Reznick Group

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
SINGLE FAMILY PROGRAM BONDS

JUNE 30, 2009 AND 2008

Community Development Administration
Single Family Program Bonds

TABLE OF CONTENTS

Reznick Group

Reznick Group, P.C.
500 East Pratt Street
Suite 200
Baltimore, MD 21202-3100

Tel: (410) 783-4900
Fax: (410) 727-0460
www.reznickgroup.com

INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Community Development Administration Single Family Program Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Community Development Administration Single Family Program Bonds 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 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Community Development Administration Single Family Program Bonds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Reznick Group

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

Reznick Group, P.C.

Baltimore, Maryland
September 24, 2009

Community Development Administration
Single Family Program Bonds

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2009 and 2008

	2009	2008
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 5,727	$ 7,053
Investments	14,513	17,853
Single family mortgage loans	8,350	8,701
Accrued interest receivables	1,929	2,579
Claims receivable on foreclosed loans	588	499
Due from other Funds	74	-
Total restricted current assets	31,181	36,685
Restricted long-term assets		
Investments, net of current portion	36,004	58,068
Single family mortgage loans, net of current portion	127,374	145,694
Accrued interest receivables, net of current portion	3	-
Deferred bond issuance costs	552	667
Total restricted long-term assets	163,933	204,429
Total restricted assets	$ 195,114	$ 241,114
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued interest payable	$ 1,024	$ 1,308
Accounts payable	36	78
Rebate liability	-	2,032
Bonds payable	16,060	16,510
Due to other Funds	-	250
Total current liabilities	17,120	20,178
Long-term liabilities		
Rebate liability, net of current portion	5,288	5,017
Bonds payable, net of current portion	68,119	91,912
Total long-term liabilities	73,407	96,929
Total liabilities	90,527	117,107
NET ASSETS		
Restricted	104,587	124,007
Total liabilities and net assets	$ 195,114	$ 241,114

See notes to financial statements

Community Development Administration
Single Family Program Bonds

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

Years ended June 30, 2009 and 2008

	2009	2008
Operating revenue		
Interest on mortgage loans	$ 9,850	$ 11,424
Interest income on investments, net of rebate	2,964	4,069
Increase in fair value of investments, net of rebate	508	1,507
Fee income	71	102
	13,393	17,102
Operating expenses		
Interest expense on bonds	4,825	6,102
Professional fees and other operating expenses	695	755
Origination expenses	1	1
Loss (gain) on foreclosure claims	58	(16)
Amortization of bond issuance costs	220	223
Loss on early retirement of debt	62	136
	5,861	7,201
Operating income	7,532	9,901
Transfers of funds, as permitted by the Certificate	(26,952)	(2,747)
Changes in net assets	(19,420)	7,154
Net assets - restricted at beginning of year	124,007	116,853
Net assets - restricted at end of year	$ 104,587	$ 124,007

See notes to financial statements

Community Development Administration
Single Family Program Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 28,178	$ 38,050
Mortgage insurance claims received	594	590
Foreclosure expenses paid	(57)	(59)
Purchase of mortgage loans	(470)	(38)
Professional fees and other operating expenses	(737)	(750)
Other reimbursements	(21)	-
Net cash provided by operating activities	27,487	37,793
Cash flows from investing activities		
Proceeds from maturities or sales of investments	55,445	37,403
Purchases of investments	(29,784)	(39,635)
Arbitrage rebates paid	(2,454)	(1,165)
Interest received on investments	4,451	4,808
Net cash provided by investing activities	27,658	1,411
Cash flows from noncapital financing activities		
Payments on bond principal	(24,410)	(31,910)
Interest on bonds	(5,109)	(6,484)
Transfers among Funds	(26,952)	(2,747)
Net cash used in noncapital financing activities	(56,471)	(41,141)
NET DECREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(1,326)	(1,937)
Cash and cash equivalents on deposit with trustee at beginning of year	7,053	8,990
Cash and cash equivalents on deposit with trustee at end of year	$ 5,727	$ 7,053

(continued)

Community Development Administration
Single Family Program Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2009 and 2008

	2009	2008
Reconciliation of operating income to net cash from operating activities		
Operating income	$ 7,532	$ 9,901
Adjustments to reconcile operating income to net cash provided by operating activities		
Decrease (increase) in assets		
Mortgage loans	18,741	26,810
Accrued interest receivables	647	177
Claims receivable on foreclosed loans	(89)	(294)
Due from other Funds	(74)	195
(Decrease) increase in liabilities		
Accrued interest payable	(284)	(382)
Accounts payable	(42)	5
Rebate liability	(1,761)	361
Due to other Funds	(250)	250
Amortizations		
Deferred income and expense on loans	(70)	(101)
Investment discounts and premiums	114	157
Deferred bond issuance costs	220	223
Loan expenses deferred	-	(21)
Decrease (increase) in fair value of investments	1,359	(2,465)
Realized gains on investments sold	(1,730)	-
Arbitrage rebates paid	2,454	1,165
Loss on early retirement of debt	62	136
Interest received on investments	(4,451)	(4,808)
Interest on bonds	5,109	6,484
Net cash provided by operating activities	$ 27,487	$ 37,793

See notes to 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 financial statements only include CDA's Single Family Program Bonds (the Fund). CDA's other Funds are not included. The Fund was established to originate or purchase single family mortgage loans.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is accounted for as an enterprise fund. Accordingly, the accompanying 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fund 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.

