

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

**COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS**

JUNE 30, 2004 AND 2003

Community Development Administration
Housing Revenue Bonds

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
STATEMENTS OF NET ASSETS	5
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	9
SUPPLEMENTAL DISCLOSURES OF CHANGE IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES	25



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 Housing Revenue 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, 2004 and 2003, 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 A, the financial statements present only the Community Development Administration Housing Revenue 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, 2004 and 2003, and the changes in its net assets and cash flows, where applicable, thereof 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 Housing Revenue Bonds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2004 and 2003, 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.

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 and Mortgage-Backed Securities 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 audits of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Raymond Fedler & Schwimmer".

Baltimore, Maryland
September 28, 2004

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2004 and 2003

	2004	2003
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	\$ 49,160	\$ 54,903
Investments	42,412	17,040
Mortgage-backed securities	1,643	896
Mortgage loans		
Single family	29	46
Multi-family construction and permanent financing	3,005	3,166
Accrued interest and other receivables	2,731	2,518
Due from other Funds	13	-
	98,993	78,569
Restricted long-term assets		
Investments, net of current portion	36,323	30,638
Mortgage-backed securities, net of current portion	311,666	250,938
Mortgage loans, net of current portion and allowance for loan losses		
Single family	648	680
Multi-family construction and permanent financing	84,301	102,822
Deferred bond issuance costs	577	798
	433,515	385,876
Total restricted assets	\$ 532,508	\$ 464,445
LIABILITIES AND NET ASSETS		
Current liabilities		
Bonds payable	\$ 5,190	\$ 8,875
Accrued interest payable	11,573	10,305
Accounts payable	136	264
Deposits by borrowers	5,242	5,883
	22,141	25,327
Long-term liabilities		
Bonds payable, net of current portion	466,329	379,465
Deposits by borrowers, net of current portion	15,461	20,945
	481,790	400,410
Total liabilities	503,931	425,737
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Restricted	28,577	38,708
Total liabilities and net assets	\$ 532,508	\$ 464,445

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

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

Years ended June 30, 2004 and 2003

	2004	2003
Operating revenue		
Interest on mortgage loans	\$ 7,491	\$ 8,752
Interest on mortgage-backed securities	15,190	12,055
(Decrease) increase in fair value of mortgage-backed securities	(11,126)	21,435
Interest income on investments	3,408	2,506
(Decrease) increase in fair value of investments	(678)	889
Fee income	122	93
Other operating revenue	252	55
	14,659	45,785
Operating expenses		
Interest expense on bonds	22,688	19,630
Amortization of bond issuance costs	35	40
Trustee, legal and mortgage servicing costs	57	67
Provision for loan losses	-	18
Loss on early retirement of debt	-	13
Other operating expense	118	133
	22,898	19,901
Operating (loss) income	(8,239)	25,884
Transfers of funds, net, as permitted by various bond indentures	(1,892)	(2,248)
CHANGES IN NET ASSETS	(10,131)	23,636
Net assets at beginning of year	38,708	15,072
Net assets at end of year	\$ 28,577	\$ 38,708

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Principal and interest received on mortgage loans	\$ 26,543	\$ 19,250
Principal and interest received on mortgage-backed securities	16,758	12,862
Escrow funds received	6,629	7,119
Escrow funds paid	(12,704)	(6,865)
Other income received	238	55
Loan fees received	1,601	1,127
Purchase of mortgage loans	(1,701)	(13,999)
Purchase of mortgage-backed securities	(74,170)	(58,000)
Trustee, legal and mortgage servicing costs	(70)	(67)
Other expenses paid	(246)	(137)
Other reimbursements	34	115
Reimbursements due to General Bond Reserve Fund	-	(257)
	(37,088)	(38,797)
Net cash used in operating activities		
Cash flows from investing activities		
Proceeds from maturities or sales of investments	76,693	60,017
Purchases of investments	(108,433)	(62,910)
Interest received on investments	3,032	2,278
	(28,708)	(615)
Net cash used in investing activities		
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	108,434	74,185
Payments on bond principal	(25,255)	(8,585)
Reimbursement of bond costs	186	22
Interest on bonds	(21,420)	(18,270)
Transfers among Funds	(1,892)	(2,248)
	60,053	45,104
Net cash provided by noncapital financing activities		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(5,743)	5,692
Cash and cash equivalents on deposit with trustee at beginning of year	54,903	49,211
Cash and cash equivalents on deposit with trustee at end of year	\$ 49,160	\$ 54,903

