka and Board Commissioner Quinn are Class I trustees, whose terms expire at the 2014 annual meeting of participants. Union Commissioners Boland and Shuler and Management Commissioners Frank, Ravitch and Spear are Class II commissioners whose terms expire at the annual meeting of participants in 2012. The Commissioner of hurt and management trustee Stanley are Class III commissioners whose terms expire at the annual meeting of participants in 2013. Commissioner Sweeney is president (unclassified trustee) with a one-year term that expires at.C the 2012 annual meeting of attendees. Executive Branch each year by the Management Board for conditions of approximately 12 months which are usually conducted concurrently with the fiscal year or until their successors are appointed and qualified. No HIT Executive Director serves as a trustee or director in any company or trust that has securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, or subject to the requirements of Section 15(d) of such Act or any company registered as an investment firm under the Investment Firms Act. HIT executives are as follows: 33 Name & Age Current Position with HIT Length ofTime Servedwith the HIT Previous major occupations over the past 5 years Stephen F. Coyle Age 66 Chief Executive Officer Service began in February 1992. Theodore S. Chandler Age 52 Chief Operating Officer of the Service began June 2009 Vice President, Fannie Mae; Deputy Ceo, Massachusetts Industrial Finance Agency; Acting director and chief of staff of the Boston Remodeling Authority. Saul Schapiro Age 66 General Counsel Service began May 2009 Partner, Rosenberg, Schapiro, Englander, Chicoine & Leggett, P.C.; External adviser to the AFL-CIO Housing Investment Trust. Erica Khatchadourian Age 44 Chief Financial Officer since the 2001 Service began april 1993 Controller in 2001, and chief of staff and director of operations from 1997-2000, AFL-CIO Housing Investment Foundation; Senior advisor, Price Waterhouse. Chang Suh Age 41 Executive Vice President/General Portfolio Manager since March 2003 Service began April 1998 assistant portfolio manager from 2001-2003; Senior portfolio analyst from 1998-2001, AFL-CIO Housing Investment Trust. Eric Price Age 50 Executive Vice President since November 2010 Service began February 2010, Previous Service 1994-1998 Senior Vice President, Abdo Development; Senior Vice President - Neighborhood Markets, Local Initiative Support Corporation; Deputy Mayor for Planning and Economic Development, District of Columbia. Deborah Cohen Age 62 Chief Development Officer since the March 2009 Service began in January 2008 Chief Marketing and Investor Relations Officer and Assistant Portfolio Manager, AFL-CIO Housing Investment Foundation; Realtor, Coldwell Banker Real Estate and Weichert Real Estate; Senior Director of Planning and Research, Federal Home Loans Bank. Christopher Kaiser Ages 47 Deputy General Counsel since October 2008 and Chief Compliance Officer since June 2007 The service began february 2007 Associate General Counsel from 2007-2008, AFL-CIO Housing Investment Trust; Head of branch from 2003-2007 and lawyer from 2001-2003, Investment Management Unit, Securities and Exchange Commission. Stephanie Wiggins Age 46 Executive Vice President and Chief Investment Officer (Multifamily Finance) since January 2001. Director, Fannie Mae Production from 2000 - 2001, AFL-CIO Housing Investment Trust; Director, Prudential Mortgage Capital Company; Vice President/Multifamily Transaction Manger, WMF Capital Corporation. 34 Name & Age Current position with HIT length of time serveds hit previous major occupations over the past 5 years Harpreet Peleg Age 38 Controller since 2005 Service began March 2005 Former Chief Financial Officer, AFL-CIO Investment Trust Corporation; Financial analyst, Goldman Sachs; Senior associate, PricewaterhouseCoopers LLP. The information is correct as of the date of this SAI. The 2011 HIT compensation table is a single, self-governing fund, and its staff from 31 October 2011 to 31 October 2015. Therefore, in addition to those individuals identified in the table below, HIT had another 48 employees earn a total compensation of more than $60,000 during fiscal year 2011. Person's Name, Position AgregatIn exchange of out ofHIT pension orRetirementBenefits Accruedas Part of HITExpenses Estimated AnnualBenefits UponRetirement1 TotalCompensationIs HIT Paid toTrustees Stephen Coyle2Chief CEO $416,785 $203,911 Can't Be Indefinite Not Applicable Chang Suh3Chief Portfolio Manager 39 $68,500 $96,207 Not applicable Theodore Chandler4Chief Operating Director 333,075 68,500 16,102 Not applicable John SweeneyChairman — — Mark Ayers5Union Trustee — — — 1 Estimated annual fees paid after retirement to HIT executive officers, except mr. Coyle, who does not participate in the Retirement Plan, is determined primarily by a formula based on the final average salary and years of service. See RETIREMENT PLAN below. 2 Total hit fee includes $22,000 deferred compensation in 2011 under Plan 401 (k), and excludes compensation deferred instead of participation in the Retirement Plan and interest on it. Pension or pension benefits as part of hit expenses include $4,800 of corresponding funds paid into the 401(k) plan and $199,111 deferred benefits instead of participating in the Retirement Plan. The total amount deferred by Mr Coyle until 31 March 3 Total HIT compensation includes $16,500 in deferred compensation in 2011. Pensions or pensions as part of hit expenses include $4,800 of corresponding funds paid into the 401(k) plan and $63,700 that contributed to the Retirement Plan in 2011 to Mr. Suh's The total amount deferred by Mr. Suh as of March 31, 4 The total hit fee includes $22,000 in deferred compensation in 2011 under Plan 401 (k), and excludes amounts that contributed to the Retirement Plan on behalf of Mr. Chandler. Pension or pension benefits as part of hit expenses include $4,800 of corresponding funds paid into the 401(k) plan and $63,700 that contributed to the Retirement Plan in 2011 on behalf of Mr Chandler. The total amount deferred by Mr Chandler as of December 31, 2011 under the 401 (k) plan, including interest and HIT matching, is $73,755. 5 Mr Ayers died in April 2012 35 Person name, Aggregation of position fromHIT pension orRetirementBenefits Accruedas Part of HITExpenses Estimat AnnualBenefits UponRetirement1 TotalCompensationFrom HIT Paid toTrustees Arlene Holt BakerUnion Trustee — — — — Frank HurtUnion Trustee — — — Lindell K. Lee1Union Trustee — — — — Elizabeth ShulerUnion Trustee — — — Richard TrumkaUnion Trustee — — — Stephen FrankMan trustee 3,000 — — 3,000 George Latimer2Management Trustee 1,500 — — 1,500 Richard RavitchManagement Truste 2,000 — —2,000 Marlyn J. SpearManagement Trustee 4,500 — — 4,500 Tony StanleyManagement Trustee 4,000 — —4,000 Jack QuinnManagement Trustee 1,500 — —1,500 before January 1, 2009 , in 1990, HIT did not identify or adopt any bonus, profit sharing, pension, pension, stock purchase or other compensation or incentive plans for its officers and employees. On October 11, 1990, a personnel contract was in place between HIT and the AFL-CIO, with THE HIT reimbursing the AFL-CIO's costs for the staff recruitment costs (excluding the CEO) it provided to HIT. While the staff agreement was in place, staff participated in the AFL-CIO Deferred Compensation Plan, a defined contribution plan, and were subject to the AFL-CIO Staff Retirement Plan (Retirement Plan), a defined benefit plan. Any sums contributed by the AFL-CIO on behalf of such personnel under the Retirement Plan have been reimbursed by the hit under the Staff Agreement. HIT has adopted a Retirement Plan for all of its employees except for the CEO (which is not available under the terms of the Pension Plan), effective from January 1, 2015. On October 1, 1996, HIT adopted the AFL-CIO Housing Investment Trust 401(k) Plan described below for all of its employees, including the CEO. 1 Mr Lee resigned from the Board effective in May 2011 2 Mr Latimer resigned from the Board effective at the end of his term of office in December 2011 36 RETIREMENT PLAN Under the Retirement Plan, contributions based on an acceptable basic employee salary. The Internal Revenue Service also imposes an annual maximum on the amount that can be counted in determining base salary, which is currently $245,000. In rates are set in the current year. The retirement plan was funded by employer contributions at rates of approximately 26.00% of eligible basic employee salaries during the twelve months ended December 31, 2014. During 2011, the annual base salary for mr. Chandler and Mr. Suh's pension purposes was $245,000 each. The retirement plan is open to AFL-CIO employees and other participating employers approved by the Pension Plan's board of directors and contributing to the Retirement Plan on their behalf. Such employees become members of the Retirement Plan on the first day of employment that they should work at least 1,000 hours over the next 12 consecutive months. The retirement plan provides the usual pension for employees eligible for life, starting at age 65 if the employee has at least three years of credit service, starting at age 60 if the employee has at least 10 years of credit term, or starting at age 50 if the employee's age plus years of credit service is 80 years or older. The amount of that pension depends on salary and years of credit in retirement. Eligible employees will receive 3.00% of the average of their maximum three-year basic earnings (Final Average Salary), subject to the Tax Office's above limit and the amendment to the AFL-CIO Staff Retirement Plan listed below for each year of credit service under 25 and 0.5% of their final average salary each year of credit service over 25 years. The retirement plan amended the calculation of the final average salary, which comes into force on 31 December 2014. Eligible employees typically earn a credit service for their pension for each year they work for the participating employer. Below is a table showing the estimated annual fees paid after retirement in certain benefits and multiple years of service classification. As of the date of this, Mr. Chandler has about three, and