Reznick Group

COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS

JUNE 30, 2009

Community Development Administration
Revenue Obligation Funds

TABLE OF CONTENTS

Reznick Group

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying combined financial statements of the Community Development Administration Revenue Obligation Funds (the Funds) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2009, as listed in the table of contents. These combined financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the combined financial statements present only the Community Development Administration Revenue Obligation Funds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Community Development Administration Revenue Obligation Funds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The Supplemental Disclosure of Combined Changes in Fair Value of Investments and Mortgage-Backed Securities is presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the combined financial statements and, accordingly, we express no opinion on it.

Reznick Group, P.C.

Baltimore, Maryland
September 24, 2009

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET ASSETS
(in thousands)

June 30, 2009
(with comparative combined totals as of June 30, 2008)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2009	Combined 2008
RESTRICTED ASSETS							
Restricted current assets							
Cash and cash equivalents on deposit with trustee	$ 5,727	$ 9,477	$ 56,319	$ 302,216	$ 33,486	$ 407,225	$ 405,180
Investments	14,513	2,000	-	-	4,686	21,199	156,134
Mortgage-backed securities	-	-	4,677	-	-	4,677	4,124
Mortgage loans							
Single family	8,350	-	18	24,534	-	32,902	28,875
Multi-family construction and permanent financing	-	1,816	2,853	-	18	4,687	5,159
Energy and rehabilitation	-	-	-	-	55	55	49
Accrued interest and other receivables	1,929	506	2,837	16,855	91	22,218	19,257
Claims receivable on foreclosed and other loans, net of allowance	588	-	-	26,740	-	27,328	6,612
Real estate owned, net of allowance	-	-	-	2,131	-	2,131	804
Due from other Funds	74	-	-	-	-	74	250
Total restricted current assets	31,181	13,799	66,704	372,476	38,336	522,496	626,444
Restricted long-term assets							
Investments, net of current portion	36,004	7,326	6,917	26,083	-	76,330	104,241
Mortgage-backed securities, net of current portion	-	-	442,978	-	-	442,978	424,817
Mortgage loans, net of current portion and allowance							
Single family	127,374	-	286	2,055,400	35	2,183,095	2,008,478
Multi-family construction and permanent financing	-	48,912	89,711	-	3,512	142,135	148,417
Energy and rehabilitation	-	-	-	-	-	-	51
Accrued interest receivable, net of current portion	3	-	-	-	-	3	-
Other loan receivable	-	-	-	-	750	750	750
Deferred bond issuance costs	552	2	164	14,578	-	15,296	14,995
Total restricted long-term assets	163,933	56,240	540,056	2,096,061	4,297	2,860,587	2,701,749
Total restricted assets	$ 195,114	$ 70,039	$ 606,760	$ 2,468,537	$ 42,633	$ 3,383,083	$ 3,328,193

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET ASSETS - CONTINUED
(in thousands)

June 30, 2009
(with comparative combined totals as of June 30, 2008)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2009	Combined 2008
LIABILITIES AND NET ASSETS							
Current liabilities							
Accrued interest payable	$ 1,024	$ 1	$ 14,286	$ 36,425	$ -	$ 51,736	$ 49,101
Accounts payable	36	5	-	172	425	638	983
Accrued workers' compensation	-	-	-	-	1	1	2
Accrued compensated absences	-	-	-	-	310	310	300
Due to State Treasurer	-	-	-	-	3,418	3,418	1,600
Rebate liability	-	1,014	-	64	-	1,078	2,032
Bonds payable and short-term debt	16,060	198	8,810	75,270	-	100,338	114,300
Deposits by borrowers	-	2,889	2,833	-	49	5,771	6,782
Due to other Funds	-	-	-	74	-	74	250
Total current liabilities	17,120	4,107	25,929	112,005	4,203	163,364	175,350
Long-term liabilities							
Accrued workers' compensation, net of current portion	-	-	-	-	8	8	14
Accrued compensated absences, net of current portion	-	-	-	-	354	354	164
Rebate liability, net of current portion	5,288	-	-	2,800	-	8,088	9,968
Bonds payable, net of current portion	68,119	-	531,919	2,161,480	-	2,761,518	2,721,789
Deposits by borrowers, net of current portion	-	3,111	6,917	-	11	10,039	13,562
Deferred income	-	-	5,716	-	-	5,716	5,768
Total long-term liabilities	73,407	3,111	544,552	2,164,280	373	2,785,723	2,751,265
Total liabilities	90,527	7,218	570,481	2,276,285	4,576	2,949,087	2,926,615
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-	-	-
NET ASSETS							
Restricted	104,587	62,821	36,279	192,252	38,057	433,996	401,578
Total liabilities and net assets	$ 195,114	$ 70,039	$ 606,760	$ 2,468,537	$ 42,633	$ 3,383,083	$ 3,328,193

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
(in thousands)

Year ended June 30, 2009
(with comparative combined totals as of June 30, 2008)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2009	Combined 2008
Operating revenue							
Interest on mortgage loans	$ 9,850	$ 4,160	$ 5,922	$ 121,548	$ 162	$ 141,642	$ 120,546
Interest on mortgage-backed securities	-	-	24,596	-	-	24,596	24,405
Interest income on investments, net of rebate	2,964	668	1,406	5,674	790	11,502	34,467
Increase (decrease) in fair value of investments, net of rebate	508	94	202	73	(150)	727	3,165
Fee and deferred income	71	136	366	429	3,478	4,480	3,993
Other operating revenue	-	41	105	125	177	448	698
	13,393	5,099	32,597	127,849	4,457	183,395	187,274
Operating expenses							
Interest expense on bonds and short-term debt	4,825	10	28,450	109,418	-	142,703	139,212
Professional fees and other operating expenses	695	138	225	2,198	555	3,811	3,085
Salaries and related costs	-	-	-	-	7,849	7,849	5,778
General and administrative costs	-	-	-	-	4,650	4,650	3,521
(Decrease) increase in provision for loan losses	-	-	(5)	7,844	-	7,839	3,333
Origination expenses	1	-	-	2,330	-	2,331	1,225
Real estate owned expenses	-	-	-	116	-	116	21
Loss (gain) on foreclosure claims	58	-	-	(11)	-	47	(60)
Loss on real estate owned, net	-	-	-	50	-	50	-
Amortization of bond issuance costs	220	-	16	522	-	758	1,126
Loss (gain) on early retirement of debt	62	-	22	(1,974)	-	(1,890)	379
	5,861	148	28,708	120,493	13,054	168,264	157,620
Operating income (loss)	7,532	4,951	3,889	7,356	(8,597)	15,131	29,654
Nonoperating revenue (expenses)							
Increase (decrease) in fair value of mortgage-backed securities	-	-	17,358	-	-	17,358	(5,987)
Total nonoperating revenue (expenses)	-	-	17,358	-	-	17,358	(5,987)
Transfers of funds, net, as permitted by the various bond indentures	(26,952)	(13,071)	(13,125)	46,577	6,500	(71)	(331)
CHANGES IN NET ASSETS	(19,420)	(8,120)	8,122	53,933	(2,097)	32,418	23,336
Net assets - restricted at beginning of year	124,007	70,941	28,157	138,319	40,154	401,578	378,242
Net assets - restricted at end of year	$ 104,587	$ 62,821	$ 36,279	$ 192,252	$ 38,057	$ 433,996	$ 401,578

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS
(in thousands)

Year ended June 30, 2009
(with comparative combined totals as of June 30, 2008)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2009	Combined 2008
Cash flows from operating activities							
Principal and interest received on mortgage loans	$ 28,178	$ 14,066	$ 22,645	$ 204,873	$ 310	$ 270,072	$ 259,727
Principal and interest received on mortgage-backed securities	-	-	29,040	-	-	29,040	28,310
Escrow funds received	-	2,864	3,563	-	60	6,487	8,696
Escrow funds paid	-	(5,604)	(5,417)	-	-	(11,021)	(15,159)
Mortgage insurance claims received	594	-	-	10,665	-	11,259	5,342
Foreclosure expenses paid	(57)	-	-	(450)	-	(507)	(248)
Loan fees and deferred income received	-	-	240	406	3,473	4,119	5,168
Loan fees disbursed	-	-	-	(5,939)	-	(5,939)	(12,682)
Purchase of mortgage loans	(470)	-	(18,249)	(322,129)	(1,538)	(342,386)	(603,360)
Purchase of mortgage-backed securities	-	-	(5,808)	-	-	(5,808)	(16,702)
Purchase of other loan	-	-	-	-	-	-	(750)
Professional fees and other operating expenses	(737)	(138)	(225)	(2,227)	(569)	(3,896)	(3,083)
Other income received	-	41	105	125	177	448	698
Salaries and related costs	-	-	-	-	(6,331)	(6,331)	(6,386)
General and administrative costs	-	-	-	-	(4,157)	(4,157)	(3,015)
Other reimbursements	(21)	-	-	21	(243)	(243)	(78)
Net cash provided by (used in) operating activities	27,487	11,229	25,894	(114,655)	(8,818)	(58,863)	(353,522)
Cash flows from investing activities							
Proceeds from maturities or sales of investments	55,445	-	-	137,113	25,369	217,927	491,948
Purchases of investments	(29,784)	-	-	(24,957)	-	(54,741)	(245,673)
Arbitrage rebates (paid) refunded	(2,454)	-	-	27	-	(2,427)	(1,303)
Interest received on investments	4,451	729	1,469	6,000	1,041	13,690	43,872
Net cash provided by investing activities	27,658	729	1,469	118,183	26,410	174,449	288,844
Cash flows from noncapital financing activities							
Proceeds from sale of bonds	-	-	16,490	190,000	-	206,490	430,390
Payments on bond principal	(24,410)	-	(15,550)	(138,070)	-	(178,030)	(488,195)
Bond issuance costs	-	-	-	(1,557)	-	(1,557)	(2,723)
Reimbursement of bond costs	-	-	70	-	-	70	136
Interest on bonds and short-term debt	(5,109)	(10)	(27,874)	(107,450)	-	(140,443)	(133,723)
Transfers among Funds	(26,952)	(13,071)	(13,125)	46,577	6,500	(71)	(331)
Net cash (used in) provided by noncapital financing activities	(56,471)	(13,081)	(39,989)	(10,500)	6,500	(113,541)	(194,446)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(1,326)	(1,123)	(12,626)	(6,972)	24,092	2,045	(259,124)
Cash and cash equivalents on deposit with trustee at beginning of year	7,053	10,600	68,945	309,188	9,394	405,180	664,304
Cash and cash equivalents on deposit with trustee at end of year	$ 5,727	$ 9,477	$ 56,319	$ 302,216	$ 33,486	$ 407,225	$ 405,180

