

HOUSING PROGRAMS LIMITED

Dear Partner:

We are enclosing your Federal and California Schedules K-1 (Form 1065 and Form 565) for **Housing Programs Limited** ("Partnership") for the year ended December 31, 2001. Also enclosed is an explanatory guide to be used in the preparation of your Federal income tax returns. The guide includes instructions for the reporting of the Partnership's operations and provides certain information which may be useful for state or local reporting purposes.

During the year the Partnership disposed of its interest in a partnership. The gain from the sale of this partnership is reported below as a non-portfolio long-term capital gain from a passive activity. Since the Partnership previously elected to treat all of the activities owned by the Partnership as a single passive activity, the sale of this interest is not a complete disposition of a passive activity.

2001 Results: Your Schedule K-1 reflects the following results per \$5,000 investment:

Rental Real Estate Passive Tax Income	Portfolio Interest Income	Non-Portfolio Long-Term Capital Gain
\$ 113.50	\$ 48.32	\$ 319.07

As a result of the 1986 Tax Reform Act losses allocated to you beginning with the 1987 tax year were subject to the Passive Activity Loss Rules. These rules limit your ability to use allocated losses from the Partnership to offset taxable income. Generally, losses may only be used to offset income from the Partnership or from other Passive Activities in which you have invested. Losses in excess of the limitations are suspended and are available against future income. You may use losses from the Partnership allocated to you and suspended as a result of the Passive Activity Loss Rules in prior years to offset the gain from the sale of the partnerships.

We suggest that you seek professional assistance in preparing your tax return. The Schedules K-1 (Federal Form 1065 and California Form 565) and the Partnership Schedule K-1 Guide should be made available to your tax preparer for use in preparing your 2001 income tax returns.

You will soon receive the 2001 Annual Operating Report and audited financial statements of the Partnership.

Sincerely,

National Partnership Investments Corp.
Corporate General Partner

HOUSING PROGRAM LIMITED
Tax ID #95-3906167
PARTNERSHIP SCHEDULE K-1 GUIDE – 2001

The guide explains, in general terms, where the information contained in the Schedule K-1 should be reported on your Federal individual income tax forms. The guide also provides information which may be necessary for state and local reporting purposes.

SCHEDULE K-1 AMOUNTS

LINE 2: The amount on Line 2 of the Schedule K-1 is YOUR share of the Partnership's consolidated 2001 passive net income from rental real estate activities. Report this amount on on Line 2a of Form 8582. Enter this amount also in Column (a) of Worksheet 2 to Form 8582. Enter any prior years' unallowed losses from this activity, if any, in Column (c) of Worksheet 2. If you have other passive activity income or loss to report on line 2, Form 8582 provides Worksheet 2 for assembling the amounts. Worksheet 2 will be used to determine your overall gain or loss from this activity. Worksheet 4 provides a format for keeping track of your suspended (unallowed) loss amounts for each passive activity. (FORM 8582, "PASSIVE ACTIVITY LOSS LIMITATIONS," IS AN ATTACHMENT TO THE FORM 1040.)

LINE 4a: The amount reported on Line 4a represents interest income which is deemed to be portfolio income. The partnership and its local project partnerships have earned this interest income on their regulated and discretionary cash reserves and their working capital. Enter this amount and the name of the Partnership on Line 1, Part 1 of Schedule B. (SCHEDULE B, "INTEREST AND DIVIDEND INCOME," IS A SEPARATE ATTACHMENT TO THE FORM 1040.)

LINE 7: The amount reported on Line 7 is your share of the Partnership's non-portfolio long-term capital gain from the disposition of a partnership interest. Report the gain amount in column (f) on Line 12, Schedule D of Form 1040. The amount on Line 7 is gain from a Passive Rental Real Estate Activity, which in addition to Schedule D is reported as part of the net gain on Line 2a of Form 8582 (see the discussion of Form 8582 above for Line 2).

LINE 14b(1): The amount reported on Line 14b(1) is the same as the amount shown (as portfolio income) on Line 4a of the Schedule K-1. This item is used to compute the amount of investment interest expense, if you have any from other investments, which may be claimed as an interest deduction on your return. Include the amount on Line 14b(1) in the amount to be reported on Form 4952, Line 4a. (FORM 4952, "INVESTMENT INTEREST EXPENSE DEDUCTION," IS AN ATTACHMENT TO THE FORM 1040.)