Mr. Suh has about 14 meritorious years of service under the Retirement Plan. Service Years Final average salary 15 202 252 30 353 $100,000 $45,000 $60,000 $75.000 $77,500 $80,000 150,000 67,500 90,000 112,500 116 ,116,1250 120,000 245,000 110,250 147,000 183,750 18 9.875 1 96,000 PLAN 401(K) Under the AFL-CIO Housing Investment Trust 401(k) plan, a qualified employee can set aside up to 100% of their total compensation, up to a maximum of $17,000 in 2012 (or up to $22,500 for qualified employees over the age of 50). In 2012, HIT matched dollar-to-dollar first $5,000 contributed. The amount allocated by the qualified employee and the amount of the corresponding HIT contribution, if any, will be deposited into the trust account in the employee's name. Every HIT employee has the right to participate 401(k) Plan provided that such an employee has reached the age of 21 and is not a non-resident alien. An eligible employee can enroll in Plan 401(k) every January 1, 2017. When an employee who participates in an employment relationship, retires or becomes disabled, the employee will be able to receive as a lump sum the amounts of salary reductions that contributed to the trust account on behalf of the employee, and additional amounts contributed by HIT 1 to the Internal Income Code limit the permissible compensation payments that may be paid under the Retirement Plan. Consequently, the amounts of pension benefits that can actually be paid to individual employees may be significantly lower than shown, depending on several factors, including but not limited to the employees' years of work, the level of remuneration and the actual year of retirement. 2 3.00% per year to 25 years. 3 0.5% per year over 25 years. 37 accounts of trust on behalf of employees, plus earned revenues (or minor losses) as a result of investments in these contributions (less allocated portion of employee expenses). An employee cannot withdraw these amounts if the employee has no financial difficulties. Financial hardship is an immediate and difficult financial need for which the employee has no other available funds, which includes medical expenses, purchase of primary residence, payment of tuition and related fees for education, funeral expenses and the need to prevent emigration from, i.e. foreclosure on the mortgage of the primary residence of the employee. The employee will have to present evidence of financial difficulties and after submitting such evidence may have the right to withdraw the amount, up to the balance in the employee's account, in order to satisfy the immediate financial need. The amount in the employee's account must be divided into one lump sum or in periodic instalments starting on April 1st after the year in which the employee reaches the age of 70 1/2. In addition, those amounts must be distributed within a reasonable time after the termination of Plan 401(k) or the termination of the employee's employment relationship. The employee will be entitled to distribute the amount in his account after acquiring 65 years of employees. A participating employee can borrow from their account with certain prescribed restrictions. The following table lists the amounts paid or distributed in accordance with Plan 401(k) of 2011. Name of individual amount paid or unaddpened from AggregateCompensation EmployerMatching Stephen Coyle $54,000 $22,000 $4,800 Chang Suh 0 16,500 Theodore Chandler 0 22,000 4,800 CODE OF ETHICS THE HIT Board of Directors has adopted the Code of Ethics (Code) under Rule 17j-1 under the HIT Investment Company Act. The Code applies to the personal trading activities of access persons (generally officials and HIT employees who participate in or have access to information on the purchase or sale of HIT investments). The Code requires accessees to report their holdings in securities and transactions to HIT and for such persons to receive advances from HIT for certain transactions. The Code allows people with access to invest in securities, including, under certain circumstances, securities that a hit can buy or have. The Code is embedded by reference as an exhibit to this Posteffifiable Amendment to the HIT Registration Statement and has been submitted to the SEC. PORTFOLIO MANAGER Hit's portfolio is managed internally and has no external investment advisors. The Steering Board found that the internised management structure of THE HIT was in the best interests of HIT and the Participants. A member of the Portfolio Management Group who is primarily responsible for the day-to-day management of the HIT portfolio is Chang Suh. Mr. Suh does not manage other accounts and has no ownership stake in HIT. 38 As of December 31, 2011, the hit portfolio manager's remuneration consisted mainly of base salary. The basic salary of the portfolio manager is determined by the experience and performance of the manager in the role. In addition, the portfolio manager has the right to participate in the retirement plans and 401(k) HIT (see RETIREMENT PLAN and PLAN 401(K) above, as well as the standard health and social benefits available to all HIT employees. PRINCIPAL HOLDERS AND OWNERSHIP OF MANAGEMENT As of March 31, 2012, the following Record Ownership Participants and are known by HIT to own a favorable 5% or more units: Percentage of participants Owned by the Central Pension Fund of the IUOE and employers participating 5.76% Of the City of New York City Employee Retirement System 5.14% Individuals do not qualify to invest in HIT, and trustees and officers , as a group, do not own units in THE HIT. SALES AND DISTRIBUTION ACTIVITIES The marketing department of HIT, which operates out of hit offices in the District of Columbia, conducts and manages other HIT staff members who conduct sales and distribution activities for HIT. Sales and distribution activities focus on certain pension plans and include either either by mail or telephone, as well as responding to inquiries relating to the offer of HIT units and ministerial and clerical work on the sale of units. The costs of selling and distributing units in this way are paid by HIT pursuant to the Allocation Plan adopted by commissioners and participants in accordance with RULE 12b-1 of the SEC under the Investment Company Act (The plan). Sales and distribution costs, including the printing of prospectuses and travel expenses, for the year ended December 31, 2014 At a meeting in March 2011, the Board of Trustees approved the use of up to $600,000, or 0.05 percent of THE HIT's average monthly net assets year-on-year for the fiscal year, whichever is higher, under the HIT Allocation Plan, from which the Board can achieve no small increases. Without the approval of the participants, a material increase in the budget for the Allocation Plan will not be achieved. Of the $480,194 in sales and distribution costs incurred for the year ended December 31, 2014, 480,000 were $480,194. All such amounts are paid in cash. Year category CompletedDecember 31,2011 Printing and sending prospectus to other than current security holders $0 Compensation to sales staff (salaries plus marginal benefits) 381,450 Others (includes travel and meeting expenses, office supplies, consulting and expense fees and printing and submission of sales literature) 98,744 TOTAL $480,194 No HIT interested person or any disinterested trustee had a direct or indirect financial interest in the operation of the Distribution Plan or related contracts during the year ended December 31, 2014. , 2011 with the possible exception of certain HIT marketing staff who, if found to be interested persons of HIT, would have such an interest as part of their remuneration is covered by the Plan. 39 OFFERED SECURITIES UNITS OF PARTICIPANTS The actual interests of the HIT are divided into units representing equal parts of the HIT assets. The rights arising from unit ownership are stated in the Statement of Trust. The declaration of confidence may be amended by a vote of a majority of commissioners without any requests from the participants to vote. However, the Declaration of Confidence provides that, regardless of anything contrary contained in the Declaration of Trust or any modification therein, no part of the HIT that justly belongs to any participant (other than that part necessary to pay the costs of the HIT) may be used for any purpose other than exclusive benefit from the investor. In addition, fundamental investment policies cannot be changed without the approval of the holders of most of the outstanding HIT units. Each unit has the right to vote for the selection of commissioners, ratify the selection of auditors for HIT and approve changes in investment policy. Each unit entitles the holder to participate pro rata with all other Units in the allocation of assets in the event of the liquidation of the HIT. Preventive rights are not attached to the units; HIT has the right to sell or exchange units without offering the same to the holders of the units then outstanding. Most jurisdictions in the United States recognize trust, such as HIT, as a separate legal e person, is completely different from its users. In these jurisdictions, trust beneficiaries, such as HIT participants, are not liable for the trust's debts or other liabilities. Several jurisdictions do not recognise so-called business trusts as separate legal entities and hold beneficiaries of such trusts personally responsible for the actions of business trusts. Hit, however, does not expect to exclude otherwise eligible investors in such jurisdictions from investing in units. The practice of the hit is to require that any written contract executed by the HIT includes a provision that states that the contract is not binding on any commissioner, officer or participant in person, but is solely an OBLIGATION of THE HIT. In most jurisdictions, participants will not have personal liability under any contract containing this provision. However, in jurisdictions that do not recognise the separate legal status of trusts such as HIT, Participants could be personally liable for HIT claims. These claims may include contract claims (if the contract does not limit personal liability), claims on lawsuits, tax claims and certain other legal obligations. If such liability