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS - CONTINUED
(in thousands)

Year ended June 30, 2009
(with comparative combined totals as of June 30, 2008)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2009	Combined 2008
Reconciliation of operating income (loss) to net cash from operating activities							
Operating income (loss)	$ 7,532	$ 4,951	$ 3,889	$ 7,356	$ (8,597)	$ 15,131	$ 29,654
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Decrease (increase) in assets							
Mortgage loans	18,741	9,874	(1,438)	(198,683)	(1,392)	(172,898)	(448,992)
Mortgage-backed securities	-	-	(1,356)	-	-	(1,356)	(12,743)
Accrued interest and other recievables	647	38	(37)	(3,795)	183	(2,964)	7,189
Claims receivable on foreclosed and other loans	(89)	-	-	(22,923)	-	(23,012)	(5,178)
Real estate owned	-	-	-	(1,903)	-	(1,903)	(804)
Other loan receivable	-	-	-	-	-	-	(750)
Due from other Funds	(74)	-	-	250	-	176	282
(Decrease) increase in liabilities							
Accrued interest payable	(284)	-	576	2,343	-	2,635	5,889
Accounts payable	(42)	(1)	-	(29)	(273)	(345)	(452)
Accrued workers' compensation and compensated absences	-	-	-	-	193	193	44
Due to State Treasurer	-	-	-	-	1,818	1,818	(146)
Rebate liability	(1,761)	104	-	(1,177)	-	(2,834)	1,339
Deposits by borrowers	-	(2,740)	(1,854)	-	60	(4,534)	(6,463)
Deferred income	-	-	(52)	-	-	(52)	(95)
Due to other Funds	(250)	-	-	74	-	(176)	(282)
Amortizations							
Deferred income and expense on loans	(70)	(136)	(208)	1,901	(2)	1,485	454
Investment discounts and premiums	114	-	4	70	83	271	(2,366)
Bond original issue discounts and premiums	-	-	-	(375)	-	(375)	(400)
Deferred bond issuance costs	220	-	16	522	-	758	1,126
Loan fees and expenses deferred	-	-	134	(5,533)	-	(5,399)	(10,986)
(Decrease) increase in provision for loan losses	-	-	(5)	7,844	-	7,839	3,333
Decrease (increase) in fair value of investments	1,359	(142)	(202)	(46)	150	1,119	(4,384)
Realized gains on investments sold	(1,730)	-	-	-	-	(1,730)	(324)
Arbitrage rebates paid (refunded)	2,454	-	-	(27)	-	2,427	1,303
Loss (gain) on early retirement of debt	62	-	22	(1,974)	-	(1,890)	379
Interest received on investments	(4,451)	(729)	(1,469)	(6,000)	(1,041)	(13,690)	(43,872)
Interest on bonds and short-term debt	5,109	10	27,874	107,450	-	140,443	133,723
Net cash provided by (used in) operating activities	$ 27,487	$ 11,229	$ 25,894	$ (114,655)	$ (8,818)	$ (58,863)	$ (353,522)

See notes to combined financial statements

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) was created in 1970 by Sections 266 DD-1 to 266 DD-8 of Article 41 (now in Sections 4-101 through 4-255 of the Housing and Community Development Article) of the Annotated Code of Maryland to meet the shortage of adequate, safe and sanitary housing in the State of Maryland, particularly for persons or families of limited income. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

The accompanying combined financial statements only include CDA's Revenue Obligation Funds (the Funds). CDA's other programs are not included. However, CDA has also separately issued combined financial statements for the Infrastructure Program Funds. Both the Revenue Obligation Funds and the Infrastructure Program Funds are enterprise funds of the State of Maryland and are included in the State of Maryland's Comprehensive Annual Financial Report.

Within each Fund in the Revenue Obligation Funds are separate accounts maintained for each obligation in accordance with the respective indentures. The following summarizes each of the Funds.

Fund	Purpose
Single Family Program Bonds	To originate or purchase single family mortgage loans.
Multi-Family Housing Revenue Bonds	To provide construction and permanent financing for multi-family housing projects.
Housing Revenue Bonds	To provide funds to finance or refinance loans for various types of housing. As of June 30, 2009, Housing Revenue Bonds have primarily financed multi-family projects.
Residential Revenue Bonds	To originate or purchase single family mortgage loans.
General Bond Reserve Fund	To provide funds for payment of principal and interest on bonds and notes in the Revenue Obligation Funds to the extent revenues and assets specifically pledged are not sufficient. This Fund also provides for the payment of operating expenses of CDA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Revenue Obligation Funds are accounted for as enterprise funds. Accordingly, the accompanying combined financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (GAAP).

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). CDA has adopted GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. Consequently, CDA applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARBS of the Committee on Accounting Procedure issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

CDA has adopted GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis*. Under GASB Statement No. 34, net assets should be reported as restricted when constraints placed on net asset use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation. Accordingly, all net assets of the Funds are restricted as to their use as all net assets are pledged to bondholders.

The Annual Financial Report may include a Management's Discussion and Analysis. Since CDA is an enterprise fund included in the State of Maryland's Comprehensive Annual Financial Report, a separate Management's Discussion and Analysis is not required in these financial statements. CDA prepares a Management's Discussion and Analysis for the General Accounting Division of the State of Maryland that is not part of these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In June of 2008, GASB published Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*, which supersedes GASB Technical Bulletin No. 2003-1 *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets.* This Statement addresses recognition and measurement of derivative instruments and disclosure of information about derivative instruments. The disclosures of GASB Technical Bulletin No. 2003-1 have been incorporated in Statement No. 53, which will become effective for financial statements for periods beginning after June 15, 2009. The Statement will require that all CDA interest rate exchange agreements (swaps) be reported at fair value in the Statement of Net Assets and that all swaps are tested for hedge effectiveness. Effectiveness is established if the changes in cash flows of the swaps substantially offset the changes in cash flows of the hedgeable items. The changes in fair values of the swaps, that are determined to be effective hedges, will be recognized as deferred inflows or outflows in the Statement of Net Assets. The changes in fair value of the swaps that are determined not to be effective hedges will be reported in the Statement of Revenue, Expenses and Changes in Net Assets. For the year ended June 30, 2009, CDA swaps are reported in accordance with GASB Technical Bulletin No. 2003-1 and are more fully described in Note 9.

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2009, CDA's cash equivalents are invested in a money market mutual fund and U. S. Government Agencies which are more fully described in Note 3.

Investments

Investments are principally governmental debt securities or investment agreements collateralized by governmental debt securities. Debt securities are stated at fair value, based on quoted market prices. Investments are classified as current or long-term based on the maturity date or call date. Callable investments are classified as current, if exercise of the call within the next fiscal year is probable. Investments are more fully described in Note 3.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage-Backed Securities

These guaranteed securities are issued in connection with mortgage loans on multi-family projects. They are stated at fair value, based on quoted market prices. It is the intention of CDA to hold each of these securities to maturity or until the payoff of the related multi-family loan. Mortgage-backed securities are more fully described in Note 3.

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of unamortized loan fees and expenses. Loan fees and expenses are deferred and amortized over the life of the related loans using the effective interest method. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as claims receivable. See Notes 4 and 15 for additional information on mortgage loans and mortgage insurance, respectively.

Accrued Interest and Other Receivables

Accrued interest and other receivables include interest on loans and investments. On insured multi-family mortgage loans that are in default, CDA continues to accrue interest until receipt of a mortgage insurance claim. On insured single family and energy and rehabilitation loans, interest ceases to accrue after foreclosure. See Note 5 for additional information.

Claims Receivable on Foreclosed and Other Loans

Claims receivable on foreclosed and other loans include insured loans that are in foreclosure or other loans with pending insurance claims. These loans are primarily insured by U.S. Government Agencies or private mortgage insurers. Foreclosed loans insured by private mortgage insurers are held in this account until the insurer has made a final determination as to claim payment or transfer of the property to CDA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real Estate Owned

Real estate owned represents real estate acquired through foreclosure and is stated at the lower of cost or fair value less estimated costs to sell. Expenses incurred related to real estate owned are reported on the Combined Statement of Revenue, Expenses and Changes in Net Assets.

Allowance for Loan Losses

Substantially all the mortgage loans of the Funds are insured or guaranteed by agencies of the U.S. Government, the Maryland Housing Fund (MHF), or private mortgage insurers. Primary coverage levels range from 25% to 100% of the loan. CDA also has secondary pool insurance for loans in Single Family Program Bonds. CDA has established an allowance for loan losses on the uninsured portions of multi-family loans and on single family loans with private mortgage insurance. CDA has also established an allowance for loan losses on single family loans with private mortgage insurance that are in foreclosure or have been recorded as real estate owned. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD’s asset management group and a current assessment of probability and risk of loss due to default or deteriorating economic conditions. See Note 4 for additional information on allowance for loan losses.