(continued)

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2004 and 2003

	2004	2003
Reconciliation of operating (loss) income to net cash from operating activities		
Operating (loss) income	\$ (8,239)	\$ 25,884
Adjustments to reconcile operating (loss) income to net cash used in operating activities		
Decrease (increase) in assets		
Mortgage loans	17,252	(3,442)
Mortgage-backed securities	(72,601)	(57,193)
Accrued interest and other receivables	(213)	(229)
Due from other Funds	(13)	10
(Decrease) increase in liabilities		
Accounts payable	(128)	132
Accrued interest payable	1,268	1,360
Deposits by borrowers	(6,125)	189
Due to other Funds	-	(267)
Amortizations		
Deferred income on loans	(118)	(89)
Investment discounts and premiums	5	4
Deferred bond issuance costs	35	40
Decrease (increase) in fair value of investments	678	(889)
Decrease (increase) in fair value of mortgage-backed securities	11,126	(21,435)
Loan fees deferred	1,597	1,123
Loss on early retirement of debt	-	13
Interest received on investments	(3,032)	(2,278)
Interest on bonds	21,420	18,270
	\$ (37,088)	\$ (38,797)

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2004 and 2003

NOTE A - 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 Article 83B, Sections 2-201 through 2-208) 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 Housing Revenue Bonds (the Fund). CDA's other Funds are not included. The Fund was established to issue bonds to provide funds to finance or refinance loans for various types of housing. As of June 30, 2004 and 2003, Housing Revenue Bonds have primarily financed multi-family projects.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is set up in accordance with CDA's enabling legislation and the Resolution providing for the issuance of Housing Revenue Bonds (Resolution). The Fund is an enterprise fund of the State of Maryland and uses the accrual basis of accounting.

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.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

NOTE B - 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 U.S. Treasury and agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2004 and 2003, all of CDA's cash equivalents are invested in a money market mutual fund which is more fully described in Note C.

Investments

Investments are principally governmental debt securities or contracts 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, if exercise of the call within the next fiscal year is probable. Investments are more fully described in Note C.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

NOTE B - 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 these securities to maturity or until the payoff of the related multi-family loan. Mortgage-backed securities are more fully described in Note C.

Mortgage Loans

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

Allowance for Loan Losses

Substantially all the mortgage loans of the Fund are insured or guaranteed by agencies of the U.S. Government or the Maryland Housing Fund. CDA has two uninsured non-amortizing multi-family loans in the Fund, totaling \$724. CDA has established a loss reserve of \$18 for these uninsured loans using evaluations from the Department's asset management group. Management believes the allowance established is adequate.

Accrued Interest and Other Receivables

Accrued interest and other receivables include any outstanding claims on insured mortgage loans and interest on 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 loans, interest ceases to accrue after foreclosure. See Note E 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.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

NOTE B - 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 I.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of original issue discounts or premiums. See Notes F and G for more 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 short-term liability. Based on the current year's reserve disbursements, CDA has estimated the short-term reserve liability. The balance of the reserves is classified as long-term. See Note H for further information on changes in long-term obligations.

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, CDA determines 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, 2004 and 2003, all mortgage loan yield calculations are in compliance with the Code.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

NOTE B - 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 earns multi-family financing 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 are 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 (the 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 K 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 CDA's activities are considered to be operating.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 period. Actual results could differ from these estimates.

Reclassifications

Certain 2003 amounts have been reclassified to conform to 2004 financial statement presentation.

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

Proceeds from bonds are invested in authorized investments as defined in the Resolution until required for purchasing mortgage-backed securities or originating mortgage loans, funding reserves, redeeming outstanding bonds and notes, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. government agencies, political subdivisions in the United States, bankers' acceptances, repurchase agreements, corporate debt securities and certificates of deposit with foreign or domestic banks. All CDA accounts held in trust by the trustee are kept separate from the assets of the bank and from other trust accounts.