were ever imposed on participants, participants would only be liable to the extent that THE HIT's assets and insurance were not suitable for pampering claims. The volumes are non-transferable and are not assigned. No unit-holder has the power to commit to the Unit as collateral for any loan. HIT does not issue certificates for evidentiful ownership of units. Instead, units are issued and redeemed by entering a book and without physical delivery of securities. The hit can be terminated at any time by commissioners after notification in writing to all participants. The Commissioner may amend or amend the Declaration of Confidence at any time. ELIGIBLE PARTICIPANTS Only Labour Organisations and Eligible Pension Plans are eligible to own units. In accordance with the Declaration of Trust, the Labour Organisation means an organisation of any kind, any agency, employee representation committee, group, association or plan in which employees participate directly or through affiliated organisations, which exists for the purpose, in whole or in part, of doing business directly or through affiliated organisations with employers in connection with terms or conditions of employment; any employee benefit plan (such as the Voluntary Employee Beneficiary Association (VEBA)) that benefits members of such an organisation or any other organisation which, at the discretion of the Management Board, is affiliated with such an organisation or under the auspices. In accordance with the Declaration of Trust, the Eligible Pension Plan is defined as: (a) a pension plan (Pension Plan) that constitutes a qualifying trust under Section 401. by 40 Labour and Property Organisations managed without direct intervention or control of the beneficiaries of the plan; (b) a government plan (Government plan) within the meaning of Section 414 (c) a principal trust holding assets of more than one pension plan or more than one Government plan, where at least one of the plans with assets in the main trust is held by beneficiaries represented by the Labour Organisation; (d) a jurisdictional pension or retirement program outside the United States that is similar to the government's plan as defined in Article 29, Section 1002, or (e) an employee benefit plan outside the United States that is subject to regulations under applicable laws outside the United States that are similar to the purpose and intent of the Employee Pension Income Insurance Act of 1974, as amended. PRICES, PURCHASES AND REDEMPTION OF UNITS The price of units is based on the net asset value or NAV. The net asset value for a particular purchase will be determined from the valuation date after receipt of the order by dividing the value of the HIT investment plus all cash and other assets (including interest and dividends accrued but not collected) less all liabilities (including accrued costs, but excluding capital and excess) , by the number of units outstanding as of that valuation date. See UNIT VALUATION below to discuss the valuation methods used by HIT when determining its net asset value. Whole or fractional units can be purchased from monthly valuation dates. The request to purchase units and the required payment for units by checking or transferring the hit wire must be received before the Valuation Date from which they will be issued. A minimum initial purchase of $50,000 is required. All purchase payments will take place in one or more short-term investments up to the valuation date. A copy of the participation form to be used to hold purchase payments is available on request. There is no sale fee or commission to be paid in connection with the purchase of units. HIT will redeem units, free of charge, on NAV calculated from the last business day of the applicable month. For the sale of units, a request for redemption must be submitted to HIT by signed writing and must be received on business day at least 15 days before the last business day of the month, although HIT may, at its discretion, waive the request for a notice period of 15 days. Redemption claims can be submitted by facsimile. If a participant redeems him or her, HIT can deliver securities, mortgages or other assets with complete or partial satisfaction with the redemption claim. The participant receiving such assets may bear the costs of the sale or the disposal of such assets for cash. For more information on and redeeming units, see BUY AND SELL UNITS IN HIT – BUY UNITS IN Prospectus. BROKERAGE FEES Hit processes all sales and redemptions of units directly through its transfer agent, and as a result does not participate in any activities related to mediation. During the life of HIT, it had no relationships with brokers regarding unit sales and there were no brokerage commissions, margins or margins on major transactions. As such, HIT has not paid brokerage commissions in the past three years. UNIT VALUATION The price of units is based on the net asset value of each monthly valuation date, which is determined by dividing the value of the HIT investment plus any cash and other assets (including interest and dividends accrued by 41, but not collected) fewer of all liabilities (including accrued costs but excluding capital and surplus) as of that valuation date by the number of units then outstanding. HIT uses easily accessible independent market sources through its financial accountant that provide the basis for monthly valuation of HIT assets for which market quotes are readily available. ER personnel check these values in reasonableness. HIT assets for which there are no readily available market quotes shall be valued at fair value established in good faith in accordance with consistently applied procedures approved by the Management Board. HIT has also retained an independent company that will determine the fair value of such securities. This process ensures that the valuation of assets in the HIT portfolio accurately reflects the fair value of each investment based on its unique characteristics. In accordance with the procedures adopted by the Committee, the monthly valuation of a third party shall be reviewed by HIT staff to determine whether valuation adjustments are appropriate based on certain information and investment circumstances (e.g. advance rate). All such HIT adjustments must be reviewed and approved by an independent valuation company before inclusion in the net asset value. In order to monitor the further suitability of the HIT valuation process, HIT receives a third-party revision of the portfolio value on a quarterly basis. New York's major bond markets are typically closed on New Year's Day, Martin Luther King Jr.'s Day, Presidents Day, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas, and the previous Friday or later Monday when one of those holidays falls on a Saturday or Sunday. Investments reaching less than 60 days from the valuation date shall be valued at amortised cost representing fair value in accordance with the procedures adopted by the Management Board. Investments in instruments that reach more than 60 days from the valuation date are valued at the last reported selling price on the last business day of the month or the median value between the declared offer and the ask price There was no sale. Investments in instruments reaching more than 60 days from valuation dates for which there are no market prices quoted shall be valued to reflect current market returns for securities with comparable terms and interest rates. Shares of Building America CDE, Inc., a whot-owned subsidiary of HIT, are valued at their fair value determined in good faith in accordance with consistently applied procedures adopted by the Board of Trustees, which currently represents the net asset value of BACDE. MORTGAGE SECURITIES AND OTHER SECURITIES Mortgage securities, including securities backed by permanent mortgages and construction loans, certificates of participation and other mortgage-backed liabilities, and other securities are valued using published prices, offers from traders or cash flow models discounted using market discount rates and advance rates, developed for each investment category. The market discount rate consists of risk-free yields (e.g. United States Treasuries), adjusted for the appropriate risk premium. The risk premium reflects actual premiums in the market relative to the yield on U.S. government securities of comparable risk and maturity with an investment valued as adjusted for other market considerations. The value of mortgage-backed securities secured by loans for which the hit finances construction and a permanent mortgage is determined on the basis of the total amount of the obligation for the loan repayment period plus a permanent mortgage loan. For mortgage-backed loans only for construction, the outstanding principal of the underlying loan is used for approximate value, assuming no credit quality declines. MORTGAGE SECURITIES ENHANCED BY LOANS FROM THE STATE AND LOCAL GOVERNMENT, MORTGAGE SECURITIES ENHANCED BY PRIVATE LOANS AND MORTGAGE LOANS FOR PROJECTS THAT HAVE EVIDENCE OF SUPPORT FROM THE STATE OR LOCAL GOVERNMENT AND WHICH MEET CERTAIN LOAN APPROVAL CRITERIA 1. Public ratings. Liabilities bearing the public rating of one or more nationally recognised statistical rating organisations shall be valued to reflect current market returns as determined by the performance on the average of offers received from traders in such liabilities for securities of comparable quality, interest rates and maturities. 