Deferred Bond Issuance Costs

Costs incurred in issuing bonds are capitalized and amortized using the effective interest method for each respective bond issue. When bonds are redeemed early with mortgage prepayments, a proportionate share of the remaining unamortized costs is recognized as a loss on the Combined Statement of Revenue, Expenses and Changes in Net Assets. If unamortized original issue premiums exceeds unamortized deferred issuance costs and original issue discounts, CDA records a gain. However, in an economic refunding, CDA defers unamortized costs and redemption premiums as an offset to the new bonds as more fully described in Note 10.

Due from (to) Other Funds

Due from (to) other Funds records the pending transfers of cash between Funds which is primarily a result of receipts due to one Fund, but received by another, as more fully described in Note 13.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized deferred gain or loss for bonds refunded for economic purposes and original issue discounts or premiums. See Notes 6, 7, 8, 9, 10 and 12 for additional information.

Deposits by Borrowers

This account consists of escrows and reserves held by CDA on behalf of multi-family housing developments. CDA invests these deposits and, for reserves, allows earnings to accrue to the benefit of the mortgagor. Escrows represent amounts held by CDA for mortgage insurance and hazard insurance premiums and real estate taxes, all of which are generally paid annually and which are classified as a current liability. Based on the current year's reserve disbursements, CDA has estimated the current reserve liability. The balance of the reserves is classified as long-term. See Note 12 for further information on changes in long-term obligations.

Rebate Liability on Investments

Regulations governing the issuance of tax-exempt debt place limitations on permitted investment yield on borrowed funds. Based on these regulations, CDA is required to periodically rebate excess earnings from investments to the United States Treasury. In addition, the liability also includes an estimate of the rebate obligation related to unrealized gains as a result of recording investments at fair value. Rebate liability is more fully described in Note 11.

Mortgage Yield Limitations

All mortgage loans are subject to yield limitations under the Internal Revenue Service Code (the Code) in order for the associated bonds to maintain their tax-exempt status. At the time of bond issuance and over the term of the bonds, CDA determines and maintains compliance with the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the Code. If at any time the composite yields on the transferred loans are out of compliance with the Code, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2009, all mortgage loan yields are in compliance with the Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest on Mortgage Loans and Mortgage-Backed Securities

Interest on mortgage loans and mortgage-backed securities is calculated using the effective interest method.

Fee Income

CDA receives multi-family financing fees and single family commitment fees at loan origination. These fees are deferred and amortized over the life of the loan. Tax credit fees and administrative fees are recorded as earned.

Origination Expenses

CDA pays originators of its single family loans an origination fee and a servicer release fee. On some single family loans CDA provides the borrowers with grants toward loan down payment and closing costs. These CDA expenses are deferred and amortized over the life of the loan.

Administrative Support

In addition to expenses incurred directly by the Funds, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

For the year ended June 30, 2009, the total costs charged to the General Bond Reserve Fund were:

Salaries and related costs	$	7,849
General and administrative costs		4,650
	$	12,499

The employees of CDA are covered by the Maryland State Retirement and Pension System and the costs of employees' retirement benefits are included in the salaries and related costs discussed above. See Note 16 for additional information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in conformity with GASB Statement No. 34. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the State of Maryland. CDA's activities are considered to be operating except for increases and decreases in the fair value of mortgage-backed securities. It is the intention of CDA to hold these securities to maturity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains and losses during the reporting periods. Actual results could differ from these estimates.

Combined Totals

The totals of similar accounts of the various Funds in the accompanying combined financial statements are presented for information purposes only. The totals represent an aggregation of the Funds and do not represent consolidated financial information, as interfund balances are not eliminated.

Reclassifications

Certain 2008 amounts have been reclassified to conform to 2009 financial statement presentation.

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES

Bond proceeds and revenues from mortgages, mortgage-backed securities and investments are invested in authorized investments as defined in the respective indentures and in CDA's Investment Policy until required for purchasing mortgage-backed securities or originating mortgage loans, funding reserves, paying bond debt service or redeeming outstanding bonds and notes, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, repurchase agreements, investment agreements, money market funds and certificates of deposit.

The following assets, reported at fair value and held by CDA at June 30, 2009, are evaluated in accordance with GASB Statement No. 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

	Cash and Cash Equivalents		Total Cash and Cash Equivalents	Investments			Total Investments	Mortgage-backed Securities	
	Federated Treasury Obligations Fund	Obligations of U.S. Government Agencies		Obligations of the U.S. Treasury	Obligations of U.S. Government Agencies	Repurchase Agreements/ Investment Agreements		GNMA Mortgage -backed Securities	Total Cash, Investments and Mortgage-backed Securities
Single Family Program Bonds	$ 5,727	$ -	$ 5,727	$ 28,010	$ 669	$ 21,838	$ 50,517	$ -	$ 56,244
Multi-Family Housing Revenue Bonds	9,477	-	9,477	7,326	-	2,000	9,326	-	18,803
Housing Revenue Bonds	56,319	-	56,319	6,917	-	-	6,917	447,655	510,891
Residential Revenue Bonds	289,212	13,004	302,216	-	8,096	17,987	26,083	-	328,299
General Bond Reserve Fund	23,483	10,003	33,486	-	4,686	-	4,686	-	38,172
Total	$ 384,218	$ 23,007	$ 407,225	$ 42,253	$ 13,451	$ 41,825	$ 97,529	$ 447,655	$ 952,409

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses from rising interest rates, CDA's Investment Policy requires that the maturities of the investment portfolio are scheduled to meet the cash requirements for bond debt service, projected loan originations and ongoing operations.

As of June 30, 2009, the amortized cost, fair value and maturities for these assets were as follows:

			Maturities (in years)				
Asset	Amortized Cost	Fair Value	Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	$ 384,218	$ 384,218	$ 384,218	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	32,792	42,253	-	-	23,516	11,820	6,917
Obligations of U.S. Government Agencies	35,332	36,458	27,693	-	669	2,236	5,860
Repurchase agreements/ Investment agreements	41,825	41,825	2,000	-	21,838	-	17,987
Mortgage-backed Securities	440,915	447,655	-	-	-	-	447,655
Total	$ 935,082	$ 952,409	$ 413,911	$ -	$ 46,023	$ 14,056	$ 478,419

The Federated Treasury Obligations Fund invests primarily in repurchase agreements collateralized by Treasury securities and U.S. Treasuries. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2009, the cost of the money market mutual fund approximated fair value.

For mortgage-backed securities, it is the intention of CDA to hold the securities until the underlying loan is paid in full.

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the trust indentures require investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to CDA's indentures and Investment Policy, securities must be at a rating no lower than the rating on the bonds or, if an investment maintains only a short-term rating, a rating not less than F1/P-1; and financial institutions who are a counterparty to CDA in investment agreements must be rated at least comparable to the existing rating on CDA bonds unless counterparty ratings lower than the bond ratings are permitted in a specific indenture and do not affect the ratings on the bonds. In addition, certain investment and repurchase agreements require counterparty ratings no less than the ratings on the bonds. As of June 30, 2009, all counterparty ratings were at least equal to the ratings on the bonds except for one counterparty whose credit rating of Aa3 has not affected the Aa2 rating on CDA bonds. The ratings on Single Family Program Bonds, Multi-Family Housing Revenue Bonds, Housing Revenue Bonds, and Residential Revenue Bonds as of June 30, 2009 were Aa2 by Moody's Investors Service and AA by Fitch Ratings. The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5 percent or more of total investments in accordance with GASB Statement No. 40.

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

As of June 30, 2009, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	$ 384,218	40.34%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed Securities	447,655	47.00%		Direct U.S. Obligation	
Obligations of the U.S. Treasury	42,253	4.44%		Direct U.S. Obligation	
Obligations of U.S. Government Agencies	36,458	3.83%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
Counterparty rated Aa1 by Moody's	39,825	4.18%		Aaa	Moody's
Uncollateralized investment agreement:					
Counterparty rated Aa3 by Moody's	2,000	0.21%		N/A	
Total	$ 952,409	100.00%			

The market value of the underlying collateralized securities in repurchase agreements and investment agreements is maintained at a minimum of 102 percent of the principal of and accrued interest on the invested funds by marking to market at least weekly and using an immediate under value cure provision.

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

All mortgage-backed securities held by CDA are guaranteed by the Government National Mortgage Association (GNMA), an instrumentality of the United States Government. GNMA securities are “fully modified pass-through” mortgage-backed securities which require monthly payments by a Federal Housing Administration (FHA) lender, as the issuer of the Guaranteed Security to CDA. GNMA guarantees timely payment of principal and interest on Guaranteed Securities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2009, CDA’s investments were not subject to custodial credit risk under GASB Statement No. 40. CDA’s investments and collateralized securities are held in trust by the trustee or the trustee’s agent, kept separate from the assets of the bank and from other trust accounts and are held in CDA’s name. The uncollateralized investment agreement in the amount of $2,000 is registered in CDA’s name.

NOTE 4 - MORTGAGE LOANS

Substantially all single family mortgage loans are secured by first liens on the related property. Approximately 98% of all single family mortgage loans are credit enhanced through the FHA mortgage insurance programs, the Veterans Administration and USDA/RD guarantee programs, the Maryland Housing Fund (MHF) or by private mortgage insurance policies. As of June 30, 2009, interest rates on first lien single family loans range from 1.0% to 13.9%, with remaining loan terms ranging from less than 1 year to 40 years.

Approximately 98% of all multi-family construction and permanent mortgage loans outstanding are insured or credit enhanced by FHA, MHF, FHLMC, FNMA or GNMA. As of June 30, 2009, interest rates on the loans range from 3.7% to 12.0%, with remaining loan terms ranging from less than 1 year to 40 years.