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 and 2008, all of the Fund's cash equivalents were invested in a money market mutual fund which is 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 Loans

Mortgage loans are carried at their unpaid principal balances, net of unamortized loan fees. Loan fees are deferred and amortized over the life of the related loans using the effective interest method. Any mortgage loan in foreclosure with a pending insurance claim is recorded as claims receivables. See Notes 4 and 11 for additional information on mortgage loans and mortgage insurance, respectively.

Accrued Interest Receivables

Accrued interest receivables include interest on loans and investments. On insured single family 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 the Maryland Housing Fund (MHF).

Allowance for Loan Losses

Approximately 94% of the Fund's mortgage loans are insured or guaranteed by agencies of the U.S. Government or the Maryland Housing Fund (MHF). CDA also has secondary pool insurance for loans in the Fund. No allowance for loan losses was necessary as of June 30, 2009 and 2008. See Notes 4 and 11 for additional information.

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 Statements of Revenue, Expenses and Changes in Net Assets. However, in an economic refunding, CDA defers unamortized costs and redemption premiums as an offset to the new bonds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 10.

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 and 9 for additional information.

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 8.

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 and 2008, all mortgage loan yields were in compliance with the Code.

Interest on Mortgage Loans

Interest on mortgage loans is calculated using the effective interest method.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fee Income

CDA receives single family commitment fees at loan origination. These fees are deferred and amortized over the life of the loan.

Administrative Support

In addition to expenses incurred directly by the Fund, 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 and reported in the financial statements of CDA's Revenue Obligation Funds. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

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 charged to CDA's General Bond Reserve Fund. See Note 12 for additional information.

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. All of the Fund's activities are considered to be operating.

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.

(in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

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

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Bond proceeds and revenues from mortgages and investments are invested in authorized investments as defined in the Single Family Program Bonds 1980 General Certificate (the Certificate) and in CDA's Investment Policy until required for originating mortgage loans, funding reserves, paying bond debt service or redeeming outstanding bonds, 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 the Fund at June 30, 2009 and 2008, are evaluated in accordance with GASB Statement No. 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2009	2008
Cash and cash equivalents:		
Federated Treasury Obligations Fund	$ 5,727	$ 7,053
Investments:		
Obligations of the U.S. Treasury	28,010	39,655
Obligations of U.S. Government Agencies	669	2,528
Repurchase and Investment Agreements	21,838	33,738
Total	$ 56,244	$ 82,974

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (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	$ 5,727	$ 5,727	$ 5,727	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	21,718	28,010	-	-	19,497	8,513	-
Obligations of U.S. Government Agencies	623	669	-	-	669	-	-
Repurchase agreements/ Investment agreements	21,838	21,838	-	-	21,838	-	-
Total	$ 49,906	$ 56,244	$ 5,727	$ -	$ 42,004	$ 8,513	$ -

As of June 30, 2008, 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	$ 7,053	$ 7,053	$ 7,053	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	32,006	39,655	-	-	11,000	17,896	10,759
Obligations of U.S. Government Agencies	2,480	2,528	764	-	1,764	-	-
Repurchase agreements/ Investment agreements	33,738	33,738	-	-	33,738	-	-
Total	$ 75,277	$ 82,974	$ 7,817	$ -	$ 46,502	$ 17,896	$ 10,759

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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 and 2008, the cost of this money market mutual fund approximated fair value.

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 Certificate requires 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 the Certificate and CDA's 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 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 and 2008, all counterparty ratings were at least equal to the ratings on the Fund's bonds. The ratings on Single Family Program Bonds as of June 30, 2009 and 2008 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, AND INVESTMENTS (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	$ 5,727	10.18%	Aaa		Moody's
Obligations of the U.S. Treasury	28,010	49.80%		Direct U. S. Obligation	
Obligations of U.S. Government Agencies	669	1.19%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
WestLB rated Aa1 by Moody's*	21,838	38.83%		Aaa	Moody's
Total	$ 56,244	100.00%			

* WestLB AG is formerly known as "Westdeutsche Landesbank Gironzentrale." This investment agreement was entered into prior to July 19, 2001 and is therefore governed by guarantor liability in accordance with the agreement reached between the German Federal Government and the European Commission (Letter of Understanding I). The current rating of Aa1 by Moody's for this investment agreement is based on such guarantor liability. As of July 19, 2005, all contracts entered into with West LB AG between July 19, 2001 and July 18, 2005 which mature after December 31, 2015, and contracts entered into after July 18, 2005 are not covered by the guarantor liability, and therefore carry WestLB's current Moody's rating of A2.

