Reznick Group

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
MULTI-FAMILY HOUSING REVENUE BONDS
(INSURED MORTGAGE LOANS)

JUNE 30, 2005 AND 2004

Community Development Administration
Multi-Family Housing Revenue Bonds
(Insured Mortgage Loans)

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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 Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2005 and 2004, 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 Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) 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, 2005 and 2004, 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 Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) of the Department of Housing and Community Development of the State of Maryland as of June 30, 2005 and 2004, 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.

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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.

Reznick Group, P.C.

Baltimore, Maryland
September 15, 2005

Community Development Administration
Multi-Family Housing Revenue Bonds
(Insured Mortgage Loans)

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2005 and 2004

	2005	2004
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 30,416	$ 28,494
Investments	893	21,763
Mortgage-backed securities	126	137
Multi-family mortgage loans	2,755	3,181
Accrued interest and other receivables	1,813	2,341
Total restricted current assets	36,003	55,916
Restricted long-term assets		
Investments, net of current portion	21,876	21,020
Mortgage-backed securities, net of current portion	14,987	16,607
Multi-family mortgage loans, net of current portion	123,489	179,297
Deferred bond issuance costs	1,172	1,627
Total restricted long-term assets	161,524	218,551
Total restricted assets	$ 197,527	$ 274,467
LIABILITIES AND NET ASSETS		
Current liabilities		
Bonds payable	$ 17,560	$ 17,620
Accrued interest payable	554	957
Accounts payable	25	442
Deposits by borrowers	6,111	7,782
Total current liabilities	24,250	26,801
Long-term liabilities		
Bonds payable, net of current portion	103,484	179,892
Rebate liability	1,165	574
Deferred income	155	160
Deposits by borrowers, net of current portion	6,346	9,403
Total long-term liabilities	111,150	190,029
Total liabilities	135,400	216,830
NET ASSETS		
Restricted	62,127	57,637
Total liabilities and net assets	$ 197,527	$ 274,467

See notes to financial statements

Community Development Administration
Multi-Family Housing Revenue Bonds
(Insured Mortgage Loans)

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

Years ended June 30, 2005 and 2004

	2005	2004
Operating revenue		
Interest on mortgage loans	$ 11,354	$ 16,610
Interest on mortgage-backed securities	987	1,528
Decrease in fair value of mortgage-backed securities	(670)	(1,476)
Interest income on investments, net of rebate	2,444	1,906
Increase (decrease) in fair value of investments, net of rebate	1,216	(1,900)
Fee and deferred income	892	883
Other operating revenue	17	230
	16,240	17,781
Operating expenses		
Interest expense on bonds	6,647	10,580
Amortization of bond issuance costs	99	148
Professional fees and other operating expenses	224	269
Loss on early retirement of debt	1,559	759
	8,529	11,756
Operating income	7,711	6,025
Transfers of funds, net, as permitted by the various bond indentures	(3,221)	(3,642)
CHANGE IN NET ASSETS	4,490	2,383
Net assets - restricted at beginning of year	57,637	55,254
Net assets - restricted at end of year	$ 62,127	$ 57,637

See notes to financial statements

Community Development Administration
Multi-Family Housing Revenue Bonds
(Insured Mortgage Loans)

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 69,243	$ 67,128
Principal and interest received on mortgage-backed securities	1,948	11,202
Escrow funds received	7,571	9,678
Escrow funds paid	(12,139)	(12,804)
Purchase of mortgage loans	(886)	-
Loan fees and deferred income received	78	26
Other income received	10	230
Professional fees and other operating expenses	(224)	(269)
Other reimbursements	-	368
Net cash provided by operating activities	65,601	75,559
Cash flows from investing activities		
Proceeds from maturities or sales of investments	31,881	22,987
Purchases of investments	(9,986)	(32,925)
Arbitrage rebates paid	-	(75)
Interest received on investments	2,368	1,931
Net cash provided by (used in) investing activities	24,263	(8,082)
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	-	25,175
Payments on bond principal	(78,450)	(175,076)
Bond issuance costs	(41)	(321)
Reimbursement of bond costs	820	494
Interest on bonds	(7,050)	(11,617)
Transfers among Funds	(3,221)	(3,642)
Net cash used in noncapital financing activities	(87,942)	(164,987)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	1,922	(97,510)
Cash and cash equivalents on deposit with trustee at beginning of year	28,494	126,004
Cash and cash equivalents on deposit with trustee at end of year	$ 30,416	$ 28,494