All energy and rehabilitation loans are insured by the MHF. Loans made or purchased in excess of $5 are secured by a deed of trust on the related property. As of June 30, 2009, one remaining rental housing loan has an interest rate of 10.0% and matures in less than 1 year.

(in thousands)

NOTE 4 - MORTGAGE LOANS (Continued)

For the year ended June 30, 2009, the balances and changes in the allowance for loan losses on the uninsured portions of multi-family loans and on single family loans with private mortgage insurance, including loans in foreclosure, other loans with pending insurance claims or loans that have been recorded as real estate owned, were as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Allowance for loan losses - Mortgage loans						
Beginning balance	$ -	$ -	$ 48	$ 4,597	$ 7	$ 4,652
(Decrease) increase in provision for loan losses	-	-	(5)	4,972	-	4,967
Ending balance	-	-	43	9,569	7	9,619
Allowance for loan losses - Claims receivable						
Beginning balance	-	-	-	-	-	-
Increase in provision for loan losses	-	-	-	2,296	-	2,296
Ending balance	-	-	-	2,296	-	2,296
Allowance for loan losses - Real estate owned						
Beginning balance	-	-	-	-	-	-
Increase in provision for loan losses	-	-	-	576	-	576
Ending balance	-	-	-	576	-	576
Total Allowance for loan losses						
Total Beginning balance	$ -	$ -	$ 48	$ 4,597	$ 7	$ 4,652
(Decrease) increase in provision for loan losses	-	-	(5)	7,844	-	7,839
Total Ending balance	$ -	$ -	$ 43	$ 12,441	$ 7	$ 12,491

(in thousands)

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2009, were as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Accrued mortgage loan interest	$ 1,063	$ 372	$ 661	$ 16,356	$ 18	$ 18,470
Accrued investment interest	869	134	46	499	70	1,618
Accrued mortgage-backed securities interest	-	-	2,055	-	-	2,055
Negative arbitrage due from mortgagors	-	-	75	-	-	75
Miscellaneous loan and other billings	-	-	-	-	3	3
	$ 1,932	$ 506	$ 2,837	$ 16,855	$ 91	$ 22,221

NOTE 6 - SHORT-TERM DEBT

CDA issues short-term debt to preserve volume cap when prepayments and payments from mortgages exceed the demand for new mortgages. Proceeds of the short-term debt are used to refund and to pay at maturity prior series of bonds. At the time of the refunding, prepayments and repayments of mortgage loans financed by these prior bonds are transferred to accounts in the short-term series. CDA expects to make these funds available to purchase mortgage loans upon the maturity or earlier redemption of the short-term bonds with proceeds of additional long-term bonds. By issuing the short-term debt, CDA more closely matches the rates on the short-term debt with the rates on short-term investments. When there is sufficient mortgage demand, CDA issues long-term refunding bonds to redeem the short-term debt and the prepayments and repayments are used to fund new mortgages.

For the year ended June 30, 2009, CDA did not issue any additional short-term debt. The balance of $30,000, as of June 30, 2008, in Residential Revenue Bonds 2007 Series L matured December 15, 2008. For the year ended June 30, 2009, none of the other Funds had short-term debt activity.

NOTE 7 - BONDS PAYABLE

The bonds and notes issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the applicable indentures. These bonds and notes do not constitute debt of and are not guaranteed by the State of Maryland or any other program of the State of Maryland or any political subdivision.

The provisions of the various bond indentures require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. All outstanding bonds are subject to optional redemption, in whole or in part at any time, after certain dates, as specified in the respective series indentures. The prescribed optional redemption premiums range from 0% to 1% of the principal amount.

The following lists those bonds which are at variable rates and the terms by which the variable rates change. All other bonds have fixed interest rates.

Residential Revenue Bonds

2003 Series C; 2004 Series C, F and I; 2005 Series C; 2006 Series G and J; 2007 Series F, J and M; and 2008 Series D

The rate is set weekly by a remarketing agent so that the market value of the bonds is as close as possible to 100% of the principal amount of the bonds. In no event will the bonds bear interest at a rate in excess of 12%, except for 2007 Series F, J and M which have a maximum interest rate of 15%.

The following bonds are taxable. All other bonds are tax-exempt.

Residential Revenue Bonds 2006 Series S and 2007 Series B, E, F, I, J and M

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2009, and the debt outstanding and bonds payable as of June 30, 2009:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2008	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2009	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2009
Single Family Program Bonds										
1999 Second Series	12/01/98	4.40% - 5.00%	2009 - 2017	$ 32,630	$ -	$ (4,810)	$ (10,530)	$ 17,290	$ -	$ 17,290
1999 Third Series	12/01/98	4.60% - 5.125%	2009 - 2021	35,260	-	(2,740)	(830)	31,690	-	31,690
2001 First Series	03/01/01	4.30% - 4.95%	2009 - 2015	32,755	-	(4,135)	(90)	28,530	(648)	27,882
2001 Second Series	03/01/01	4.45% - 4.65%	2009 - 2011	1,825	-	(800)	-	1,025	(46)	979
2002 First Series	02/01/02	4.45% - 4.60%	2012 - 2013	4,215	-	-	(155)	4,060	(39)	4,021
2002 Second Series	02/01/02	4.50%	2024	2,710	-	-	(320)	2,390	(73)	2,317
Total				$ 109,395	$ -	$ (12,485)	$ (11,925)	$ 84,985	$ (806)	$ 84,179

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2008	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2009	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2009
Multi-Family Housing Revenue Bonds										
1998 Series A	11/01/98	5.15%	2029	$ 100	$ -	$ -	$ -	$ 100	$ -	$ 100
2001 Series A	10/01/01	5.10%	2028	100	-	-	-	100	(2)	98
Total				$ 200	$ -	$ -	$ -	$ 200	$ (2)	$ 198

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2008	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2009	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2009
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.30% - 5.95%	2008 - 2023	$ 27,160	$ -	$ (2,295)	$ (2,925)	$ 21,940	$ -	$ 21,940
Series 1996 B	11/01/96	5.30% - 5.95%	2008 - 2028	1,605	-	(60)	-	1,545	-	1,545
Series 1997 A	06/01/97	5.10% - 6.00%	2008 - 2039	34,500	-	(390)	-	34,110	-	34,110
Series 1997 B	09/01/97	4.95% - 5.75%	2008 - 2039	7,170	-	(80)	-	7,090	-	7,090
Series 1997 C	12/01/97	4.80% - 5.65%	2008 - 2039	13,035	-	(155)	-	12,880	-	12,880
Series 1998 A	04/01/98	4.80% - 5.625%	2008 - 2040	10,215	-	(125)	-	10,090	-	10,090
Series 1999 A	02/01/99	4.30% - 5.35%	2008 - 2041	15,375	-	(175)	-	15,200	-	15,200
Series 1999 B	10/15/99	5.30% - 6.40%	2008 - 2042	14,735	-	(205)	-	14,530	-	14,530
Series 1999 C	10/15/99	5.85% - 6.40%	2014 - 2040	490	-	(5)	-	485	-	485
Series 1999 D	12/01/99	5.30% - 6.35%	2008 - 2042	12,385	-	(385)	-	12,000	-	12,000
Series 2000 A	10/01/00	4.95% - 6.10%	2008 - 2042	26,345	-	(255)	-	26,090	-	26,090
Series 2001 A	07/01/01	4.45% - 5.625%	2008 - 2043	28,500	-	(320)	-	28,180	-	28,180
Series 2001 B	10/01/01	4.10% - 5.45%	2008 - 2043	44,620	-	(645)	-	43,975	-	43,975
Series 2002 A	03/01/02	4.40% - 5.70%	2008 - 2043	9,175	-	(85)	-	9,090	-	9,090
Series 2002 B	10/01/02	3.15% - 5.05%	2008 - 2045	32,580	-	(350)	-	32,230	-	32,230
Series 2002 C	10/01/02	3.15% - 5.00%	2008 - 2035	6,475	-	(100)	-	6,375	-	6,375
Series 2002 D	10/01/02	3.15% - 5.00%	2008 - 2035	8,020	-	(120)	-	7,900	-	7,900
Series 2003 A	04/01/03	3.00% - 5.22%	2008 - 2045	24,730	-	(700)	-	24,030	-	24,030
Series 2003 B	07/01/03	2.70% - 5.00%	2008 - 2045	17,150	-	(185)	-	16,965	-	16,965
Series 2003 C	09/01/03	3.00% - 5.90%	2008 - 2045	10,555	-	(95)	-	10,460	(6)	10,454
Series 2003 D	12/01/03	2.90% - 5.125%	2008 - 2045	11,850	-	(120)	-	11,730	-	11,730
Series 2004 A	01/01/04	2.65% - 5.10%	2008 - 2045	10,445	-	(215)	-	10,230	-	10,230
Series 2004 B	03/31/04	2.50% - 4.70%	2009 - 2046	20,320	-	-	-	20,320	-	20,320
Series 2004 C	06/10/04	4.00% - 5.40%	2010 - 2047	35,540	-	-	-	35,540	-	35,540
Series 2004 D	11/23/04	4.35% - 5.00%	2015 - 2037	1,745	-	(70)	-	1,675	-	1,675
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	6,325	-	(60)	-	6,265	-	6,265
Series 2005 B	04/21/05	3.15% - 5.10%	2008 - 2047	19,355	-	(190)	-	19,165	-	19,165
Series 2005 C	12/14/05	3.625% - 5.15%	2008 - 2047	13,985	-	(690)	-	13,295	-	13,295
Series 2006 A	04/27/06	3.70% - 5.05%	2008 - 2047	9,985	-	(40)	-	9,945	-	9,945
Series 2006 B	04/27/06	3.70% - 5.00%	2008 - 2039	3,265	-	(80)	-	3,185	-	3,185
Series 2006 C	04/27/06	3.50% - 4.75%	2008 - 2036	2,085	-	(40)	-	2,045	-	2,045
Series 2006 D	09/27/06	4.04% - 4.91%	2008 - 2048	8,000	-	(3,575)	-	4,425	-	4,425
Series 2007 A	06/14/07	3.85% - 4.95%	2010 - 2049	21,685	-	-	-	21,685	-	21,685
Series 2007 B	08/30/07	5.51%	2038	4,875	-	-	-	4,875	-	4,875
Series 2007 C	12/20/07	3.67% - 5.38%	2009 - 2043	2,310	-	(775)	-	1,535	-	1,535
Series 2008 A	05/29/08	5.24%	2038	5,845	-	(40)	-	5,805	-	5,805
Series 2008 B	05/29/08	3.70% - 5.63%	2010 - 2049	17,360	-	-	-	17,360	-	17,360
Series 2008 C	09/19/08	4.63% - 5.60%	2010 - 2048	-	11,380	-	-	11,380	-	11,380
Series 2008 D	12/18/08	4.00% - 6.75%	2011 - 2039	-	5,110	-	-	5,110	-	5,110
Total				$ 539,795	$ 16,490	$ (12,625)	$ (2,925)	$ 540,735	$ (6)	$ 540,729