42 2. There is no public assessment with the issuer's resort and/or credit improvement. Liabilities that do not carry a public rating but are in addition to resorting to issuers and/or benefit from a credit increase from a private or public entity, are valued to reflect current market returns as determined by the impact on the average of offers received from traders in such liabilities for securities of comparable yield and term to maturity and quality which, in determining the HIT, is almost comparable to liabilities in any or more of the following categories: (a) liabilities carried by private which HIT is entitled to rely on are valued against securities that have comparable comparable or private ratings; (b) obligations guaranteed or otherwise secured by the general credit or moral obligation of a state or local self-government or agency or its instrumentality shall be compared with other publicly sold obligations of a given state or local government or agency or its instrumentality bearing comparable guarantors or security arrangements; (c) obligations in respect of which no other publicly sold obligations issued or guaranteed or otherwise secured by a particular state or local self-government or agency or its instrumentality (for the purpose of establishing a comparable quality) are valued as comparable in quality to the lowest assessed investment grade obligations of a particular issuer with respect to which comparable offers are available, and where the only obligations of such an issuer in respect of which comparable grade offers are available are higher than the lowest rated investment grade, HIT will receive an appropriate discount from offers on such commitments in order to reflect the reduction to the lowest rated investment grade; (d) obligations having credit enhancement secured by a letter of credit, insurance or other form of guarantor provided by a private entity will be valued against other publicly sold liabilities with comparable credit quality improvements; (e) liabilities in respect of which no publicly sold securities of comparable quality are located in accordance with those guidelines shall be valued by management on the basis of specific facts and circumstances of the case on the basis of investments comparable to conditions, quality and yield. The average offer of traders may be supplemented by applying the following valuation criteria where, according to management, the application of such additional criteria is justified or desirable: (a) discounting of expected future cash flows; (b) an assessment of the nature of the issuer or entity providing credit enhancement, as applicable, of the risks to which it is subject and historical patterns of revenue assessment and collection; (c) according to the applicable assessment of the tangible book value and financial condition of the issuer or entity providing credit enhancement; and/or (d) an estimate of the issuer's or entity's revenue history providing credit enhancement, as applicable. The liabilities in respect of which the redemption notice has been issued will be valued on the basis of their current market return and return to maturity, if HIT has no reason to believe that the payment of liabilities will not be made on the date of the call. Any liabilities (i) that are in default or (ii) in respect of which one or more underlying assets are in default and there is no available mortgage insurance or other credit enhancement to ensure full and timely payment will be valued by management on the basis of certain facts and circumstances of the case. 43 3. No public evaluation without resorting and without improving credit. Liabilities that do not carry a public rating, without resorting to issuers are and without credit increases will be valued by management based on individual facts and circumstances of the case based on investments that are comparable to conditions, quality and yield. 4. Mortgage loans for projects which have evidence of state or local government support and which meet the abovementioned loan approval criteria. Liabilities that do not carry a public rating and are without a credit increase will be valued by management on the basis of specific facts and circumstances of the case on the basis of investments that are comparable in terms of conditions, quality and yield. CONTINGENT INTEREST LOANS Interest loans Bear the base interest rate at a rate below the market rate for non-contingent interest mortgage loans prevailing at the time the loan is made in exchange for the right to receive as additional interest part (i) of the net operating or gross cash flow from the business, and/or (ii) the proceeds from the sale, refinancing or disposal of the related project. In general, interest in the early years is lower than would be the case for non-contingent interest mortgages, but increases in later years as net operating or gross cash flow increases and/or sales or refinancing income is received, and the potential interest paid in this regard is added to the base interest. HIT, as the holder of an unforeseen interest loan or interest in 20 years or an obligation that is thus secured, has the right to receive additional interest above the basic interest rate. As the amount of any net cash flow income cannot be determined in advance and the amount of any sales or refinancing income cannot be determined before a sale or refinancing occurs, it is not

possible to accurately appreciate the contingent interest feature. The values of non-contingent mortgage loans are influenced primarily by changes in interest rates, and secondly by the performance of the underlying asset. However, given unforeseen interest mortgage lending, the performance of underlying assets is becoming a more important determinant of value. Contingent interest mortgages typically appear to be an estimate of the value of underlying assets in those circumstances where there is no exchange market. It is possible that the value of the exchange that would take place between the willing buyer and the willing seller could differ from the estimated value and that the difference could be significant. The estimated value is determined by the assessment method by which the expected cash flows of the underlying asset are discounted. During the initial years, the investment is carried out with outstanding principal amounts plus accrued interest (assuming that there are no inherent credit problems with the underlying assets). In later years, as real estate matures, HIT can record an overcover or depreciation of the value of an investment based on whether the performance of the underlying asset is higher or not in line with expectations. As long as the underlying assets are projected to generate net operating cash flow at a level that would produce interest above the base rate, the amount of the projected contingent interest able may be calculated by HIT throughout the investment period. However, in no event will any value of the underlying asset exceed its valuation value on any reporting date. Determining the value of basic real estate necessarily requires assumptions and estimates about future events and cash flows of real estate. HIT intends to hire a qualified MAI assessor to carry out a core asset assessment every five years and carry out appropriate procedures to assess the relevance of individual assessments so that hit can update them annually. In addition to the valuation methods described above, all investments are reviewed and appropriate adjustments are made to reflect the impact of income (charged or accrued), gains and losses, costs and any material impairments arising from specific investment conditions (e.g. default mortgage). DISTRIBUTIONS AND TAX ISSUES Distributions of 44 Pro instalments of net income earned during the previous month are paid to participants each month. Such distributions are made in cash. In accordance with the judgment of the Internal Revenue Service received by the HIT, the participant may automatically authorize the HIT to reinvest all distributions to which the Participant is entitled in the HIT in exchange for the corresponding amount of units, calculated by the net asset value as of the end of the calendar month. TAX ISSUES Prospectus contains information about federal income tax considerations that apply to HIT and certain federal consequences of unit ownership income tax. Some additional information is shown below. HIT has decided to qualify and intends to remain qualified as a regulated investment firm under the Subchapter M Internal Revenue Act. This exempts HIT (but not participants) from paying federal income tax distributed to participants and allows HIT net capital gains (i.e. excess net capital gains from asset sales held for more than 12 months during net short- and long-term capital losses) to be treated as capital gains of participants. , no matter how long participants maintain their units in THE HIT. Qualifying as a regulated investment firm requires, inter alia, that (a) at least 90 % of HIT's annual gross income (without reducing losses on the sale or other disposal of securities) is derived from interest, dividends, payments in relation to securities and loans, and gains on the sale or other disposal of securities, loans or in foreign currencies or other income derived from the business of investing in such securities or currencies; (b) HIT diversifies its holdings so that at the end of each quarter of the taxable year (i) at least 50 % of the market value of HIT assets are cash, US government securities and other securities limited to any issuer to an amount not exceeding 5 % of the market value of HIT assets and 10 % of the outstanding voting securities of such issuer. and (ii) no more than 25 % of the value of its assets is invested in the securities of any issuing company (excluding US government securities); and (c) HIT allocates at least 90% of net taxable investment income (including short-term capital gains) to participants other than long-term capital gains and 90% of tax-free net interest income in each year. The HIT would be subject to a 4% excise duty that cannot be deducted on certain amounts if they are not distributed (or treated as if they were deployed) on the basis of a timely distribution in accordance with the requirement to distribute the calendar year. HIT intends to allocate to participants each year an amount sufficient to avoid the imposition of such an excise duty. HIT may purchase debt securities containing the original release discount. The original release discount calculated in the taxable year is treated as hit income and is subject to the distribution requirements of the Internal Revenue Act. Because the original release discount earned by HIT in the taxable year may not be represented by cash, HIT may have to dispose of other securities and use the proceeds for distribution to meet the internal revenue law distribution requirements. Hit-acquired debt securities may also be subject to