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of June 30, 2008, 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	$ 7,053	8.50%	Aaa		Moody's
Obligations of the U.S. Treasury	39,655	47.79%		Direct U. S. Obligation	
Obligations of U.S. Government Agencies	2,528	3.05%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
WestLB rated Aa1 by Moody's*	33,738	40.66%		Aaa	Moody's
Total	$ 82,974	100.00%			

* WestLB AG is formerly known as "Westdeutsche Landesbank Gironzentrale." This investment agreement was entered into prior to July 19, 2001 and is therefore governed by guarantor liability in accordance with the agreement reached between the German Federal Government and the European Commission (Letter of Understanding I). The current rating of Aa1 by Moody's for this investment agreement is based on such guarantor liability. As of July 19, 2005, all contracts entered into with West LB AG between July 19, 2001 and July 18, 2005 which mature after December 31, 2015, and contracts entered into after July 18, 2005 are not covered by the guarantor liability, and therefore carry WestLB's current Moody's rating of A2.

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.

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 and 2008, the Fund'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.

(in thousands)

NOTE 4 - MORTGAGE LOANS

Substantially all of the Fund's mortgage loans are secured by first liens on the related property and approximately 94% of the loans are credit enhanced primarily through FHA, the Veterans Administration, or the Maryland Housing Fund (MHF). As of June 30, 2009 and 2008, interest rates on such loans range from 1.0% to 13.9%. As of June 30, 2009 and 2008, remaining loan terms ranged from approximately 1 to 33 years and 1 to 34 years, respectively.

NOTE 5 - ACCRUED INTEREST RECEIVABLES

Accrued interest receivables as of June 30, 2009 and 2008, were as follows:

	2009	2008
Accrued mortgage loan interest	$ 1,063	$ 1,167
Accrued investment interest	869	1,412
	$ 1,932	$ 2,579

NOTE 6 - BONDS PAYABLE

The bonds issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the Certificate. These bonds 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 Certificate 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 certificates. The prescribed optional redemption premiums range from 0% to 1% of the principal amount. All bonds have fixed interest rates and are tax-exempt.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

NOTE 6 - 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

The following is a summary of the bond activity for the year ended June 30, 2008, and the debt outstanding and bonds payable as of June 30, 2008:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2007	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2008	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2008
Single Family Program Bonds										
1999 Second Series	12/01/98	4.40% - 5.00%	2009 - 2017	$ 51,255	$ -	$ -	$ (18,625)	$ 32,630	$ -	$ 32,630
1999 Third Series	12/01/98	4.50% - 5.125%	2008 - 2021	42,875	-	(6,165)	(1,450)	35,260	-	35,260
2001 First Series	03/01/01	4.15% - 5.00%	2008 - 2017	37,185	-	(3,975)	(455)	32,755	(785)	31,970
2001 Second Series	03/01/01	4.35% - 4.65%	2008 - 2023	2,140	-	(105)	(210)	1,825	(48)	1,777
2002 First Series	02/01/02	4.45% - 4.60%	2012 - 2013	4,495	-	-	(280)	4,215	(53)	4,162
2002 Second Series	02/01/02	4.50%	2024	3,355	-	-	(645)	2,710	(87)	2,623
Total				$ 141,305	$ -	$ (10,245)	$ (21,665)	$ 109,395	$ (973)	$ 108,422

(in thousands)

NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2009, the required principal payments for 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 6) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Years ended June 30,	Interest	Principal
2010	$ 4,007	$ 16,060
2011	3,359	10,010
2012	2,900	11,475
2013	2,366	6,790
2014	2,046	5,160
2015 - 2019	7,730	17,650
2020 - 2024	1,809	17,840
Totals	$ 24,217	$ 84,985

As of June 30, 2008, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2008 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 6) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Years ended June 30,	Interest	Principal
2009	$ 5,115	$ 16,510
2010	4,480	13,075
2011	3,887	10,010
2012	3,428	12,485
2013	2,847	12,800
2014 - 2018	9,118	19,335
2019 - 2023	3,115	24,235
2024 - 2028	43	945
Totals	$ 32,033	$ 109,395

(in thousands)

NOTE 8 - REBATE LIABILITY

In accordance with the Internal Revenue Service Code (the Code), the Fund 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 the Fund 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 Statements 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 Statements 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.