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2008	Bond Activity			Debt Outstanding at June 30, 2009	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2009
					New bonds issued	Scheduled maturity payments	Bonds redeemed			
Residential Revenue Bonds										
1998 Series A	01/01/98	4.70% - 5.05%	2010 - 2017	$ 4,640	$ -	$ -	$ (1,070)	$ 3,570	$ -	$ 3,570
1998 Series B	01/01/98	4.85% - 5.30%	2008 - 2023	14,845	-	(1,610)	(13,235)	-	-	-
1998 Series D	12/01/98	4.45% - 5.25%	2008 - 2029	33,190	-	(1,440)	(1,175)	30,575	-	30,575
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	05/01/99	4.55% - 5.40%	2008 - 2031	30,420	-	(1,100)	(310)	29,010	(7)	29,003
1999 Series H	12/01/99	6.15%	2025	9,640	-	-	(220)	9,420	-	9,420
2000 Series F	08/01/00	4.65% - 5.00%	2008 - 2012	6,190	-	(1,355)	(915)	3,920	-	3,920
2001 Series A	03/01/01	4.15% - 5.00%	2008 - 2017	11,685	-	(915)	-	10,770	-	10,770
2001 Series B	03/01/01	4.65% - 5.45%	2011 - 2032	25,785	-	-	(6,605)	19,180	-	19,180
2001 Series E	06/01/01	4.20% - 4.65%	2008 - 2012	7,795	-	(1,460)	(1,240)	5,095	-	5,095
2001 Series G	08/15/01	3.85% - 4.20%	2008 - 2011	4,795	-	(970)	-	3,825	-	3,825
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	34,060	-	-	(1,215)	32,845	-	32,845
2003 Series A	11/01/03	2.55% - 4.05%	2008 - 2015	7,225	-	(805)	-	6,420	-	6,420
2003 Series B	11/01/03	4.75% - 5.00%	2019 - 2026	6,365	-	-	(1,125)	5,240	236	5,476
2003 Series C	12/09/03	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series A	05/13/04	2.55% - 4.20%	2008 - 2016	9,300	-	(910)	-	8,390	-	8,390
2004 Series B	05/13/04	5.00%	2023 - 2028	9,485	-	-	(2,080)	7,405	242	7,647
2004 Series C	05/13/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series D	08/12/04	3.00% - 4.40%	2008 - 2016	10,925	-	(1,055)	-	9,870	-	9,870
2004 Series E	08/12/04	5.15% - 5.25%	2023 - 2030	16,770	-	-	(2,385)	14,385	296	14,681
2004 Series F	08/12/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series G	11/10/04	2.25% - 3.65%	2008 - 2016	11,270	-	(1,120)	-	10,150	-	10,150
2004 Series H	11/10/04	4.55% - 5.00%	2023 - 2029	16,080	-	-	(2,525)	13,555	414	13,969
2004 Series I	11/10/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series A	03/30/05	2.80% - 3.90%	2008 - 2016	11,540	-	(1,125)	-	10,415	-	10,415
2005 Series B	03/30/05	4.55% - 5.25%	2023 - 2029	21,925	-	-	(1,940)	19,985	492	20,477
2005 Series C	03/30/05	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series D	11/10/05	3.05% - 4.05%	2008 - 2017	12,455	-	(1,065)	-	11,390	-	11,390
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	41,625	-	-	(1,060)	40,565	684	41,249
2006 Series A	02/23/06	3.30% - 4.10%	2008 - 2017	12,020	-	(1,025)	-	10,995	-	10,995
2006 Series B	02/23/06	4.75% - 5.50%	2025 - 2037	44,965	-	-	(2,165)	42,800	634	43,434
2006 Series E	05/24/06	3.55% - 4.35%	2008 - 2017	23,540	-	(1,985)	-	21,555	-	21,555
2006 Series F	05/24/06	4.80% - 6.00%	2021 - 2039	52,635	-	-	(3,515)	49,120	1,949	51,069
2006 Series G	05/24/06	Variable rate	2040	40,000	-	-	-	40,000	-	40,000
2006 Series H	07/13/06	3.60% - 4.15%	2008 - 2017	17,670	-	(1,485)	-	16,185	-	16,185
2006 Series I	07/13/06	3.75% - 6.00%	2008 - 2041	135,845	-	(1,480)	(6,400)	127,965	3,526	131,491
2006 Series J	07/13/06	Variable rate	2040	60,000	-	-	-	60,000	-	60,000
2006 Series K	09/14/06	3.55% - 4.15%	2008 - 2017	15,000	-	(1,250)	-	13,750	-	13,750
2006 Series L	09/14/06	3.80% - 5.75%	2008 - 2041	161,665	-	(1,325)	(3,085)	157,255	2,588	159,843
2006 Series O	12/13/06	3.40% - 3.85%	2008 - 2017	10,000	-	(840)	-	9,160	-	9,160
2006 Series P	12/13/06	3.75% - 5.75%	2008 - 2037	83,715	-	(1,395)	(1,685)	80,635	1,590	82,225
2006 Series S	12/13/06	6.07%	2037	24,470	-	-	(1,060)	23,410	-	23,410

(continued)

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2008	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2009	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2009
Residential Revenue Bonds (continued)										
2007 Series A	03/28/07	3.70% - 5.75%	2008 - 2047	$ 269,460	$ -	$ (1,690)	$ (5,485)	$ 262,285	$ 9,105	$ 271,390
2007 Series B	03/28/07	6.00%	2037	29,515	-	-	(685)	28,830	-	28,830
2007 Series C	06/20/07	3.60% - 3.95%	2009 - 2017	45,000	-	-	-	45,000	-	45,000
2007 Series D	06/20/07	3.80% - 5.50%	2008 - 2048	174,345	-	(2,170)	(3,990)	168,185	3,271	171,456
2007 Series E	06/20/07	4.88% - 6.11%	2008 - 2042	49,065	-	(895)	-	48,170	-	48,170
2007 Series F	06/20/07	Variable rate	2031	50,330	-	-	(2,090)	48,240	-	48,240
2007 Series G	08/09/07	3.60% - 4.30%	2008 - 2017	61,605	-	(5,125)	-	56,480	-	56,480
2007 Series H	08/09/07	3.85% - 5.20%	2008 - 2048	63,395	-	(290)	(590)	62,515	-	62,515
2007 Series I	08/09/07	5.23% - 6.56%	2008 - 2043	62,800	-	(870)	-	61,930	-	61,930
2007 Series J	08/09/07	Variable rate	2031	62,085	-	-	(1,670)	60,415	-	60,415
2007 Series K	12/12/07	3.25% - 3.85%	2009 - 2017	30,000	-	-	(205)	29,795	-	29,795
2007 Series L	12/12/07	3.37%	12/15/2008	30,000	-	(30,000)	-	-	-	-
2007 Series M	12/12/07	Variable rate	2043	30,000	-	-	(450)	29,550	-	29,550
2008 Series A	06/19/08	2.20% - 4.00%	2009 - 2017	60,000	-	-	(470)	59,530	-	59,530
2008 Series B	09/04/08	1.95% - 4.20%	2009 - 2017	-	19,770	-	-	19,770	-	19,770
2008 Series C	09/04/08	4.45% - 5.65%	2019 - 2048	-	80,230	-	(670)	79,560	-	79,560
2008 Series D	09/04/08	Variable rate	2038	-	50,000	-	-	50,000	-	50,000
2008 Series E	12/17/08	2.95% - 4.55%	2010 - 2017	-	21,500	-	-	21,500	-	21,500
2008 Series F	12/17/08	4.75% - 5.90%	2018 - 2038	-	18,500	-	-	18,500	-	18,500
Total				$ 2,159,800	$ 190,000	$ (66,755)	$ (71,315)	$ 2,211,730	$ 25,020	$ 2,236,750

(in thousands)

NOTE 8 - DEBT SERVICE REQUIREMENTS

As of June 30, 2009, the required principal payments for short-term debt and bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2009 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 7) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

For the Year Ended June 30,	Single Family Program Bonds Interest	Single Family Program Bonds Principal	Multi-Family Housing Revenue Bonds Interest	Multi-Family Housing Revenue Bonds Principal	Housing Revenue Bonds Interest	Housing Revenue Bonds Principal	Residential Revenue Bonds Interest	Residential Revenue Bonds Principal
2010	$ 4,007	$ 16,060	$ 3	$ 200	$ 28,418	$ 8,810	$ 93,451	$ 75,270
2011	3,359	10,010	-	-	27,808	21,010	90,257	49,435
2012	2,900	11,475	-	-	27,059	11,110	88,299	54,600
2013	2,366	6,790	-	-	26,553	9,850	86,170	55,595
2014	2,046	5,160	-	-	26,053	10,770	83,870	60,970
2015 - 2019	7,730	17,650	-	-	121,759	54,160	378,248	335,820
2020 - 2024	1,809	17,840	-	-	108,162	53,160	313,003	261,250
2025 - 2029	-	-	-	-	92,622	65,620	251,858	253,735
2030 - 2034	-	-	-	-	72,864	83,035	182,806	387,130
2035 - 2039	-	-	-	-	47,937	102,480	101,745	448,600
2040 - 2044	-	-	-	-	20,639	89,010	36,287	202,925
2045 - 2049	-	-	-	-	3,150	31,405	3,102	26,400
2050 - 2054	-	-	-	-	9	315	-	-
Totals	$ 24,217	$ 84,985	$ 3	$ 200	$ 603,033	$ 540,735	$ 1,709,096	$ 2,211,730

The interest calculations on outstanding variable rate bonds in the amounts of $388,205 in Residential Revenue Bonds are based on the variable rates in effect on June 30, 2009 and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary. See Note 9 for additional information on interest rate exchange agreements (swaps) associated with the variable rate debt in Residential Revenue Bonds.