Cash and Cash Equivalents

As of June 30, 2004 and 2003, the Fund had \$49,160 and \$54,903, respectively, invested in money market mutual funds (Federated Treasury Obligations Fund and ARK U.S. Government Cash Management Corporate II Class Fund, respectively) which are classified as cash and cash equivalents. The Federated Treasury Obligations Fund invests exclusively in U.S. Treasuries and in repurchase agreements collateralized by Treasury securities and is rated AAAM by Standard & Poor's and Aaa by Moody's Investor Services. As of June 30, 2003, the ARK U.S. Government Cash Management Corporation II Class Fund invested exclusively in obligations of the U.S. government and its agencies and instrumentalities and in repurchase agreements. It was rated AAA by Standard & Poor's and Aaa by Moody's Investors Services as of June 30, 2003.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

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

As of June 30, 2004 and 2003, the cost of these money market mutual funds approximates fair value.

The money market mutual funds are not categorized by credit risk because they are not evidenced by securities that exist in physical or book entry form.

Investments

Obligations of the U. S. Treasury are held in CDA's account by the trustee.

For repurchase agreements and guaranteed investment contracts, collateral is held by the trustee of the Fund or its agent. The agreements and contracts are at fixed interest rates, with maturities ranging from less than one year to less than three years.

As of June 30, 2004, the amortized cost and fair value of the Fund's investments, by type of investment, was as follows:

	Fair Value	Amortized Cost
Obligations of the U.S. Treasury	\$ 6,214	\$ 5,532
Repurchase agreements and guaranteed investment contracts	72,521	72,521
	<u>\$ 78,735</u>	<u>\$ 78,053</u>

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

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

As of June 30, 2003, the amortized cost and fair value of the Fund's investments, by type of investment, was as follows:

	Fair Value	Amortized Cost
Obligations of the U.S. Treasury	\$ 6,897	\$ 5,537
Repurchase agreements and guaranteed investment contracts	40,781	40,781
	\$ 47,678	\$ 46,318

Mortgage-Backed Securities

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) approved lender, as the issuer of the Guaranteed Security to CDA. GNMA guarantees timely payment of principal and interest on Guaranteed Securities. It is the intention of CDA to hold these securities until the underlying loan is paid in full.

As of June 30, 2004, the cost and fair value of mortgage-backed securities was as follows:

	Fair Value	Cost
	\$ 313,309	\$ 306,776
	\$ 313,309	\$ 306,776

As of June 30, 2003, the cost and fair value of mortgage-backed securities was as follows:

	Fair Value	Cost
	\$ 251,834	\$ 234,174
	\$ 251,834	\$ 234,174

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

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

Category of Risk

Investments and mortgage-backed securities are classified as to credit risk by the three categories described below:

- Category 1 - Insured or registered, with securities held by CDA or its agent in CDA's name.
- Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department in CDA's name.
- Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in CDA's name.

All investments and mortgage-backed securities of the Fund are classified as Category 1.

NOTE D - MORTGAGE LOANS

Approximately 99% of all the mortgage loans are secured by first liens on the related property and are credit enhanced through the FHA mortgage insurance program, the Federal Home Loan Mortgage Corporation, the Maryland Housing Fund, Fannie Mae or GNMA. As of June 30, 2004, interest rates on such loans range from 3.0% to 14.5%, with remaining loan terms from approximately 6 years to 40 years. As of June 30, 2003, interest rates on such loans range from 3.7% to 14.5%, with remaining loan terms from 7 years to 40 years.

NOTE E - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2004 and 2003 were as follows:

	2004	2003
Accrued mortgage loan interest	\$ 626	\$ 744
Escrows due from multi-family mortgagors	356	406
Accrued investment interest	1,571	1,201
Negative arbitrage due from mortgagors	178	167
	<u>\$ 2,731</u>	<u>\$ 2,518</u>

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

NOTE F - BONDS PAYABLE

The bonds issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the applicable indentures. 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 Resolution require or allow for the special redemption of bonds 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 resolutions. The prescribed optional redemption prices range from 100% to 102% of the principal amount. All bonds are tax-exempt and have fixed interest rates.