market discount rules. SECOND Sometimes, HIT can compare its performance with those of the Barclays Capital Aggregate Bond Index, other industry indices, averages or data or other funds with similar investment goals in marketing materials, reports to participants or other communications. The following publications, reports, benchmarks, indices and averages, as well as others, may be discussed or otherwise used in communications: Reporting on the evaluation of pension and investment performance; Reporting by Nelson; Editing by Peter Cooney Lipper analysis of the success of the trust fund; Lipper Mutual Fund Indices; Barclays Capital Indices; or Salomon Smith Barney Indices. References to financial publications that can discuss the performance of an HIT or evaluate a HIT over different time periods can also be used in communications. HIT can also reprint and distribute articles from these and other publications. When its performance is compared to a market index, HIT may refer to different statistical measures resulting from the historical performance of the HIT and the index, such as deviation and correlation coefficient. As with other performance data, performance comparisons should not be considered relative performance of the HIT for any future period of 45 years. GENERAL INFORMATION AUDITORS AND HIT FINANCIAL STATEMENTS Participants attended the annual meeting in 2011. In 2014, Ernst & Young, LLP (EY), 8484 Westpark Drive, McLean, Virginia 22102 as HIT's independent registered public accounting firm for the fiscal year ending December 31, 2011, EY may also perform certain audit-related services and services unrelated to the audit, from time to time , after receiving prior approval from the HIT Audit Committee. The HIT Audit Committee prohibits the provision of services unrelated to the audit by the independent registered public accounting firm HIT which has not previously reviewed and authorised the proposed services. CAREGIVER AND TRANSFER AGENT In February 2004 HIT concluded a Transfer Agency Services Agreement with BNY Mellon Investment Servicing (USA) Inc. (formerly PNC Global Investment Servicing) (BNY Mellon), a mutual fund services company whose head office is located at 301 Bellevue Parkway, Wilmington, DE 19809. In accordance with this agreement, BNY Mellon serves as an HIT transfer agent, registrar, distribution payment agent and provides certain reports and other services to participants. BNY Mellon has started performing these services since 1. HIT pays BNY Mellon an annual fee of $95,000 (plus certain fees and costs). In February 2004, he was sentenced to 10 years in prison. Under this agreement, the Bank of New York serves as the custodian of THE HIT. The Bank of New York has taken over the retention of HIT mortgage securities effective on January 1, 1st HIT pays the Bank of New York an annual fee of $95,000 (plus certain fees and costs). LEGAL ISSUES Certain legal issues related to the supply of units were reviewed for the hit Bingham McCutchen LLP, 2020 K Street, N.W., Washington, D.C. 20006 and Perkins Coie LLP, 700 Thirteenth Street N.W., Washington, D.C 20005. INSURANCE AND BONDS As of the date of this document, HIT maintains professional liability insurance with the Federal Insurance Company for $10,000,000 and excess coverage with XL Specialty Insurance Company for an additional $10,000,000 (for $20,000,000 , according to shelves expiring on 3 March 2013) and general liability insurance with travel company for a fee of $2,000,000, with an umbrella shelf for an additional $5,000,000 in accordance with shelves expiring on 24, 2013. HIT also maintains, in accordance with rule 17g-1 under the Investment Company Act, a financial institution bond Form 14 for $15,000,000 with Fidelity and Deposit Trust Company of Maryland expiring on March 17, 2013. This bond exceeds the minimum amount requested (based on HIT assets) under Rule 17g-1 of the Investment Firms Act. insurance for these and other different policies will be provided on request. HIT insurance policies can be modified or renewed under different conditions. ONLINE POSTS, PRESS RELEASES, REPORTS AND OTHER COMMUNICATIONS From time to time, HIT will be published on public websites, press releases, reports, newsletters or other materials relating to its financing of individual housing projects, its inclusion in specific housing development initiatives, its investment in certain geographical areas, the use of union workforce in its projects or participation in programs to increase opportunities for owning houses. These materials will often focus on educating potential real estate developers, housing groups, nonprofits, public officials, or a broad working community regarding HIT activities in these areas. The materials may also contain information about 46 Building America CDE, Inc., a whood-owned subsidiary of HIT. HIT maintains a website www.aflcio-hit.com, where certain hit material can be found. FINANCIAL STATEMENTS The revised HIT financial statements for the fiscal year ended December 31, 2011, including notes on this and ernst & young's report, were submitted to the Securities and Exchange Commission 7. 47 ADDITION TO THE DEFINITION OF STANDARD AND BAD DEBT ISSUE DEFINITIONS OF CREDIT RATING Credit rating Standard & Poor's is an advanced opinion on a borrower's creditworthiness given a particular financial obligation , a certain class of financial liabilities or a specific financial programme (including assessments on medium-term sheet programmes and commercial paper programmes). It takes into account the creditworthiness of guarantors, insurers or other forms of credit enhancement of the liability and takes into account the currency in which the liability is denominated. The opinion reflects & Poor's opinion on the borrower's ability and willingness to meet their financial obligations as they mature, and may assess conditions, such as collateral security and subordination, which could affect final payment in the event of default. Issuing credit ratings can be long-term or short-term. A short-term rating is usually given to those obligations considered short-term in the relevant market. In the US, for example, this means liabilities with original maturities of no more than 365 days – including commercial paper. Short-term assessments are also used to indicate the borrower's creditworthiness with regard to long-term liabilities. The result is a double rating, in which the short-term rating refers to the path feature, with the usual long-term rating. The medium-term notes were given long-term assessments. Long-term credit issued for credit scores are based, to varying degrees, on standard & poor's analysis of the following considerations: · · • Probability of payment – the capacity and willingness of the debtor to fulfil his financial obligation under the terms of the obligation; • Nature and provisions of the obligation; • Protection provided by the relative position of the obligation in the event of bankruptcy, reorganisation or other regulation under bankruptcy laws and other laws affecting creditors' rights. Issue assessments are an estimate of the given risk, but may include an assessment of relative seniority or a final recovery in the event of a default. Junior liabilities are typically rated lower than higher liabilities, to reflect a lower bankruptcy priority, as noted above. (Such differentiation may apply when an entity has both higher and subordinate obligations, insured and unsecured obligations or obligations of the operating company and holding company.) AAA Commitment with an 'AAA' rating has the highest rating awarded by Standard & Poor's. The debtor's ability to fulfil his financial obligation is extremely strong. AA Obligation rated AA differs from the top-rated commitments only to a small extent. The debtor's ability to fulfil his financial obligation is very strong. The A-rated obligation is somewhat more vulnerable to the adverse effects of changes in circumstances and economic conditions than liabilities in higher-rated categories. However, the borrower's ability to fulfil its financial commitment remains strong. A BBB Appointment rated BBB shows the appropriate safeguard parameters. However, unfavourable economic conditions or changing circumstances are more likely to lead to a weakened obligatory capacity to fulfil its financial obligation. BB, B, CCC, CC and C BB, B, CCC, CC and C obligations are considered significant speculative characteristics. BB points to the smallest degree of speculation, and C to the highest level. While such commitments are likely to have some high-quality and protective characteristics, they may be maimed by high uncertainties or large exposures to adverse conditions. The BB BB-rated liability is less vulnerable to non-payment than other speculative issues. However, it faces severe continuing uncertainties or exposure to unfavourable business, financial or economic conditions, which could lead to the debtor's inadequate ability to fulfil his financial obligation in relation to the obligation. B The obligation assessed by grade B is more vulnerable to non-payment than the obligations assessed by the BB assessment, but the debtor currently has the capacity to fulfil his financial obligation. Unfavourable business, financial or economic conditions are likely to impair the debtor's ability or willingness to fulfil his financial obligation. The CCC Commitment assessed by the CCC is currently vulnerable to non-payment and depends on favourable financial and economic conditions for the obliged liability to fulfil its financial obligation. In the event of unfavourable business, financial or economic conditions, the taxpayer is unlikely to have the capacity to fulfil his or her financial obligation. The CC-rated commitment is currently highly vulnerable to non-payment. C A grade C is awarded to obligations that are currently highly vulnerable to non-payment, liabilities that have payment arrears allowed by the terms of the documents or obligations of the issuer subject to the bankruptcy petition or similar actions that have not experienced default. Inter alia, grade C may be awarded to subordinated debt, preferred shares or other liabilities on the basis of which