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS)

Objective of the Swaps

As a means to lower its borrowing costs, CDA issues variable rate bonds. In order to protect against the potential increases in interest rates, CDA has entered into pay-fixed, receive-variable interest rate swap agreements in connection with certain variable rate bond series. CDA anticipates that the net swap payments and interest payments on underlying bonds will be lower than what CDA would have paid if it had issued fixed rate debt at the time of the underlying bond issuances. All of CDA’s swaps are intended to be cash flow hedges.

(in thousands)

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Terms and Fair Value

The terms, including the fair values of the outstanding swaps as of June 30, 2009, are provided in the table below. The counterparty credit ratings for all outstanding swaps as of June 30, 2009 are listed under the Credit Risk section. For each of the outstanding swap agreements the variable rates are reset monthly, and it is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds. The fair values are based on the market values and are affirmed by an independent advisor who used valuation methods and assumptions in accordance with the GASB Technical Bulletin No. 2003-1.

Swap Counter-party	**Associated Bond Issue**	**Original Notional Amount**	**Outstanding Notional Amount**	**Effective Date**	**Fixed Rate Paid**	**Variable Rate Received [1]**	**Fair Value**	**Swap Final Termination Date**
JPMorgan Chase Bank, N.A. (JPM)	2004 Series I	$20,000	$20,000	9/1/2005	3.8525%	64% of LIBOR plus 0.29%	($840)	9/1/2035 (2)(7)
UBS AG	2006 Series G	$40,000	$40,000	5/24/2006	4.403%	64% of LIBOR plus 0.29%	($4,100)	9/1/2040 (3)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$40,000	$40,000	7/13/2006	4.403%	64% of LIBOR plus 0.29%	($1,980)	9/1/2040 (3)(7)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$20,000	$20,000	7/13/2006	4.455%	64% of LIBOR plus 0.29%	($4,105)	9/1/2040 (3)(7)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	$50,625	$48,240	6/20/2007	5.2425%	LIBOR	($5,035)	3/1/2026 (4)(6)(9)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	$62,200	$60,415	8/9/2007	5.7020%	LIBOR	($7,980)	9/1/2025 (4)(6)(9)
UBS AG	2007 Series M	$30,000	$29,550	12/12/2007	5.2150%	LIBOR	($2,290)	9/1/2043 (5)(6)
Merrill Lynch Derivative Products AG (MLDP)	2008 Series D	$50,000	$50,000	9/4/2008	3.6880%	64% of LIBOR plus 0.31%	($3,125)	9/1/2038 (8)(9)

Notes to Table (on page 32)

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Notes to Table (from page 31):

(1) "LIBOR" means the 1 month London Interbank Offered Rate.

(2) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2014 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(3) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2016 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(4) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2017 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(5) CDA has the option to terminate a portion of this interest rate swap transaction without any termination payment up to the Maximum Optional Early Termination Amounts on each March 1 and September 1 until September 1, 2017. CDA has exercised its option to partially terminate the notional amount of this interest rate swap in the amount of $2,060 effective September 1, 2009. CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2017 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(6) The outstanding notional amount reflects the amount that has been amortized as of March 1, 2009.

(7) On May 14, 2009, all swap agreements with Bear Stearns Financial Products Inc. were assigned to JPMorgan Chase Bank, N.A. All terms and conditions of the contracts remain in force.

(8) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2018 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(9) On January 1, 2009, Bank of America Corporation acquired Merrill Lynch & Co., Inc. Notwithstanding this acquisition, Merrill Lynch Derivative Products AG remains in existence and continues as a swap provider on this swap agreement.

Basis Risk

The swaps would expose CDA to basis risk should the relationship between the London Interbank Offered Rate and the Securities Industry and Financial Markets Association Rate converge. If a change occurs that results in the rates moving towards convergence, the expected cost savings may not be realized. In order to mitigate this risk, prior to the execution of the swap agreements, CDA and its independent financial advisor reviewed historical trading differentials between the Securities Industry and Financial Markets Association Rate and the London Interbank Offered Rate.

(in thousands)

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Credit Risk

Credit risk is the risk that a swap counterparty will not fulfill its obligations. The fair value of the swaps represented CDA's credit exposure to each counterparty as of June 30, 2009. CDA was not exposed to credit risk under the swap agreements with JPM, UBS AG or MLDP since the fair value of each counterparty's swap portfolio was negative. However, should the valuation of any of the individual swaps change, and the fair values turn positive, CDA may become exposed to credit risk in the amount of the swaps' fair values. To mitigate the potential for credit risk, the fair value of the swaps will be fully collateralized by the counterparties if a counterparty's credit quality falls below the designated credit rating thresholds.

The credit rating details for each swap counterparty, including credit rating thresholds, and the total fair value amounts as of June 30, 2009 are summarized below:

Swap Counterparty	Outstanding Notional Amount	Current Credit Rating	Collateral Posting Credit Rating Threshold	Fair Value
JPMorgan Chase Bank, N.A. (JPM)	$80,000	Aa3 from Moody's A+ from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's	($6,925)
UBS AG	$69,550	Aa2 from Moody's A+ from Standard and Poor's A+ from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($6,390)
Merrill Lynch Derivative Products AG (MLDP)	$158,655	Aaa from Moody's(1) AAA from Standard and Poor's AAA from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($16,140)

(1) As of July 16, 2009, the rating for MLDP was changed to Aa1.

Termination Risk

Termination risk is the risk that, due to some event or exercise of a right, the swaps may terminate prior to the scheduled expiration which could result in a payment due from CDA. Furthermore, if a swap is terminated, the underlying variable rate bonds may be exposed to the rising variable interest rates.

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

According to the termination provisions of the swap agreements, CDA or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The counterparty can terminate the contract if the ratings on the related bonds fall below the credit rating thresholds. In addition, CDA has an option to terminate the swaps in part or in whole without any payment except for accrued interest on the respective Optional Termination Dates. Regardless of the above, CDA has a unilateral right to terminate swaps at any time upon adequate notification to the counterparty. If at the time of such termination a swap has a negative fair value, CDA would be liable to the counterparty for a payment equal to the swap's fair value along with any accrued interest.

Rollover Risk

CDA is exposed to rollover risk on the swap agreements if the agreement terminates prior to the maturity of the associated debt. CDA evaluates the range of reasonably expected repayment patterns for the financed assets to best match the swap schedule. Terminating an existing swap may enable CDA to enter a new swap or other financing mechanism that may be better tailored to the actual financed assets and repayment experience. It is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds.

Amortization Risk

Amortization risk is the risk that the actual redemption pattern of the bonds may differ from the swap schedule, producing a mismatch between the principal amount of the bonds outstanding and the outstanding notional amount of the swap. To address this risk, CDA has structured all swap transactions to provide for optional termination on the respective Optional Termination Dates and automatic incremental amortization of the swap notional amounts. Mortgage loan prepayments can also be directed to the variable rate series to match the outstanding notional swap amount to the outstanding amount of the underlying bonds.

Tax Risk

Tax risk is the risk that the value of tax exemption may decline through tax law changes and that variable interest rates would then rise toward taxable levels and the expected cost savings of the swaps may not be realized.

(in thousands)

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Counterparty Risk

Counterparty risk is the risk that a counterparty will fail to make required payments. In order to limit this type of risk, CDA diversifies its exposure across several counterparties.

Swap Payments and Associated Debt

The following table provides a summary of debt service requirements for hedged variable rate bonds and net swap payments for the next five years and in five-year increments thereafter. The interest calculations are based on the variable rates in effect on June 30, 2009, and may not be indicative of the actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year ending June 30,	Hedged Variable Rate Bonds Principal	Hedged Variable Rate Bonds Interest	Interest Rate Swaps, Net	Total
2010	$ 3,990	$ 4,890	$ 13,053	$ 21,933
2011	110	4,214	12,642	16,966
2012	-	4,223	12,037	16,260
2013	-	4,204	11,479	15,683
2014	-	4,213	10,969	15,182
2015 - 2019	5,300	21,053	47,360	73,713
2020 - 2024	9,150	20,882	35,731	65,763
2025 - 2029	15,100	20,636	29,783	65,519
2030 - 2034	150,745	13,108	23,251	187,104
2035 - 2039	76,230	4,901	11,558	92,689
2040 - 2044	47,580	3,541	2,253	53,374
	$ 308,205	$ 105,865	$ 210,116	$ 624,186

NOTE 10 - BOND REFUNDINGS

Certain refundings of debt are due to the prepayments of single family mortgage loans. In these cases, CDA transfers the proceeds of the refunding bonds to a redemption account to redeem previously issued bonds and, simultaneously, transfers the prepayments of single family mortgage loans financed by these prior bonds to the refunding bonds' accounts for the purpose of originating new loans. This recycling of prepayments enables CDA to originate new loans that are not subject to the limitations of the IRS volume cap. CDA does not pay call premiums on these special redemptions, and the refundings are not undertaken to reduce interest rates, revise payment schedules or modify restrictions. CDA writes off any unamortized deferred issuance costs or original issue discounts, net of unamortized original issue premiums, as a loss in the accompanying Combined Statement of Revenue, Expenses and Changes in Net Assets. If unamortized original issue premiums exceed unamortized deferred issuance costs and original issue discounts, CDA records a gain.