LINE 16e, Other Adjustments and Tax Preference Items, Adjusted Current Earnings ("ACE") does not apply to individuals. If you hold your interest in corporate (C Corporation) or partnership or trust form where there are corporate partners or beneficiaries and if you require ACE information by state, this information will be provided on request.

LINE 25: The amount reported on Line 7 represents net long-term capital gains from the disposition of non-portfolio assets. The entire amount of this gain represents capital gain taxable at the 25% rate. See the instructions for Line 19 of Part IV of Schedule D (Form 1040) for how to report the gain.

Consult your tax advisor regarding the impact to you of this information.

REPORTING OF TAX SHELTER
REGISTRATION NUMBER AND BENEFITS – FORM 8271

As indicated at item G on the Schedule K-1, the Internal Revenue Service has issued the Partnership the following tax shelter registration number: 84264000195. You must report this number together with the Partnership's name

and identifying number (95-3906167) on Form 8271. (FORM 8271, "INVESTOR REPORTING OF TAX SHELTER REGISTRATION NUMBER," IS AN ATTACHMENT TO THE FORM 1040.)

PARTNERS' CAPITAL ACCOUNT AND ADJUSTED BASIS

Item J of Schedule K-1 shows a reconciliation of your CAPITAL ACCOUNT. It should be noted that YOUR CAPITAL ACCOUNT REPRESENTS THE TAX ACCOUNTING BOOK VALUE OF YOUR INVESTMENT, AND NOT ITS BOOK VALUE FOR FINANCIAL REPORTING PURPOSES OR ITS FAIR MARKET VALUE.

Item F of the Schedule K-1 reports the amount of your share of the liabilities which is taken into account in determining the adjusted tax basis of your Partnership unit at December 31, 2001.

UNITS ACQUIRED AFTER DECEMBER 31, 1986

The "at risk" rules apply to rental real estate if you acquired your Partnership units after December 31, 1986. Although the Partnership's projects have sufficient qualified financing to avoid an "at-risk" limitation, you are required to complete Form 6198 if you acquired your interest after 1986. The Schedule K-1 amount reported at Item F as "qualified nonrecourse financing" should be included in your computation of the "Amount at-risk" under Part II or Part III on Form 6198. (FORM 6198, "AT-RISK LIMITATIONS," IS AN ATTACHMENT TO FORM 1040.)

STATE OR LOCAL REPORTING

The Schedule K-1 amount on Line 2 reflects accelerated cost recovery depreciation which was allowable for Federal income tax purposes for property placed in service after 1981 and prior to 1987. Many states, however, including California did not conform to this Federal depreciation provision. The amount on Line 2 column (c) of your California Schedule K-1 includes an adjustment for your share of this difference.

The Partnership has allocated the Schedule K-1 information among the various states or localities in which the Partnership has investments. The income or loss from rental real estate activities by state or locality, along with the respective percentages, has been provided. This information will be useful to an investor who files a nonresident state return in a state or locality in which the Partnership has an investment. Information for states that did not conform to the Federal depreciation provisions, has also been provided under the "Non-Conforming States" columns. California residents should report the amounts in column (d) of their California Schedule K-1 on their California returns. In addition to adjustments required by "Non-Conforming States," other states may require modifications based on federal income.

The Non-Portfolio Long-Term Capital Gain and Portfolio Interest Income reported on your Schedules K-1 is considered income attributable to an intangible asset. Income from an intangible asset is reported by an individual taxpayer in their state of domicile.

Income (Loss)
From Rental Real
Estate Activity
(Line 2)

<u>State/Locality</u>	<u>Federal</u>		<u>Non-Conforming</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Illinois	\$20.36	17.94	\$(18.08)	(75.93)
Indiana	13.46	11.86	13.50	56.70
Michigan	79.22	69.80	79.24	332.84
Missouri	(4.10)	(3.61)	(4.06)	(17.07)
Rhode Island	<u>4.55</u>	<u>4.01</u>	<u>(46.79)</u>	<u>(196.54)</u>
TOTALS	<u>\$113.50</u>	<u>100.00%</u>	<u>\$23.81</u>	<u>100.00%</u>

You should consult with your tax advisor to determine your state or local reporting requirements.