(continued)

Community Development Administration
Multi-Family Housing Revenue Bonds
(Insured Mortgage Loans)

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2005 and 2004

	2005	2004
Reconciliation of operating income to net cash from operating activities		
Operating income	$ 7,711	$ 6,025
Adjustments to reconcile operating income to net cash provided by operating activities		
Decrease in assets		
Mortgage loans	57,043	50,216
Mortgage-backed securities	961	9,674
Accrued interest and other receivables	528	611
(Decrease) increase in liabilities		
Accounts payable	(417)	274
Deferred income	(5)	(4)
Rebate liability	591	(174)
Accrued interest payable	(403)	(1,037)
Deposits by borrowers	(4,728)	(3,265)
Amortizations		
Deferred income on loans	(826)	(876)
Investment discounts and premiums	(97)	(56)
Deferred bond issuance costs	99	148
(Increase) decrease in fair value of investments	(1,784)	2,004
Decrease in fair value of mortgage-backed securities	670	1,476
Loan fees deferred	17	23
Arbitrage rebates paid	-	75
Loss on early retirement of debt	1,559	759
Interest received on investments	(2,368)	(1,931)
Interest on bonds	7,050	11,617
Net cash provided by operating activities	$ 65,601	$ 75,559

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2005 and 2004

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 Article 83B Section 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 Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) (the Fund). CDA's other Funds are not included. The Fund was established to provide construction and permanent financing for multi-family housing projects.

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.

Recent Accounting Pronouncements

Effective July 1, 2004, CDA adopted GASB Statement No. 40 *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. GASB Statement No. 40 requires disclosure of information regarding investments: credit risk, interest rate risk, concentration of credit risk and custodial credit risk. This new statement does not have any impact on the Fund's financial position or results of operations. The disclosures are in Note 3.

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, 2005 and 2004, all of CDA's cash equivalents are invested in a money market mutual fund which is more fully described in Note 3.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are principally 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. For additional information on investments see Note 3.

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 3.

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. See Notes 4 and 12 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. As such, no allowance for loan losses was necessary as of June 30, 2005 and 2004. See Notes 4 and 12 for additional information.

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. See Note 5 for additional information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 as more fully described in Note 8.

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 8 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 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 10 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 9.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2005 and 2004, all mortgage loan yields are in compliance with the Code.

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 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 13 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 providing affordable housing in the State of Maryland. All of CDA'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.

Reclassification

Certain 2004 amounts have been reclassified to conform to 2005 financial statement presentation.

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 Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) Resolution (the Resolution) 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.

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

The following assets, reported at fair value and held by CDA at June 30, 2005, are evaluated in accordance with GASB 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets		Fair Value
Cash and Cash Equivalents:		
Federated Treasury Obligations Fund	$	30,416
Investments:		
Obligations of the U.S. Treasury		18,760
Obligations of U.S. Government Agencies		2,009
Repurchase and Investment Agreements		2,000
GNMA Mortgage-backed Securities		15,113
Total	$	68,298

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.

Community Development Administration
Multi-Family Housing Revenue Bonds
(Insured Mortgage Loans)

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2005 and 2004

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

As of June 30, 2005, 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	$ 30,416	$ 30,416	$ 30,416	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	14,451	18,760	531	361	3,005	5,563	9,300
Obligations of U.S. Government Agencies	1,604	2,009	-	-	-	-	2,009
Repurchase agreements/ Investment agreements	2,000	2,000	-	-	2,000	-	-
GNMA Mortgage-backed Securities	14,657	15,113	-	-	-	-	15,113
Total	$ 63,128	$ 68,298	$ 30,947	$ 361	$ 5,005	$ 5,563	$ 26,422

The Federated Treasury Obligations Fund invests exclusively in U.S. Treasuries and in repurchase agreements collateralized by Treasury securities. 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, 2005, the cost of this 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.

(in thousands)

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 Resolution 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 the Resolution and CDA's Investment Policy, securities must be at a rating no lower than the rating on the bonds or 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 the bonds unless counterparty ratings lower than the bond ratings are permitted and do not affect the ratings on the bonds. As of June 30, 2005, one counterparty, whose credit rating is Aa3, has not affected the ratings on the Multi-Family Housing Revenue Bonds (Insured Mortgage Loans). The ratings on Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) as of June 30, 2005, were Aa2 by Moody's Investors Service and AA by Fitch Ratings.