For current refundings of debt in an optional redemption, CDA replaces previously issued bonds with lower cost debt. This type of transaction is commonly known as an economic refunding. In economic refundings, CDA defers the difference between the reacquisition price (i.e., the principal of the old debt, plus the call premium) and the net carrying amount of the old debt (i.e., the amount due at maturity, adjusted for any unamortized premium or discount and issuance costs related to the old debt) as an offset to the new bonds on the accompanying Combined Statement of Net Assets, in accordance with GASB Statement No. 23 *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*. This deferral is amortized, using the effective interest method, over the remaining life of the old debt or the life of the new debt, whichever is shorter. For the year ended June 30, 2009, CDA did not issue any refunding bonds for the purpose of lowering its cost of debt.

NOTE 11 - REBATE LIABILITY

In accordance with the Internal Revenue Service Code (the Code), CDA has recorded a rebate liability for excess investment earnings in tax-exempt bonds and notes issued after 1981. The excess investment earnings arise due to actual investment yields earned by CDA being greater than yields permitted to be retained by CDA under the Code. The Code requires 90% of such excess investment earnings to be remitted to the United States Treasury every five years and in full at the final redemption of the bonds. Interest income on the Combined Statement of Revenue, Expenses and Changes in Net Assets is reduced by the rebate liability due to excess investment earnings. The increase/decrease in fair value of investments on the Combined Statement of Revenue, Expenses and Changes in Net Assets is adjusted by the change in the estimated rebate liability due to change in fair value of investments. CDA has no rebate liability from interest income or from unrealized gains on mortgage-backed securities.

(in thousands)

NOTE 11 - REBATE LIABILITY (Continued)

Rebate liability activity for the year ended June 30, 2009, was as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Rebate liability as of June 30, 2008	$ 7,049	$ 910	$ -	$ 4,041	$ -	$ 12,000
Change in estimated liability due to excess investment earnings	830	56	-	(1,150)	-	(264)
Change in estimated liability due to change in fair value of investments	(137)	48	-	(27)	-	(116)
Less - payments made	(2,454)	-	-	-	-	(2,454)
Rebate liability as of June 30, 2009	$ 5,288	$ 1,014	$ -	$ 2,864	$ -	$ 9,166

Total rebate liability is allocated as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Estimated liability due to excess investment earnings	$ 635	$ 130	$ -	$ 2,844	$ -	$ 3,609
Estimated liability due to change in fair value of investments	4,653	884	-	20	-	5,557
Rebate liability as of June 30, 2009	$ 5,288	$ 1,014	$ -	$ 2,864	$ -	$ 9,166

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2009, were as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Workers' compensation						
Beginning balance at 6/30/2008	$ -	$ -	$ -	$ -	$ 16	$ 16
Additions	-	-	-	-	-	-
Reductions	-	-	-	-	(7)	(7)
Ending balance at 6/30/2009	-	-	-	-	9	9
Less due within one year	-	-	-	-	(1)	(1)
Total long-term workers' compensation	-	-	-	-	8	8
Compensated absences						
Beginning balance at 6/30/2008	-	-	-	-	464	464
Additions	-	-	-	-	399	399
Reductions	-	-	-	-	(199)	(199)
Ending balance at 6/30/2009	-	-	-	-	664	664
Less due within one year	-	-	-	-	(310)	(310)
Total long-term compensated absences	-	-	-	-	354	354
Rebate liability						
Beginning balance at 6/30/2008	7,049	910	-	4,041	-	12,000
Additions	830	104	-	-	-	934
Reductions	(2,591)	-	-	(1,177)	-	(3,768)
Ending balance at 6/30/2009	5,288	1,014	-	2,864	-	9,166
Less due within one year	-	(1,014)	-	(64)	-	(1,078)
Total long-term rebate liability	5,288	-	-	2,800	-	8,088

(continued)

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Bonds payable						
Beginning balance at 6/30/2008	$ 108,422	$ 198	$ 539,789	$ 2,187,680	$ -	$ 2,836,089
Additions	-	-	16,490	190,000	-	206,490
Reductions	(24,410)	-	(15,550)	(138,070)	-	(178,030)
Change in deferred amounts for issuance discounts/premiums	-	-	-	(2,860)	-	(2,860)
Change in deferred amounts on refundings	167	-	-	-	-	167
Ending balance at 6/30/2009	84,179	198	540,729	2,236,750	-	2,861,856
Less due within one year	(16,060)	(198)	(8,810)	(75,270)	-	(100,338)
Total long-term bonds payable	68,119	-	531,919	2,161,480	-	2,761,518
Deposits by borrowers						
Beginning balance at 6/30/2008	-	8,740	11,604	-	-	20,344
Additions	-	2,864	3,563	-	60	6,487
Reductions	-	(5,604)	(5,417)	-	-	(11,021)
Ending balance at 6/30/2009	-	6,000	9,750	-	60	15,810
Less due within one year	-	(2,889)	(2,833)	-	(49)	(5,771)
Total long-term deposits by borrowers	-	3,111	6,917	-	11	10,039
Deferred income						
Beginning balance at 6/30/2008	-	-	5,768	-	-	5,768
Additions	-	-	106	-	-	106
Reductions	-	-	(158)	-	-	(158)
Ending balance at 6/30/2009	-	-	5,716	-	-	5,716
Total long-term deferred income	-	-	5,716	-	-	5,716
Total long-term liabilities	$ 73,407	$ 3,111	$ 544,552	$ 2,164,280	$ 373	$ 2,785,723

(in thousands)

NOTE 13 - INTERFUND ACTIVITY

In accordance with the various bond indentures, net assets in each of the Funds are restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the respective indentures. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the indenture to meet the obligations of the Funds in current and future years. A cash flow analysis is not required for the General Bond Reserve Fund (GBRF) because there were no bonds outstanding in GBRF as of June 30, 2009.

During the year ended June 30, 2009, CDA transferred the following amounts, as permitted, among Funds:

	Transfers among Funds					
	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Excess revenue	$ (25,375)	$ (13,000)	$ (13,125)	$ 45,000	$ 6,500	$ -
Cost of issuance on bonds and other expenses	(1,577)	-	-	1,577	-	-
Transfer to separate account in accordance with HUD agreement	-	(71)	-	-	-	(71)
	$ (26,952)	$ (13,071)	$ (13,125)	$ 46,577	$ 6,500	$ (71)

As of June 30, 2009, interfund balances consisted of the following:

	Due from (to) other Funds				
	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund
Mortgage loan receipts for participation loans	$ 74	$ -	$ -	$ (74)	$ -

(in thousands)

NOTE 14 - OTHER OUTSTANDING BONDS ISSUED BY CDA (CONDUIT BONDS) (UNAUDITED)

CDA has issued the following bonds that are not included in the combined financial statements of the Funds. The Multifamily Development Revenue Bonds and the Multifamily Development Revenue Refunding Bonds are secured solely by the properties and related revenues of the projects and the applicable credit enhancements. The Capital Fund Securitization Bonds are insured and are repayable by the Department of Housing and Urban Development (HUD) directly to the trustee from funds that the participating public housing authorities would have received under its Annual Contributions Contract. Neither the faith and credit of CDA nor the assets of the Funds have been pledged as security for these bonds. Accordingly, these obligations are excluded from CDA's combined financial statements.

	Amount Issued	Outstanding at June 30, 2009
Multifamily Development Revenue Bonds		
1990 Issue B (Middle Branch Manor)	$ 12,350	$ 8,450
1990 Issue C (Harbor City Townhomes)	$ 4,150	$ 2,850
Series 1998 A (Auburn Manor)	$ 11,000	$ 9,170
Series 1999 A (GNMA - Selborne House)	$ 2,150	$ 2,015
Series 2000 A (Waters Landing II Apartments)	$ 11,000	$ 10,275
Series 2000 B-1 (Edgewater Village Apartments)	$ 7,640	$ 6,410
Series 2000 B-2 (Edgewater Village Apartments)	$ 3,125	$ 3,125
Series 2000 C (Park Montgomery Apartments)	$ 6,170	$ 4,960
Series 2001 C (Parklane Apartments)	$ 9,800	$ 9,800
Series 2001 D (Princess Anne Townhouses)	$ 4,350	$ 3,735
Series 2001 E (Princess Anne Townhouses)	$ 2,875	$ 2,675
Series 2001 F (Waters Tower Senior Apartments)	$ 7,570	$ 6,450
Series 2001 G (Waters Tower Senior Apartments)	$ 4,045	$ 3,750
Series 2002 B (Broadway Homes)	$ 5,045	$ 2,255
Series 2002 C (Orchard Mews Apartments)	$ 5,845	$ 5,310
Series 2003 A (Barrington Apartments)	$ 40,000	$ 39,905
Series 2005 A (Fort Washington Manor Sr. Housing)	$ 14,000	$ 13,890
Series 2005 B (Washington Gardens)	$ 5,000	$ 2,465
Series 2006 A (Barclay Greenmount Apartments)	$ 4,535	$ 3,810
Series 2006 B (Charles Landing South Apartments)	$ 3,375	$ 3,375
Series 2007 A (Brunswick House Apartments)	$ 3,000	$ 2,000
Series 2007 B (Park View at Catonsville)	$ 5,200	$ 5,200
Series 2008 A (Walker Mews Apartments)	$ 11,700	$ 11,700
Series 2008 B (Shakespeare Park Apartments)	$ 7,200	$ 7,200
Series 2008 C (The Residences at Ellicott Gardens)	$ 9,105	$ 9,105