Rebate liability activity for the years ended June 30, 2009 and 2008, was as follows:

	2009	2008
Beginning rebate liability	$ 7,049	$ 6,688
Change in estimated liability due to excess investment earnings	830	568
Change in estimated liability due to change in fair value of investments	(137)	958
Less - payments made	(2,454)	(1,165)
Ending rebate liability	$ 5,288	$ 7,049

Total rebate liability is allocated as follows:

	2009	2008
Estimated liability due to excess investment earnings	$ 635	$ 2,259
Estimated liability due to change in fair value of investments	4,653	4,790
Ending rebate liability	$ 5,288	$ 7,049

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

NOTE 9 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2009 and 2008, were as follows:

	2009	2008
Rebate liability		
Beginning balance	$ 7,049	$ 6,688
Additions	830	1,526
Reductions	(2,591)	(1,165)
Ending balance	5,288	7,049
Less due within one year	-	(2,032)
Total long-term rebate liability	5,288	5,017
Bonds payable		
Beginning balance	108,422	140,143
Additions	-	-
Reductions	(24,410)	(31,910)
Change in deferred amounts on refundings	167	189
Ending balance	84,179	108,422
Less due within one year	(16,060)	(16,510)
Total long-term bonds payable	68,119	91,912
Total long-term liabilities	$ 73,407	$ 96,929

(in thousands)

NOTE 10 - INTERFUND ACTIVITY

In accordance with the Certificate, net assets in Single Family Program Bonds are restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the Certificate. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the Certificate to meet the obligations of the Fund in current and future years.

During the years ended June 30, 2009 and 2008, the Fund transferred the following amounts, as permitted, among Funds:

	2009	2008
Cost of issuance on bonds and other expenses transferred to Residential Revenue Bonds	$ (1,577)	$ (2,747)
Excess revenue transferred to Residential Revenue Bonds	(21,000)	-
Excess revenue transferred to the General Bond Reserve Fund	(4,375)	-
	$ (26,952)	$ (2,747)

As of June 30, 2009 and 2008, due from (to) consisted of the following:

	2009	2008
Mortgage loan receipts for participation loans due from Residential Revenue Bonds	$ 74	$ 132
Mortgage loan purchase funds due to Residential Revenue Bonds	-	(382)
	$ 74	$ (250)

NOTE 11 - MORTGAGE INSURANCE

Substantially all of the Fund's mortgage loans have mortgage insurance as described in Note 4. Single family mortgagors pay the premiums for primary mortgage insurance.

Approximately 34% of the loans are insured by an agency of the U.S. Government with the primary mortgage insurance covering an amount substantially equal to the unpaid principal amount of the loan. Another 60% of 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. For any losses not covered by primary mortgage insurance, CDA has purchased pool insurance or established specific reserves. For each series of bonds, pool insurance coverage cannot exceed 10% of the amount of proceeds of the series of bonds. MHF has issued most of the pool insurance policies.

NOTE 12 - 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.

(in thousands)

NOTE 13 - 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:

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

Community Development Administration
Single Family Program Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE IN
FAIR VALUE OF INVESTMENTS
(in thousands)

June 30, 2009 and 2008
(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 at fair value, and the increase or decrease in fair value is included in the Statements of Revenue, Expenses and Changes in Net Assets.

For investments (obligations of the U.S. Treasury and U.S. Government Agencies) held by the Fund 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 ended June 30,	Annual increases /decreases		Cumulative total	
Cumulative FY 1996 and prior periods	$	28,537	$	28,537
1997	$	3,461	$	31,998
1998	$	18,225	$	50,223
1999	$	(14,325)	$	35,898
2000	$	(1,536)	$	34,362
2001	$	1,356	$	35,718
2002	$	3,372	$	39,090
2003	$	18,005	$	57,095
2004	$	(17,786)	$	39,309
2005	$	(18,117)	$	21,192
2006	$	(16,085)	$	5,107
2007	$	125	$	5,232
2008	$	2,465	$	7,697
2009	$	(1,359)	$	6,338

Community Development Administration
Single Family Program Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE IN
FAIR VALUE OF INVESTMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008
(Unaudited)

Reconciliation to the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2009:

Decrease in fair value of investments held at June 30, 2009	$	(1,359)
Realized gains on investments sold		1,730
Adjustment due to change in rebate liability (see Note 8)		137
Increase in fair value of investments, net of rebate, as reported on the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2009	$	508

Reconciliation to the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2008:

Increase in fair value of investments held at June 30, 2008	$	2,465
Adjustment due to change in rebate liability (see Note 8)		(958)
Increase in fair value of investments, net of rebate, as reported on the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2008	$	1,507