cash payments are suspended in accordance with the terms of the instrument or where the preferred share is the subject of a distressed stock exchange offer, with part or all of the issue repurchased for cash or replaced by other instruments with a total value of less than par. D The obligation assessed as D is in payment default. The Grade D category shall be used where liability payments, including a regulatory capital instrument, are not made on the due date even if the applicable grace period has not expired, unless Standard & Poor's believes such payments will be made during such a grace period. Grade D will also be used after applying for bankruptcy or taking similar action if liability payments are compromised. The erency rating shall be lowered to D at the end of the distressed exchange offer, with part or all of the problem being redeemed for the amount of cash or replaced by other instruments with a total value of less than a pair. Plus (+) or minus (-) Ratings from AA to CCC can be changed by adding a plus sign (+) or minus (-) to show relative position within the main rating categories. NR This indicates that no assessment has been requested, that there is insufficient information on which to base the assessment, or that Standard & Poor's does not assess a specific commitment as a policy issue. APPENDIX B STANDARD AND POOR STATE HOUSING FINANCE AGENCIES THE HIGHEST CRITERIA OF THE HOUSING FINANCE AGENCY (HFA) have built up a significant level of expertise in real estate financing, development and portfolio management. Due to their prudent and conservative approach and many successful years of bond issuance, many HFAs have built significant net assets in their own general funds or under different bond resolutions. Standard & Poor's Ratings Services has provided varying levels of credit support to HFA's bond programs, especially if the agency has a proven track record of managing and substantial financial resources beyond inventory. To determine whether the HFA meets the requirements for this flexibility, Standard & Poor's considers: • Agency managerial expertise • Financial strength of the issuer • Purpose or credit support and • Portfolio performance and cash flow strength in the bond scheme. Rated HFAs may commit to go funding to cover all or part of the security of bonds. External evaluators, such as U.S. government agencies, government-sponsored loan enhancers and businesses, also view issuer credit ratings as a way to assess the agency's overall capacity and credit quality. Criteria of a top housing agency Predecessor to the ICR, the top mark is Standard & Poor's recognition of HFA's history of superior portfolio management and approval, depth of funding and prudent investment policies. Standard & Poor's expects top agencies to meet financial thresholds and have the highest level of performance in the categories described below. Standard and Poor's maintains premium labels on fewer agencies than it has ICOs on. Elements for top-tier labels are similar to those for ICOs and include: • Sufficient unlimited net assets • Internal controls and financial management • Administrative capabilities • Consistency of bond drainage reflects the agency's ability to resolve difficult situations amid changes in the economy, governor and legislature. • The analysis of other components is similar to that of the ICR. APPENDIX C STANDARD AND POOR'S HFA GO DEBT AND STATE HFA ISSUER HFA ICR Criteria Standard & Poor's analytical approach to issuing credit rating assessment (ICR) for HFA takes into account agency-specific risks, especially when assessing how an agency generates revenue and what factors could adversely affect its ability to service go debt. In assigning HFA ICRs, Standard & Poor's assesses the stability and level of agency capital available to absorb loan losses and other benefits related to its debt structure, as well as the quality and liquidity of its assets. ICFs imply a detailed assessment of the agency's financial strength, management and relationship with the state or local government. Economic factors endemic to the country or locality where the agency operates are also considered in light of the agency's financial position and credit portfolio. The agency's assets consist primarily of mortgage loans for single-family homeowners and multi-family rental apartments for low- and moderate-income people and families. Relatively low tax-exempt interest rates and access to federal, state and local housing assistance programs provide the necessary subsidy to create high-quality loans below market rate. In addition, HFAs are accountable to state legislatures and other government bodies. The public nature of HFA makes the autonomy of their management and the security of general net assets an important consideration of credit. Standard & Poor's assesses HFA's ability and willingness to repay go debt by examining key analytical areas: • Earnings quality, financial strength and capital adequacy, • and legislative mandate, and earnings quality, financial strength and capital adequacy To assess the quality and stability of earnings, Standard & Poor's is generally reviewing the financial performance for the past five years, focusing on any significant fluctuations. The premium is placed on the consistency of performance. However, one bad year is not necessarily a negative factor, unless it marks the beginning of a permanent shift. Standard & Poor's uses revenue account analysis to assess revenue sources, cost control and profitability in tandem with the analysis of the balance of liquidity, capitalization and asset quality discussed below. Both approaches include an estimate of the agency's cash accumulation level, types of investments, inter-financial borrowing, historical debt use, loan loss reserves, REO, net writedowns, equity and the quality of unlimited net assets. The main areas of analysis are leverage, profitability, asset quality and liquidity. While all these factors are important, Standard & Poor's seeks to put the greatest emphasis on equity, as it gives an indication of the resources available to maintain operations in difficult circumstances or funding programs that further expand the mission of expanding housing affordability. HFAs are usually well-capitalized entities that could build equity in different environments. Profitability shows how efficiently the agency operates. Agencies that can grow large credit portfolios typically have higher profitability than those whose portfolios are stable or declining. The HFA's ability to issue debt at a low enough rate to support affordable loans at a higher rate, earn expansion, is a key element of profitability and speaks to the agency's financial capacity and access to capital markets. Standard & Poor's will adjust leverage and profitability measures for GASB 31, an accounting rule that requires government entities to reflect their assets and income for changes in the value of investments. HFAs have significant investments to maintain until the time of the bond issue. GASB 31 requires that these investments be reflected in market value and that this change in value is reflected as a loss or gain in revenue. As agencies will not liquidate investments before their maturity at face value, GASB 31 is not relevant to HFAs and introduces unnecessary volatility in net income and net assets. In addition to the asset quality elements described below, Standard & Poor's evaluates the HFA's credit portfolio through ratios. The main ratios measure agency loans that are at least 60 days or more delinquent or in foreclosures against the agency's assets and reserves. An agency with a comparably high percentage of non-performing loans with assets must not be so penalized if it has a high level of reserves to cover losses on those loans. The final set of ratios measures the agency's liquidity to cover short-term financial needs. The main ratio of loans to assets is usually among the most hfa ratio. Although desirable, high liquidity often runs counter to the agency's mission to provide access to credit and reduce profitability. As a result, liquidity ratios often gain the lowest weight in terms of significance. The financial analysis described above is looked at in the agency's risk profile. One tool Standard & Poor's includes to determine the agency's risk profile is capital adequacy analysis. This process involves adjusting the agency's capital for any risks and shortcomings it may have to cover in scenarios involving default or disaster, such as an earthquake. Standard & Poor's will evaluate HFA loans, contractual liabilities and equity constraints to determine which assets would be available to the agency to comply with liabilities or maintain ratings on various bonds. Standard & Poor's typically uses three principal ratios to measure HFA capital adequacy: • Adjusted unlimited assets to total outstanding debt (leverage ratio), • Adjusted unlimited assets to total outstanding go debt (GO leverage ratio) and • Go debt exposure (GO debt to total outstanding debt). Standard & Poor's adjusts the agency's unlimited assets based on the level of reserves needed to support go debt and surpluses available from secured bond resolutions available for transfer to the agency's general fund. The adjusted unlimited asset position is then divided by total debt and go debt (depending on the rating) to assess the level of assets available to all bondholders. Investment grade ICR HFAs are expected to maintain a minimum leverage ratio of 4%, in line with available liquid assets amounting to 2% of outstanding total loans. Exposure to GO debt is a good measure of the agency's potential dispersion of unlimited assets in case a call to the debt service agency for go debt is required. The ratio is achieved by dividing the go debt (depending on the rating) with the agency's total outstanding debt. Exposure is classified as low (0%-20%), moderate (21%-50%) and high (above 50%). Standard & Poor's is dealing with a growing ratio of go debt exposure combined with a deterioration in unlimited assets, as measured by leverage ratios and go debt leverage ratios. Asset quality Given the fact that HFAs cannot charge taxes or raise user fees, asset quality assessment, combined