As of June 30, 2005, 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	$ 30,416	44.53%	Aaa		Moody's
Mortgage-backed Securities	15,113	22.13%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	18,760	27.47%		Direct U.S. Obligations	
Obligations of U.S. Government Agencies	2,009	2.94%		Aaa	Moody's
Uncollateralized investment agreement:				Underlying securities credit rating	
Counterparty rated Aa3	2,000	2.93%		N/A	Moody's
Total	$ 68,298	100.00%			

(in thousands)

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. 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

All multi-family mortgage loans outstanding are credit enhanced through FHA, FHLMC or MHF. As of June 30, 2005, interest rates on such loans range from 5.25% to 12%, with remaining loan terms ranging from approximately 8 to 31 years. As of June 30, 2004, interest rates on such loans range from 5.25% to 12%, with remaining loan terms ranging from 9 to 33 years.

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2005 and 2004 were as follows:

	2005	2004
Accrued mortgage loan interest	$ 876	$ 1,246
Escrows due from multi-family mortgagors	424	584
Accrued investment interest	513	511
	$ 1,813	$ 2,341

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 Resolution. 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 premiums range from 0% to 2% 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.

2003 Series C
The variable rate is set quarterly and is equal to the Federal Home Loan Bank (FHLB) Discount Notes Funding Costs plus ½ of 1%.

2004 Series A
The bonds were offered as Auction Rate Certificates. Auctions to set the interest rate are generally held every 28 days. The maximum rate is 12% or such higher rate as the Administration may establish with a Rating Confirmation.

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

Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) 2003 Series C
Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) 2004 Series A

Community Development Administration
Multi-Family Housing Revenue Bonds
(Insured Mortgage Loans)

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2005 and 2004

NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2005 and the debt outstanding and bonds payable as of June 30, 2005:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2004	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2005	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2005
Multi-Family Housing Revenue Bonds										
1995 Series A	4/1/1995	5.45% - 6.70%	2005 - 2036	$ 15,415	$ -	$ (160)	$ (15,255)	$ -	$ -	$ -
1995 Series B	12/1/1995	4.85% - 5.80%	2005 - 2026	9,945	-	(265)	(6,500)	3,180	-	3,180
1995 Series C	12/1/1995	4.85% - 5.80%	2005 - 2026	1,615	-	(35)	(1,580)	-	-	-
1995 Series D	12/1/1995	5.05% - 5.90%	2005 - 2027	2,260	-	(50)	(2,210)	-	-	-
1998 Series A	11/1/1998	4.15% - 5.15%	2005 - 2029	7,195	-	(180)	(835)	6,180	-	6,180
2001 Series A	10/1/2001	3.00% - 5.10%	2005 - 2028	2,010	-	(75)	-	1,935	(44)	1,891
2001 Series B	10/1/2001	3.35% - 5.35%	2005 - 2032	25,670	-	(335)	(10,005)	15,330	(502)	14,828
2002 Series A	3/1/2002	3.25% - 5.40%	2005 - 2033	9,300	-	(395)	(65)	8,840	(209)	8,631
2002 Series B	3/1/2002	3.60% - 5.60%	2005 - 2033	12,375	-	(300)	-	12,075	(410)	11,665
2003 Series A	6/19/2003	1.20% - 4.45%	2005 - 2034	69,615	-	(1,590)	(36,650)	31,375	(955)	30,420
2003 Series B	6/19/2003	1.40% - 4.40%	2005 - 2023	1,930	-	(75)	-	1,855	(66)	1,789
2003 Series C	6/19/2003	Variable Rate	2033	19,350	-	(660)	-	18,690	-	18,690
2004 Series A	3/31/2004	Variable Rate	2036	25,175	-	(720)	-	24,455	(685)	23,770
Total				$ 201,855	$ -	$ (4,840)	$ (73,100)	$ 123,915	$ (2,871)	$ 121,044

Community Development Administration
Multi-Family Housing Revenue Bonds
(Insured Mortgage Loans)

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2005 and 2004

NOTE 6 - BONDS PAYABLE (Continued)