(in thousands)

NOTE 14 - OTHER OUTSTANDING BONDS ISSUED BY CDA (CONDUIT BONDS) (UNAUDITED) (Continued)

	Amount Issued	Outstanding at June 30, 2009
Multifamily Development Revenue Bonds (continued)		
Series 2008 D (Crusader Arms Apartments)	$ 3,885	$ 3,885
Series 2008 E (MonteVerde Apartments)	$ 15,200	$ 15,200
Series 2008 F (Hopkins Village Apartments)	$ 9,100	$ 9,100
Series 2008 G (Kirkwood House Apartments)	$ 16,000	$ 16,000
Series 2009 A (Sharp Leadenhall Apartments)	$ 16,950	$ 16,950
Multifamily Development Revenue Refunding Bonds		
Series 1997 (Avalon Lea Apartments)	$ 16,835	$ 16,835
Capital Fund Securitization Revenue Bonds		
Series 2003	$ 94,295	$ 81,970

The Multifamily Development Revenue Bonds, the Multifamily Development Revenue Refunding Bonds and the Capital Fund Securitization Revenue Bonds are special obligations payable solely from the trust estate pledged under each indenture. These bonds do not constitute a debt of and are not guaranteed by the State of Maryland, any political subdivision thereof, CDA or the Department of Housing and Community Development.

NOTE 15 - MORTGAGE INSURANCE

Substantially all of CDA's mortgage loans have mortgage insurance as described in Note 4.

Multi-family mortgagors pay premiums for mortgage insurance and insurance coverage is 100% of the unpaid principal balance of the loan.

For a loan insured by an agency of the U.S. Government in Single Family Program Bonds, the primary mortgage insurance covers an amount substantially equal to the unpaid principal amount of the loan. Almost all other loans have primary mortgage insurance in an amount that is at least 25% of the loan amount. Less than 6% of all first lien loans either did not have primary mortgage insurance due to their original loan-to-value ratios of less than 75% or have cancelled primary mortgage insurance due to their outstanding balance falling below 75% of the original loan amount. Single family mortgagors pay the premiums for primary mortgage insurance. For any losses not covered by primary mortgage insurance in Single Family Program Bonds, CDA has purchased pool insurance or established specific reserves.

NOTE 15 - MORTGAGE INSURANCE (Continued)

For each series of bonds, pool insurance coverage cannot exceed 10% of the amount of proceeds of the series of bonds. Maryland Housing Fund (MHF) has issued most of the pool insurance policies.

About 38% of all loans in Residential Revenue Bonds are insured by agencies of the U.S. Government in an amount substantially equal to the unpaid principal amount of the loan. Approximately 60% of total loans are insured by private mortgage insurers or MHF at 35% of the loan amount. In the opinion of management, these coverage levels are sufficient so that no pool insurance or reserves are required. An allowance for loan losses has been established for loans insured by private mortgage insurers. Premiums are paid by single family mortgagors or CDA.

NOTE 16 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. CDA’s only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year end. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by visiting the website at www.sra.state.md.us.

NOTE 17 - COMMITMENTS

As of June 30, 2009, CDA had approximately $38,235 in reservations for single family mortgages at interest rates ranging from 5.375% to 6.75%. CDA plans to purchase these loans with proceeds from Residential Revenue Bonds. CDA also had commitments to purchase, from the proceeds of Housing Revenue Bonds, approximately $6,240 in GNMA mortgage-backed securities to finance mortgage loans on multi-family projects. The interest rates on the securities range from 5.93% to 5.94%. Finally, CDA had commitments to fund mortgage loans in the amount of $2,904 with proceeds from Housing Revenue Bonds. The interest rates on the loans range from 5.94% to 6.99%.

(in thousands)

NOTE 18 - SUBSEQUENT EVENTS

CDA has evaluated subsequent events through September 24, 2009 which is the date of this report.

Subsequent to the year ended June 30, 2009, the following bond activity took place:

Single Family Program Bonds

On August 20, 2009, CDA redeemed the following bonds:

1999 Second Series	$2,350
1999 Third Series	$355
2001 First Series	$240
2002 Second Series	$40

Multi-Family Housing Revenue Bonds

On August 18, 2009, CDA defeased the following bonds:

1998 Series A	$100
2001 Series A	$100

As a result of the bond defeasance, on August 18, 2009, CDA transferred all outstanding mortgage loans and $7,570 in cash and investments in the Multi-Family Housing Revenue Bonds to the Residential Revenue Bonds.

Residential Revenue Bonds

On September 1, 2009, CDA redeemed the following bonds:

1998 Series A	$1,165
1998 Series D	$245
1999 Series D	$175
1999 Series H	$20
2000 Series F	$295
2001 Series B	$740
2001 Series E	$540
2001 Series H	$75

(in thousands)

NOTE 18 - SUBSEQUENT EVENTS (Continued)

Residential Revenue Bonds (Continued)

On September 1, 2009, CDA redeemed the following bonds (Continued):

2003 Series B	$410
2004 Series B	$305
2004 Series E	$445
2004 Series H	$190
2005 Series B	$915
2005 Series E	$370
2006 Series B	$230
2006 Series F	$1,165
2006 Series I	$3,460
2006 Series L	$2,205
2006 Series P	$350
2006 Series S	$500
2007 Series A	$5,040
2007 Series B	$595
2007 Series D	$3,060
2007 Series F	$1,755
2007 Series H	$180
2007 Series J	$1,735
2007 Series K	$125
2007 Series M	$500
2008 Series A	$1,240
2008 Series C	$2,410

On September 24, 2009, CDA issued the following bonds:

2009 Series A	$40,000

On September 24, 2009, CDA remarketed Residential Revenue Bonds 2007 Series J from taxable to tax-exempt. In addition, CDA entered into a new interest rate exchange agreement (swap) for a notional amount of $58,680, effective September 1, 2009, for the Residential Revenue Bonds 2007 Series J. This agreement, a synthetic fixed rate contract, replaces the existing swap agreement on the bonds and will hedge the $58,680 in variable rate debt in Residential Revenue Bonds 2007 Series J.

Community Development Administration
Revenue Obligation Funds

SUPPLEMENTAL DISCLOSURE OF COMBINED CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES
(in thousands)

June 30, 2009
(Unaudited)

During fiscal year 1997, CDA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31. This statement requires the financial statements of CDA to reflect investments and mortgage-backed securities at fair value, and the increase or decrease in fair value is included in the Combined Statement of Revenue, Expenses and Changes in Net Assets.

For investments (obligations of the U.S. Treasury and U.S. Government Agencies) held by CDA as of June 30, 2009, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal Year Period	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Cumulative FY 1996 and prior periods	$ 28,537	$ 1,972	$ -	$ -	$ 620	$ 31,129
FY 1997	3,461	415	(352)	-	175	3,699
FY 1998	18,225	3,431	832	-	90	22,578
FY 1999	(14,325)	(2,009)	(407)	-	(191)	(16,932)
FY 2000	(1,536)	(154)	48	(227)	(237)	(2,106)
FY 2001	1,356	1,192	193	551	244	3,536
FY 2002	3,372	(668)	157	97	405	3,363
FY 2003	18,005	755	889	544	519	20,712
FY 2004	(17,786)	(2,004)	(678)	(674)	(1,368)	(22,510)
FY 2005	(18,117)	1,784	897	403	(403)	(15,436)
FY 2006	(16,085)	(3,336)	(866)	(1,567)	(526)	(22,380)
FY 2007	125	(3)	48	1,062	437	1,669
FY 2008	2,465	245	444	785	445	4,384
FY 2009	(1,359)	142	202	46	(150)	(1,119)
Cumulative total	$ 6,338	$ 1,762	$ 1,407	$ 1,020	$ 60	$ 10,587

Community Development Administration
Revenue Obligation Funds

SUPPLEMENTAL DISCLOSURE OF COMBINED CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES - CONTINUED
(in thousands)

June 30, 2009
(Unaudited)

Reconciliation to the Combined Statement of Revenue, Expenses and Changes in Net Assets:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
(Decrease) increase in fair value of investments held at June 30, 2009	$ (1,359)	$ 142	$ 202	$ 46	$ (150)	$ (1,119)
Realized gains on investments sold	1,730	-	-	-	-	1,730
Adjustment due to change in rebate liability (see Note 11)	137	(48)	-	27	-	116
Increase (decrease) in fair value of investments, net of rebate, as reported on the Combined Statement of Revenue, Expenses and Changes in Net Assets	$ 508	$ 94	$ 202	$ 73	$ (150)	$ 727

Community Development Administration
Revenue Obligation Funds

SUPPLEMENTAL DISCLOSURE OF COMBINED CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES - CONTINUED
(in thousands)

June 30, 2009
(Unaudited)

For mortgage-backed securities held by CDA as of June 30, 2009, the following schedule summarizes annual increases/decreases in fair value:

Fiscal Year Period	Housing Revenue Bonds
FY 2000	$ (3,825)
FY 2001	(3,291)
FY 2002	3,340
FY 2003	21,435
FY 2004	(11,126)
FY 2005	12,879
FY 2006	(27,704)
FY 2007	3,661
FY 2008	(5,987)
FY 2009	17,358
Cumulative total	$ 6,740

It is the intention of CDA to hold the mortgage-backed securities until the underlying loan is paid in full.