

April 2, 2004

Mr. Charles C. Price
WRIGHT, LINDSEY & JENNINGS LLP
200 West Capitol Avenue, Ste. 2300
Little Rock, AR 72201-3699

RE: NLR Residential Housing Facilities Board
Multi-Family Housing Revenue Bonds
No Action No. 15041-CS

Dear Mr. Price:

We are in receipt of your letter dated March 23, 2004 in which you request that the staff of the Arkansas Securities Department recommend to the Commissioner that no enforcement action be taken against the North Little Rock Housing Facilities Board (the "Issuer") or Greystone Servicing Corporation, Inc. (the "Lender") if they engage in the described transaction without registration under the Arkansas Fair Mortgage Lending Act, Ark. Code Ann. § 23-39-501, *et seq.* (the "Act"). The facts as I understand them are as follows:

The Issuer will issue Multi-Family Housing Revenue Bonds, which will be secured by a Trust Indenture dated as of March 1, 2004 between the Issuer and FirsTrust Financial Services, Inc for the purpose of providing funds to finance a mortgage loan to NHDC Ridgeview Apartments, Inc (the "Borrower"). The Borrower will use the funds to acquire and rehabilitate a 242 unit multi-family housing development.

The Issuer is an exempt person under Ark. Code Ann. § 23-39-502(6)(b)(ii). The Lender is an exempt person under Order No. 15039-CS entered March 31, 2004. However, the terms of the trust indenture provide that the mortgage loan may contain a penalty for prepayment after the expiration of the thirty-six month period immediately following the date on which the loan was made that is specified in Ark. Code Ann. § 23-39-513(8)(A). Because the term of the loan is forty years, and for the protection of the purchasers of the bonds, the parties to the transaction expect that no prepayment can occur during the first ten years following construction completion and the penalty for prepayment will commence in year eleven and decrease over a five year period at the rate of one percent per year beginning at five percent. You have represented that these terms are necessary to market the Bonds and are standard for this type of FHA insured mortgage.

Mr. Charles C. Price

March 31, 2004

Page 2

It appears from the facts as set forth above and more completely in your letter that the mortgage loan is to be used for purposes of acquisition and rehabilitation of a large multi-family apartment complex. Ark. Code Ann. § 23-39-513(8)(A) applies, by its terms, only to residential mortgage loans. It appears that the loan that is the subject of your letter is not a residential mortgage loan as contemplated under the provisions of the Act, but is rather a commercial loan. The Department considers residential mortgage loans to consist of loans secured by an interest in real property which is used or to be used for one-to-four family dwellings. As such, the Staff of the Department does not believe that Ark. Code Ann. § 23-39-513(8)(A) has application to the described transaction, and will not recommend to the Commissioner that enforcement action be taken if the transaction is made as represented in your letter.

Please note that the position expressed herein pertains only to the facts and circumstances described in your letter. Different facts might well result in a different response.

Should you have any questions, please contact me.

Yours truly,

John E. Moore, Jr.
Chief Counsel