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: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2004	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2004
Multi-Family Housing Revenue Bonds										
1992 Series C	1/1/1992	9.05%	2033	$ 3,490	$ -	$ -	$ (3,490)	$ -	$ -	$ -
1992 Series F	5/1/1992	8.375% - 9.35%	2008 - 2024	2,180	-	-	(2,180)	-	-	-
1993 Series A	12/1/1992	5.85% - 6.625%	2004 - 2023	3,510	-	-	(3,510)	-	-	-
1993 Series B	12/1/1992	5.85% - 6.65%	2004 - 2034	19,930	-	-	(19,930)	-	-	-
1993 Series C	12/1/1992	8.95%	2024	7,285	-	-	(7,285)	-	-	-
1993 Series D	3/1/1993	5.30% - 6.05%	2004 - 2024	36,100	-	-	(36,100)	-	-	-
1993 Series E	3/1/1993	5.30% - 6.05%	2004 - 2028	1,480	-	-	(1,480)	-	-	-
1993 Series F	3/1/1993	5.30% - 6.05%	2004 - 2020	3,505	-	-	(3,505)	-	-	-
1993 Series G	3/1/1993	8.375%	2024	1,795	-	-	(1,795)	-	-	-
1993 Series H	8/1/1993	4.90% - 5.60%	2004 - 2026	19,670	-	-	(19,670)	-	-	-
1993 Series I	8/1/1993	5.20% - 5.60%	2007 - 2023	1,015	-	-	(1,015)	-	-	-
1993 Series J	8/1/1993	5.30% - 5.75%	2007 - 2024	2,005	-	-	(2,005)	-	-	-
1993 Series K	8/1/1993	6.55%	2004	235	-	-	(235)	-	-	-
1994 Series A	2/1/1994	4.65% - 5.45%	2004 - 2024	1,475	-	(40)	(1,435)	-	-	-
1994 Series B	2/1/1994	6.80% - 7.90%	2009 - 2025	11,310	-	-	(11,310)	-	-	-
1994 Series C	9/1/1994	5.70% - 6.75%	2004 - 2036	10,875	-	(150)	(10,725)	-	-	-
1994 Series D	9/1/1994	5.70% - 6.65%	2004 - 2025	1,940	-	(55)	(1,885)	-	-	-
1994 Series E	9/1/1994	5.85% - 6.85%	2004 - 2025	11,380	-	(250)	(11,130)	-	-	-
1995 Series A	4/1/1995	5.35% - 6.70%	2004 - 2036	15,570	-	(155)	-	15,415	-	15,415
1995 Series B	12/1/1995	4.75% - 5.80%	2004 - 2026	10,195	-	(250)	-	9,945	-	9,945
1995 Series C	12/1/1995	4.75% - 5.80%	2004 - 2026	1,650	-	(35)	-	1,615	-	1,615
1995 Series D	12/1/1995	4.95% - 5.90%	2004 - 2027	2,310	-	(50)	-	2,260	-	2,260
1998 Series A	11/1/1998	4.05% - 5.15%	2004 - 2029	9,505	-	(240)	(2,070)	7,195	-	7,195
1998 Series B	11/1/1998	4.15% - 5.25%	2004 - 2028	7,650	-	(245)	(7,405)	-	-	-
2001 Series A	10/1/2001	2.85% - 5.10%	2004 - 2028	2,080	-	(70)	-	2,010	(45)	1,965
2001 Series B	10/1/2001	3.15% - 5.35%	2004 - 2032	26,190	-	(520)	-	25,670	(831)	24,839
2002 Series A	3/1/2002	2.75% - 5.40%	2004 - 2033	19,745	-	(380)	(10,065)	9,300	(215)	9,085
2002 Series B	3/1/2002	3.00% - 5.60%	2004 - 2033	12,665	-	(290)	-	12,375	(416)	11,959
2003 Series A	6/19/2003	1.00% - 4.45%	2004 - 2034	80,525	-	(3,115)	(7,795)	69,615	(2,067)	67,548
2003 Series B	6/19/2003	1.25% - 4.40%	2004 - 2023	2,005	-	(75)	-	1,930	(69)	1,861
2003 Series C	6/19/2003	Variable Rate	2033	20,000	-	(650)	-	19,350	-	19,350
2004 Series A	3/31/2004	Variable Rate	2036	-	25,175	-	-	25,175	(700)	24,475
Total				$ 349,270	$ 25,175	$ (6,570)	$ (166,020)	$ 201,855	$ (4,343)	$ 197,512