with the quality of earnings, is of utmost importance in determining the appropriate ICR. This is important even for HFAs who do not have an outstanding go debt. Many HFAs have built up significant capital in their general funds and bond schemes and have significant control over these assets. To determine the likelihood of asset accumulation over time and likelihood of availability, Standard & Poor's assesses the quality of the agency's mortgage collateral, focusing on the size of the portfolio, the type of types of loans, payment characteristics, mortgage insurance and guarantees, loan approval and location. The performance of the agency's credit portfolio is measured according to comparable delinquency statistics from the Mortgage Bankers Association (MBA) to determine relative performance, with historical losses measured to determine the impact on net assets. Standard & Poor's also evaluates the quality of the agency's investment portfolio. In many cases, investments form a significant part of the agency's asset base. Overall, standard & poor's analysis focuses on investing net assets, limited and unlimited, as well as bond funds. It reviews the amount of funds invested, who manages the money, how the daily investment decisions are made and the guidance in place. The main protection and liquidity should be the primary objectives of the HFA's investment policy. Standard & Poor's must feel comfortable that a municipal issuer, such as HFA, has specific guidelines and systems in place to manage its exposure to derivative products and interest rate volatility. Standard & Poor's will evaluate HFA's investments in intergovernmental pools to determine credit quality. These investments may further increase the objective of principal protection and liquidity if they are prudently managed and consist, inter alia, of high-quality securities. Debt levels Since HFAs are generally highly influenced entities, the agency's go debt philosophy relating to other ICR rating factors is a key determinant of credit quality. If the HFA serves as a conduit and issues bonds with limited or specific liabilities that support mortgages only, the risk associated with repaying the debt is unlikely to pose a risk to the HFA's unlimited assets. In cases where an agency promises its general obligation as ultimate credit support, the risk to the agency potentially increases. This will be especially true if the HFA issues GO bonds to finance non-earning assets. Standard & Poor's calls this risk exposure to GO debt. This exposure can be quantified through the RATIO of GO debt exposure as stated above. Another factor is the agency's exposure to interest rates and other risks through the eviction of variable interest rate instruments and hedist. Standard & Poor's Debt Derivative Profile (DDP) assesses issuer risks associated with debt-related derivatives. Discussion of the methodology is included in the criteria of municipal replacement. Standard & Poor's governance and legislative mandate assesses HFA's operational performance, focusing on organization, philosophy, strategies and administrative procedures. Standard & Poor's assesses the continuity of management and the agency's ability to resolve difficult situations throughout its operational history. The agency's administrative capabilities, such as portfolio oversight, credit servicing capability, planning procedures and technology sophistication, are key factors in evaluating governance. Financial management is then considered through historical financial results, as well as experience and financial staff and overall management. While some aspects of financial management, such as the cash flow generation, can be contracted, effective governance involves actively reviewing and overseeing all financial operations. In assessing the HFA's legislative mandate, Standard & Poor's must ensure that the agency's long-term viability has the full support of public officials. The agency's security of net assets and continued autonomy of governance are essential. In many cases, most of the agency's initial funding may have been provided by the state or locality, and key agency members can be appointed by elected officials. The key to this analysis is to identify detractors of government, if any, and find bipartisan support for government programs. This can be shown by a history of legislative approvals of annual budgets, special programmes, additional funding, housing legislation and so on. Also, the autonomy of the management team should not be influenced by gubernatorial and legislative elections. Strong agencies also anticipate the housing needs of legislatures and continue to develop programs to address these problems. Economic analysis of the state or local economic base includes an assessment of the impact of changes in housing demand, the impact of changing the regulatory and legislative environment for low- and moderate-income housing, and dependence on specific industries and how it can affect the agency's mortgage portfolio. Housing in larger countries with more diverse economies is less affected by economic trends than by housing in smaller geographic regions. Therefore, critical factors will vary depending on the region where the HFA operates. Key financial ratios Follow some of the ratios standard & poor's uses in analyzing financial performance and the quality of state HFA earnings. While many other ratios can be fitted on a case-by-case basis, these ratios provide a benchmark for comparison among other state HFAs. Profitability ratios The return on average assets is the agency's most comprehensive measure of performance. However, when assessing returns on assets, the amount and quality of reported earnings should also be examined. The net interest margin measures the most important source of quality earnings-net interest income. The ratio is influenced by the volume and type of earnings assets, as well as the cost of the funds. The key to continued profitability is the agency's ability to manage its net interest margin. Leverage ratios Adjusted unlimited assets to total debt, adjusted unlimited assets to total GO debt, total capital to total assets and total capital and reserves for total loans measure the agency's capital base available to promote investor confidence and absorb operational shortcomings. Go debt to total debt (go debt exposure ratio) measures the extent to which the agency has used its GO promise. This is a good indicator of dispersion of unrestricted assets of the go debt support agency. Liquidity ratios Total loans with total assets and total investments in total assets measure the agency's ability to access funds for short-term applications. Asset quality ratios Nonperforming assets in total loans, net writedowns of nonperforming assets, loan loss reserves and loan loss reserves for non-performing assets measure the diversity and quality of the agency's asset portfolio for earnings. Net writedowns are an indicator of the actual experiences of losing the mortgage portfolio, while loan loss reserves should be appropriate for absorbing these losses. APPENDIX D STANDARD AND POOR'S DEBT RATINGS DEFINITIONS Short-term A-1 short-term liability rating of 'A-1' was rated in the highest category by Standard & Poor's. The debtor's ability to fulfil his financial obligation is strong. Within this category, appointments are marked with a plus sign (+). This suggests that the borrower's ability to fulfil its financial obligation with regard to these obligations is extremely strong. A-2 The short-term liability assessed by the A-2 assessment is somewhat more vulnerable to the adverse effects of changes in circumstances and economic conditions than liabilities in the higher rating categories. However, the debtor's ability to fulfil his financial obligation with regard to the obligation is satisfactory. A-3 Short-term commitment rated A-3 shows the appropriate safeguard parameters. However, unfavourable economic conditions or changing circumstances are more likely to lead to a weakened obligatory capacity to fulfil its financial obligation. B A short-term liability assessed by grade B is considered a significant speculative characteristic. Grades B-1, B-2 and B-3 may be awarded in order to indicate a finer difference within Category B. The obliged equidae currently has the capacity to fulfil its financial obligation; however, it faces major continuing uncertainties that could lead to the debtor's inadequate ability to fulfil his financial obligation. B-1 A short-term commitment assessed by the B-1 assessment is considered a significant speculative characteristic, but the debtor has a relatively stronger capacity to meet his financial obligations in the short term compared to other speculative grade bonds. B-2 A short-term commitment assessed by grade B-2 is considered a significant speculative characteristic and the obligor has an average speculative grade ability to meet its financial obligations in the short term compared to other speculative grade bonds. B-3 The short-term commitment assessed by the B-3 assessment is considered to be a significant speculative characteristic and the debtor has a relatively weaker capacity to meet his financial obligations in the short term compared to other speculative grade bonds. C The short-term commitment assessed as C is currently vulnerable to non-payment and depends on favourable business, financial and obliged to fulfil its financial obligation to comply with the obligation. D A short-term commitment rated D is in default. The Grade D category shall be used when liability payments made on the due date even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such a grace period. Grade D will also be used after applying for bankruptcy or taking similar action if payments with an obligation are compromised. PART C: OTHER INFORMATION ITEM 28. EXCLOSES: (a) Articles of Incorporation. Hits current articles of incorporation, charter, statement of trust or appropriate instruments and any related modification. (1) Declaration of Confidence, as amended, until 21 (b) Subdiate Acts. Hits current data laws or corresponding instruments and any related modification. (1) Subject acts, amended and restored until 18 October 