The following is a summary of the bond activity for the year ended June 30, 2004 and the debt outstanding and bonds payable as of June 30, 2004:

	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2003	Bond Activity			Debt Outstanding at June 30, 2004	Discounts/Premiums and Other Deferred Costs	Bonds Payable at June 30, 2004
					New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed			
Housing Revenue Bonds										
Series 1996 A	11/1/1996	4.80%-5.95%	2003-2023	\$ 83,565	\$ -	\$ (3,680)	\$ (19,585)	\$ 60,300	\$ -	\$ 60,300
Series 1996 B	11/1/1996	4.80%-5.95%	2003-2028	1,910	-	(40)	-	1,870	-	1,870
Series 1997 A	6/1/1997	4.60%-6.00%	2003-2039	36,160	-	(300)	-	35,860	-	35,860
Series 1997 B	9/1/1997	4.50%-5.75%	2003-2039	7,500	-	(60)	-	7,440	-	7,440
Series 1997 C	12/1/1997	4.30%-5.65%	2003-2039	13,695	-	(120)	-	13,575	-	13,575
Series 1998 A	4/1/1998	4.30%-5.625%	2003-2040	10,760	-	(100)	-	10,660	-	10,660
Series 1999 A	2/1/1999	3.80%-5.35%	2003-2041	16,135	-	(140)	-	15,995	-	15,995
Series 1999 B	10/15/1999	4.70%-6.40%	2003-2042	15,650	-	(190)	-	15,460	-	15,460
Series 1999 C	10/15/1999	5.85%-6.40%	2014-2040	515	-	(5)	-	510	-	510
Series 1999 D	12/1/1999	4.75%-6.35%	2003-2042	14,045	-	(265)	-	13,780	-	13,780
Series 2000 A	10/1/2000	4.60%-6.10%	2003-2042	27,445	-	(200)	-	27,245	-	27,245
Series 2001 A	7/1/2001	3.95%-5.625%	2005-2043	29,645	-	-	-	29,645	-	29,645
Series 2001 B	10/1/2001	3.15%-5.45%	2004-2043	47,630	-	-	(570)	47,060	-	47,060
Series 2002 A	3/1/2002	3.00%-5.70%	2004-2043	9,500	-	-	-	9,500	-	9,500
Series 2002 B	10/1/2002	2.20%-5.05%	2005-2045	34,435	-	-	-	34,435	-	34,435
Series 2002 C	10/1/2002	2.20%-5.00%	2005-2035	6,740	-	-	-	6,740	-	6,740
Series 2002 D	10/1/2002	2.20%-5.00%	2005-2035	8,280	-	-	-	8,280	-	8,280
Series 2003 A	4/1/2003	3.00%-5.22%	2008-2045	24,730	-	-	-	24,730	-	24,730
Series 2003 B	7/1/2003	2.35%-5.00%	2007-2045	-	17,660	-	-	17,660	-	17,660
Series 2003 C	9/1/2003	2.70%-5.90%	2007-2045	-	10,735	-	-	10,735	(6)	10,729
Series 2003 D	12/1/2003	2.50%-5.125%	2007-2045	-	12,080	-	-	12,080	-	12,080
Series 2004 A	1/1/2004	2.30%-5.10%	2007-2045	-	11,130	-	-	11,130	-	11,130
Series 2004 B	3/31/2004	2.50%-4.70%	2009-2046	-	20,320	-	-	20,320	-	20,320
Series 2004 C	6/10/2004	4.00%-5.40%	2010-2047	-	36,515	-	-	36,515	-	36,515
Totals				\$ 388,340	108,440	\$ (5,100)	\$ (20,155)	\$ 471,525	\$ (6)	\$ 471,519

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

NOTE F - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2003 and bonds payable as of June 30, 2003:

Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2002	Bond Activity			Debt Outstanding at June 30, 2003	Discounts/ Premiums and Other Deferred Costs	Bonds Payable at June 30, 2003	
				New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed				
Housing Revenue Bonds										
Series 1996 A	11/01/96	4.65%-5.95%	2003-2023	\$ 90,995	\$ -	\$ (3,725)	\$ (3,705)	\$ 83,565	\$ -	\$ 83,565
Series 1996 B	11/01/96	4.65%-5.95%	2003-2028	1,955	-	(45)	-	1,910	-	1,910
Series 1997 A	06/01/97	4.50%-6.00%	2003-2039	36,445	-	(285)	-	36,160	-	36,160
Series 1997 B	09/01/97	4.35%-5.75%	2003-2039	7,555	-	(55)	-	7,500	-	7,500
Series 1997 C	12/01/97	4.20%-5.65%	2003-2039	13,810	-	(115)	-	13,695	-	13,695
Series 1998 A	04/01/98	4.20%-5.625%	2003-2040	10,855	-	(95)	-	10,760	-	10,760
Series 1999 A	02/01/99	3.70%-5.35%	2003-2041	16,345	-	(210)	-	16,135	-	16,135
Series 1999 B	10/15/99	4.55%-6.40%	2003-2042	15,735	-	(85)	-	15,650	-	15,650
Series 1999 C	10/15/99	5.85%-6.40%	2014-2040	520	-	(5)	-	515	-	515
Series 1999 D	12/01/99	4.65%-6.35%	2003-2042	14,305	-	(260)	-	14,045	-	14,045
Series 2000 A	10/01/00	4.60%-6.10%	2003-2042	27,445	-	-	-	27,445	-	27,445
Series 2001 A	07/01/01	3.95%-5.625%	2005-2043	29,645	-	-	-	29,645	-	29,645
Series 2001 B	10/01/01	3.15%-5.45%	2004-2043	47,630	-	-	-	47,630	-	47,630
Series 2002 A	03/01/02	3.00%-5.70%	2004-2043	9,500	-	-	-	9,500	-	9,500
Series 2002 B	10/01/02	2.20%-5.05%	2005-2045	-	34,435	-	-	34,435	-	34,435
Series 2002 C	10/01/02	2.20%-5.00%	2005-2035	-	6,740	-	-	6,740	-	6,740
Series 2002 D	10/01/02	2.20%-5.00%	2005-2035	-	8,280	-	-	8,280	-	8,280
Series 2003 A	04/01/03	3.00%-5.22%	2008-2045	-	24,730	-	-	24,730	-	24,730
Totals				\$ 322,740	\$ 74,185	\$ (4,880)	\$ (3,705)	\$ 388,340	\$ -	\$ 388,340

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

NOTE G - DEBT SERVICE REQUIREMENTS

As of June 30, 2004, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to year end and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note F) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

Years ended June 30,	Interest	Principal
2005	\$ 24,090	\$ 5,190
2006	24,847	6,230
2007	24,549	6,810
2008	24,206	8,610
2009	23,825	8,540
2010-2014	112,141	49,995
2015-2019	98,257	52,575
2020-2024	85,359	46,390
2025-2029	72,101	53,155
2030-2034	55,965	66,840
2035-2039	35,764	82,065
2040-2044	13,528	70,750
2045-2049	949	14,375
Total	\$ 595,581	\$ 471,525

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

NOTE G - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2003, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to year end and excluding the effect of unamortized discounts/premiums and other deferred costs) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

Years ended June 30,	Interest	Principal
2004	\$ 20,756	\$ 8,875
2005	20,691	5,620
2006	20,401	6,960
2007	20,066	7,580
2008	19,699	8,075
2009-2013	91,881	45,940
2014-2018	78,351	51,720
2019-2023	65,681	40,140
2024-2028	54,725	39,605
2029-2033	42,426	49,905
2034-2038	27,118	60,885
2039-2043	9,909	54,600
2044-2048	494	8,435
Total	\$ 472,198	\$ 388,340

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

NOTE H - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2004, were as follows:

	Beginning balance	Additions	Reductions	Change in deferred amounts for issuance discounts/premiums	Due within one year	Ending balance
Long-term bonds payable	\$ 379,465	\$ 108,440	\$ (16,380)	\$ (6)	\$ (5,190)	\$ 466,329
Deposits by borrowers	20,945	6,579	(6,821)	-	(5,242)	15,461
Total long-term liabilities	<u>\$ 400,410</u>	<u>\$ 115,019</u>	<u>\$ (23,201)</u>	<u>\$ (6)</u>	<u>\$ (10,432)</u>	<u>\$ 481,790</u>

Changes in long-term obligations for the year ended June 30, 2003, were as follows:

	Beginning balance	Additions	Reductions	Change in deferred amounts for issuance discounts/premiums	Due within one year	Ending balance
Long-term bonds payable	\$ 317,835	\$ 74,185	\$ (3,680)	-	\$ (8,875)	\$ 379,465
Deposits by borrowers	-	33,693	(6,865)	-	(5,883)	20,945
Total long-term liabilities	<u>\$ 317,835</u>	<u>\$ 107,878</u>	<u>\$ (10,545)</u>	<u>-</u>	<u>\$ (14,758)</u>	<u>\$ 400,410</u>

NOTE I - INTERFUND ACTIVITY

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

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

NOTE I - INTERFUND ACTIVITY (Continued)

During the years ended June 30, 2004 and 2003, the Fund transferred the following amounts, as permitted to other Funds:

	2004	2003
Multi-family financing fees transferred to the General Bond Reserve Fund	\$ (1,597)	\$ (1,123)
Transfer surplus funds from the Multi-Family Housing Revenue Bonds for loan originations	830	-
Excess revenue transferred to the General Bond Reserve Fund	(1,125)	(1,125)
	\$ (1,892)	\$ (2,248)

As of June 30, 2004 and 2003, interfund balances consisted of the following:

	2004	2003
Other interfund transfer activity due from the General Bond Reserve Fund	\$ 13	\$ -

NOTE J - MORTGAGE INSURANCE

Approximately 99% of all CDA's mortgage loans have mortgage insurance as described in Note D.

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

Single family mortgagors pay the premiums for primary mortgage insurance. Generally, loans are insured in an amount that is at least 25% of the loan amount.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

NOTE K - 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 (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 L - COMMITMENTS

As of June 30, 2004, CDA had commitments to purchase approximately \$76,500 in GNMA mortgage-backed securities. These securities will be purchased with the proceeds of bonds already issued in the Fund to finance mortgage loans on multifamily projects. The interest rates on these securities range from 4.86% to 6.16%. CDA also had a commitment to fund a 4% mortgage loan of \$1,250 in the Fund. This loan is uninsured with two tranches. The first tranche of \$139 is amortizing monthly for 40 years; the balance is payable from surplus cash.

NOTE M - SUBSEQUENT EVENT

Subsequent to the year ended June 30, 2004, CDA redeemed Series 1996 A bonds in the amount of \$150 on August 17, 2004.

Community Development Administration
Housing Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE IN FAIR VALUE OF INVESTMENTS
AND MORTGAGE-BACKED SECURITIES
(in thousands)

June 30, 2004 and 2003
(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 Statements of Revenue, Expenses and Changes in Net Assets.

For investments held by CDA as of June 30, 2004, the following schedule summarizes the increase/decrease in fair value for each of these years and the cumulative difference between fair value and amortized cost:

FY 1997	\$	(352)
FY 1998		832
FY 1999		(407)
FY 2000		48
FY 2001		193
FY 2002		157
FY 2003		889
FY 2004		<u>(678)</u>
Cumulative total	\$	<u><u>682</u></u>

For mortgage-backed securities held by CDA as of June 30, 2004, the following schedule summarizes the increase/decrease in fair value for each of these years and the cumulative difference between fair value and cost:

FY 2000	\$	(3,825)
FY 2001		(3,291)
FY 2002		3,340
FY 2003		21,435
FY 2004		<u>(11,126)</u>
Cumulative total	\$	<u><u>6,533</u></u>

Community Development Administration
Housing Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE IN FAIR VALUE OF INVESTMENTS
AND MORTGAGE-BACKED SECURITIES - CONTINUED
(in thousands)

June 30, 2004 and 2003
(Unaudited)

For investments held by CDA as of June 30, 2003, the following schedule summarizes the increase/decrease in fair value for each of these years and the cumulative difference between fair value and amortized cost:

FY 1997	\$	(352)
FY 1998		832
FY 1999		(407)
FY 2000		48
FY 2001		193
FY 2002		157
FY 2003		<u>889</u>
Cumulative total	<u>\$</u>	<u>1,360</u>

For mortgage-backed securities held by CDA as of June 30, 2003, the following schedule summarizes the increase/decrease in fair value for each of these years and the cumulative difference between fair value and cost:

FY 2000	\$	(3,825)
FY 2001		(3,291)
FY 2002		3,340
FY 2003		<u>21,435</u>
Cumulative total	<u>\$</u>	<u>17,659</u>