(in thousands)

NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2005, 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 6) 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
2006	$ 4,545	$ 17,560
2007	4,277	4,005
2008	4,156	4,135
2009	4,020	4,250
2010	3,877	4,390
2011-2015	16,880	22,490
2016-2020	11,945	27,320
2021-2025	6,785	20,325
2026-2030	3,245	11,425
2031-2035	751	7,560
2036-2040	14	455
Totals	$ 60,495	$ 123,915

The interest calculations on outstanding variable rate bonds in the amount of $43,145 are based on the variable rates in effect on June 30, 2005, 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.

(in thousands)

NOTE 7 - DEBT SERVICE REQUIREMENTS (Continued)

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 6) and interest payments for each of the next five years and in five-year increments thereafter, are as follows:

Years ended June 30,	Interest	Principal
2005	$ 7,498	$ 17,620
2006	7,227	6,140
2007	7,080	6,270
2008	6,914	6,460
2009	6,728	6,645
2010-2014	30,207	33,930
2015-2019	23,155	45,320
2020-2024	14,037	42,155
2025-2029	6,562	20,655
2030-2034	2,560	13,645
2035-2039	235	3,015
Totals	$ 112,203	$ 201,855

The interest calculations on outstanding variable rate bonds in the amount of $44,525 are based on the variable rates in effect on June 30, 2004, 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.

NOTE 8 - BOND REFUNDINGS

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. For the year ended June 30, 2005, CDA did not issue any refunding bonds for the purpose of lowering its cost of debt.

(in thousands)

NOTE 8 - BOND REFUNDINGS (Continued)

For the year ended June 30, 2004, the following table summarizes the economic refundings of the Fund:

Refunded Bonds	Refunding Bonds 2004 Series A
1994 Series A	$ 1,435
1994 Series C	10,725
1994 Series D	1,885
1994 Series E	11,130
Total issued	$ 25,175

In economic refundings, CDA defers the difference between the reacquisition price (i.e., the principal of the old debt, plus the call premiums) 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 Statements 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 over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The amount of the deferral and the period of amortization for the economic refundings during the year ended June 30, 2004, are included in the chart below.

Refunding Bonds Issued	Amount of Refunding Bond	Deferred Amount on Refunding	Range of Amortization Period (Months)
2004 Series A	$ 25,175	$ 702	240-384

(in thousands)

NOTE 8 - BOND REFUNDINGS (Continued)

For the year ended June 30, 2004, the refunding of 1994 Series A, 1994 Series C, 1994 Series D and 1994 Series E with the proceeds of 2004 Series A reduced total debt service payments over the next 32 years by $8,514 and resulted in an economic gain of $4,925 based upon an estimated variable rate of 4.76% over the life of the bonds.

NOTE 9 - 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 bond and note issues sold 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 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. CDA has no rebate liability from interest income or unrealized gains on mortgage-backed securities.

Rebate liability activity for the year ended June 30, 2005 was as follows:

Rebate liability as of June 30, 2004	$	574
Change in estimated liability due to excess investment earnings		23
Change in estimated liability due to change in fair value of investments		568
Rebate liability as of June 30, 2005	$	1,165

Total rebate liability is allocated as follows:

Estimated liability due to excess investment earnings	$	29
Estimated liability due to change in fair value of investments		1,136
Rebate liability as of June 30, 2005	$	1,165

(in thousands)

NOTE 9 - REBATE LIABILITY (Continued)

Rebate liability activity for the year ended June 30, 2004 was as follows:

Rebate liability as of June 30, 2003	$	748
Change in estimated liability due to excess investment earnings		5
Change in estimated liability due to change in fair value of investments		(104)
Less - payments made		(75)
Rebate liability as of June 30, 2004	$	574

Total rebate liability is allocated as follows:

Estimated liability due to excess investment earnings	$	7
Estimated liability due to change in fair value of investments		567
Rebate liability as of June 30, 2004	$	574

NOTE 10 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2005 were as follows:

	Beginning balance	Additions	Reductions	Change in deferred amounts on refundings	Less due within one year	Ending balance
Long-term bonds payable	$ 179,892	$ -	$ (60,320)	$ 1,472	$ (17,560)	$ 103,484
Rebate liability	574	591	-	-	-	1,165
Deferred income	160	-	(5)	-	-	155
Deposits by borrowers	9,403	7,411	(4,357)	-	(6,111)	6,346
Total long-term liabilities	$ 190,029	$ 8,002	$ (64,682)	$ 1,472	$ (23,671)	$ 111,150

(in thousands)

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

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

	Beginning balance	Additions	Reductions	Change in deferred amounts on refundings	Less due within one year	Ending balance
Long-term bonds payable	$ 227,022	$ 25,175	$ (52,100)	$ (2,585)	$ (17,620)	$ 179,892
Rebate liability	673	5	(104)	-	-	574
Deferred income	164	-	(4)	-	-	160
Deposits by borrowers	12,124	9,698	(4,637)	-	(7,782)	9,403
Total long-term liabilities	$ 239,983	$ 34,878	$ (56,845)	$ (2,585)	$ (25,402)	$ 190,029

NOTE 11 - INTERFUND ACTIVITY

In accordance with the Resolution, net assets in Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) 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 CDA in current and future years.

During the years ended June 30, 2005 and 2004, the Fund transferred the following amounts, as permitted among Funds:

	2005	2004
Excess revenue transferred to the General Bond Reserve Fund	$ (2,100)	$ (2,100)
Multi-family financing fees transferred to the General Bond Reserve Fund	(17)	(23)
Transfer surplus funds to the Housing Revenue Bonds for loan originations	(475)	(830)
Transfer to separate account in accordance with HUD agreement	(629)	(689)
	$ (3,221)	$ (3,642)

(in thousands)

NOTE 12 - MORTGAGE INSURANCE

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.

NOTE 13 - 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 14 - SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2005, the following bond activity took place:

On July 22, 2005, CDA redeemed the following bonds:

1995 Series B	$3,180

On September 15, 2005, CDA redeemed the following bonds:

2001 Series A	$60
2003 Series A	$10,390

Community Development Administration
Multi-Family Housing Revenue Bonds
(Insured Mortgage Loans)

SUPPLEMENTAL DISCLOSURES OF CHANGE IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES

(in thousands)
(unaudited)

June 30, 2005 and 2004

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 (obligations of the U.S. Treasury and U.S. Government Agencies) held by CDA as of June 30, 2005, 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:

Cumulative FY 1996 and prior periods	$	1,972
FY 1997		415
FY 1998		3,431
FY 1999		(2,009)
FY 2000		(154)
FY 2001		1,192
FY 2002		(668)
FY 2003		755
FY 2004		(2,004)
FY 2005		1,784
Cumulative total	$	4,714

Reconciliation to the Statements of Revenue, Expenses and Change in Net Assets:

Increase in fair value of investments held at June 30, 2005	$	1,784
Adjustment due to change in rebate liability (See Note 9)		(568)
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, 2005	$	1,216

Community Development Administration
Multi-Family Housing Revenue Bonds
(Insured Mortgage Loans)

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

June 30, 2005 and 2004

For investments (obligations of the U.S. Treasury and U.S. Government Agencies) 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:

Cumulative FY 1996 and prior periods	$	1,972
FY 1997		415
FY 1998		3,431
FY 1999		(2,009)
FY 2000		(154)
FY 2001		1,192
FY 2002		(668)
FY 2003		755
FY 2004		(2,004)
Cumulative total	$	2,930

Reconciliation to the Statements of Revenue, Expenses and Change in Net Assets:

Decrease in fair value of investments held at June 30, 2004	$	(2,004)
Adjustment due to change in rebate liability (See Note 9)		104
Decrease 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, 2004	$	(1,900)

Community Development Administration
Multi-Family Housing Revenue Bonds
(Insured Mortgage Loans)

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

June 30, 2005 and 2004

For mortgage-backed securities held by CDA as of June 30, 2005, 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	$	(452)
FY 2001		1,358
FY 2002		812
FY 2003		884
FY 2004		(1,476)
FY 2005		(670)
Cumulative total	$	456

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	$	(452)
FY 2001		1,358
FY 2002		812
FY 2003		884
FY 2004		(1,476)
Cumulative total	$	1,126