2017 It was established here on the basis of the same document submitted as exhibit (b)(1) in the HIT Registration Statement on Form N-1A under the Securities Act of 1933 (c) Instruments defining the rights of security holders. Instruments defining the rights of the holders of the securities to be registered, including the corresponding part of the STATEMENT of Trust or THE HIT data. (1) This refers to Articles V and VI. It refers to Article II of the registrant's law, as amended. Here incorporated into the same document submitted as exhibit (b)(1) in the HIT Registration Statement on Form N-1A under the Securities Act of 1933 (d) Investment Advice Agreements. Investment advice agreements relating to the management of HIT assets. (Not applicable) (e) Approval agreements. Endorsement or distribution agreements between HIT and the main sponsor and contracts between major sponsors and traders. (Not applicable) (f) Bonus or profit-sharing agreements. Bonus, profit sharing, pensions or similar contracts or arrangements in whole or in part for the benefit of the TRUSTEes or HIT officers in their official capacity. Describe in detail any plan that is not included in the official document. (1) Summary of the benefits of the AFL-CIO Staff Retirement Plan as of January 1, 2015 It is included here in the same document submitted as exhibit 3 on the HIT Registration Statement on Form N-1A under the Securities Act of 1933 (post-effective amendment No 34) and the Investment Firms Act of 1940 (2) Summary Description of the AFL-CIO Housing Investment Trust 401(k) Pension Plan, dated December 2002. It was established here on the basis of the same document submitted as exhibit 2 on the HIT Registration Statement on Form N-1A under the Securities Act of 1933 (post-effective amendment No 40) and the Investment Firms Act of 1940 (g) Custodial Agreements. Custodial and depositary contracts under Section 17(f) [15 U.S.C. 80a-17(f)] relating to securities and similar HIT investments, including remuneration schedules. (1) Custodial Services Contract, from 23 October 2013 Here included on the same document submitted as the exhibit (g)(1) in the HIT Registration Statement on Form N-1A under the Securities Act of 1933 (2) Transfer Agency Services Agreement, February 2004, 2004 (h) Other substantive contracts. Other substantive contracts not made in the ordinary course of business to be carried out in whole or in part on or after the date of submission of the registration statement. (Not applicable) (i) Legal opinions. The opinion and consent of advisers regarding the legality of the securities being registered, which states whether securities, when sold, will be legally issued, fully paid and unchanging. (1) Bingham McCutchen LLP's letter of opinion and written consent, as of April 27, 2012, shall be submitted as evidence (i)(1) of this Registration Statement. (j) Other opinions. All other opinions, assessments or judgments and related consents relied on the preparation of the registration statement and were required under Section 7 of the Securities Act [15 U.C.S.C]. (1) The written consent of Ernst & Young, LLP, as of April 27, 2012, shall be submitted as evidence (j)(1) to this Registration Statement. (k) Omitted financial statements. Financial statements omitted from paragraph 22 (Not applicable) (l) Initial capital contracts. Any agreements or agreements adopted under consideration for the provision of initial capital between or between HIT, sponsors, advisers, promoters or initial shareholders and written assurances from promoters or initial shareholders that the purchases were made for investment purposes and not with the intention of redemption or resale. (Advance agreements, executed on 24 September 1981, 25 September 1981, 19 October 1981 and 16 April 1982, previously submitted, expired.) (m) Rule 12b-1 Plan. Any plan concluded by HIT in accordance with Rule 12b-1 and any agreements with any person relating to the plan (1) Distribution plan in accordance with Rule 12b-1 as amended, as of 19 October 2013. Included here, referring to the same document submitted as the exhibit (m)(1) in the HIT Registration Statement on Form N-1A under the Securities Act of 1933 (Posteffiffial Amendment No. 53) and the Investment Companies Act of 1940 (Amendment No 1944). (n) Rule 18f-3 Plan. Any plan concluded by HIT in accordance with Rule 18f-3 and any agreement with any person relating to the implementation of the plan and any amendment to the plan or agreement. (Not applicable) 2 (p) Code of Ethics. All codes of ethics adopted in accordance with Rule 17j-1 of the Investment Firms Act [17 CFR 270.17j-1] and currently apply to HIT (i.e. HIT codes and its investment advisers and major sponsors). (1) Rule 17j-1 HIT Code of Ethics amended until November 13, 2007. It is included here in the same document submitted as exhibit (p)(1) in the HIT Registration Statement on Form N-1A under the Securities Act of 1933. Other exc; (1) Power of attorney for Commissioner Shuler. Here it is included in the same document submitted as exhibit 6 on the HIT Registration Statement on Form N-1A under the Securities Act of 1933 (post-effective amendment No 54) and the Investment Company Act of 1940 (2) Power of Power of Power of The Commissioners Boland and Rigmaidn. Established here citing the same documents submitted as Exhibit 7 to the HIT Registration Statement on Form N-1A under the Securities Act of 1933(Post-Effective Amendment No 1934). 56) and the Investment Company Act of 1940 (Amendment No 59), as submitted to the SEC on February 28, 2011 (3) The power of attorney of Commissioner Sweeney, Trumka, Holt Baker, Hurt, Frank, Quinn, Ravitch, Spear and Stanley were submitted as exhibit 3 of the PERSON UNDER CONTROL OR UNDER JOINT CONTROL WITH THE REGISTRANT. Building America, CDE Inc., a Delaware corporation, is a whot-owned, unconsolidated subsidiary of HIT. ITEM 30. UNIFICATION. In accordance with Section 4.8 of the HIT Declaration of Confidence (see exhibit (a)(1) in the Exhibits above section), each Commissioner and Officer and any former Commissioner and Officer will be harmed by fines, judgments, amounts paid by settlement and costs, including attorneys' fees, which are actually and reasonably incurred in connection with any pending or compromised criminal action, civil action or administrative or investigative proceedings (any matter) against him or her arising from the fact that he or she was a trustee or an ER officer or because of actions taken as such by a commissioner or officer, if his or her responsibility has been found not to be the result of his or her deliberate malfeasance, bad faith, gross negligence or non-compliance with the duties involved in the performance of his office (incapacitation of conduct). The conclusion that liability does not arise from the incapacitation of conduct may be reached in the final decision of the court or other body before which the case leading to costs or liability has been brought or, in the absence of such a decision, (a) the vote of a majority of the Quorum of Commissioners who are not even interested persons of the HIT as defined in Section 2(a)(19) of the Investment Company Act 1940 or the parties to the matter (disinterested non-partisan commissioners) or (b) independent legal adviser in written opinion. Costs of this kind eligible for CATION may be paid as the Commissioner or officer did before the final disposal of the case upon receipt of the obliged recipient to repay such an amount, unless ultimately found to be entitled to adhesion if (a) the recipient provides security for his undertaking, (b) THE HIT is insured for losses incurred as a result of any lawful advances or (c) most quoums of disinterested non-partisan commissioners or independent legal adviser (in written opinion) determined, on the basis of a review of readily available facts, that there is reason to believe that the right to compensation will ultimately be found. Section 4.8 aims to ensure that commissioners and officers are appointed to the full extent permitted by law and should be interpreted and enforced to that extent. 3 PARAGRAPH 31. BUSINESS AND OTHER LINKS OF THE INVESTMENT ADVISOR. THERE IS NO ITEM 32. MAIN SPONSORS. Nobody. ITEM 33. LOCATION OF ACCOUNTS AND RECORDS. All invoices, books and other documents required for maintenance under Section 31(a) of the Investment Company Act. C has 1940 POINT 34. MANAGEMENT SERVICES. Nobody. POINT 35. Company. Nobody. 4 SIGNATURES In accordance with the requirements of the Securities Act of 1933. The registrant confirms that he or she meets all the conditions for the effectiveness of this post-effective amendment in accordance with Rule 485(b) in accordance with the Securities Act 1933. THE AMERICAN FEDERATION OF LABOR AND THE CONGRESS OF INDUSTRY ORGANIZATIONS HOUSING INVESTMENT TRUST By: /s/ STEPHEN COYLE Stephen Coyle Chief Executive Officer Pursuant to the requirements of the Securities Act of 1933, this amendment to the Registration Statement was signed by the following persons in capacity indicated on 27 October 2015. Boland Trustee /s/ FRANK HURT * Frank Hurt Trustee /s/ KENNETH E. RIGMAIDEN* Kenneth E. Rigmaiden Povjerenik /s/ ELIZABETH SHULER* Elizabeth Shuler Trustee /s/ RICHARD L. TRUMKA* Richard L. Trumka Trustee /s/ STEPHEN FRANK* Stephen Frank Trustee /s/ RICHARD RAVITCH* Richard Ravitch Trustee /s/ TONY STANLEY* Tony Stanley Trustee /s/ MARLYN J. SPEAR* Marlyn J. Spear Trustee /s/ JACK QUINN* Jack Quinn Trustee /s/ STEPHEN COYLE Stephen Coyle Glavni izvršni direktor (glavni izvršni direktor) /s/ ERICA KHATCHADOURIAN Erica Khatchadourian Chief Financial Officer * Theodore S. Chandler, potpisujući svoje ime ovdje, potpisuje ovaj dokument u ime svake od gore navedenih osoba u skladu s punomoćima koje je takva osoba uredno izvršila i prethodno podnijela SEC-u. / s / THEODORE S. CHANDLER Theodore S. Chandler INDEX IZLOŽBAMA (a)(1) Izjava o povjerenju , kako je izmijenjena, ožujka 2012 (i)(1) Pismo mišljenja i pisani pristanak Bingham McCutchen LLP od travnja 27, 2012 (j)(1) Pisani pristanak Ernst & Young LLP od travnja 27, 2012 (3) Punomoći za povjerenike Sweeney, Trumka, Holt Baker, Hurt, Frank, Quinn, Ravitch, Spear i Stanley Stanley Stanley