COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS

JUNE 30, 2003

Community Development Administration
Revenue Obligation Funds

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying combined financial statements of the Community Development Administration Revenue Obligation Funds (the Funds) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2003, as listed in the table of contents. These combined financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audit. The combined financial statements of the Funds for the year ended June 30, 2002 were audited by other auditors whose report, dated September 30, 2002, on those statements was unqualified.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audit provides a reasonable basis for our opinion.

As discussed in Note A, the combined financial statements present only the Community Development Administration Revenue Obligation Funds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2003, and the changes in its net assets and its cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the 2003 combined financial statements referred to above present fairly, in all material respects, the financial position of the Community Development Administration Revenue Obligation Funds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2003, and the changes in its net assets and its cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Reznick Fedder & Silverman

Baltimore, Maryland
September 26, 2003

Community Development Administration
Revenue Obligation Funds

COMBINED BALANCE SHEET
(in thousands)

June 30, 2003

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2003	Combined 2002
RESTRICTED ASSETS							
Restricted current assets							
Cash and cash equivalents on deposit with trustee	$ 50,406	$ 126,004	$ 54,903	$ 116,471	$ 8,717	$ 356,501	$ 216,771
Investments	76,050	11,772	17,040	148,380	6,378	259,620	263,604
Mortgage-backed securities	-	220	896	-	-	1,116	875
Mortgage loans							
Single family	16,430	-	46	10,819	-	27,295	30,852
Multi-family construction and permanent financing	-	4,417	3,166	-	3	7,586	7,514
Energy and rehabilitation	-	-	-	-	90	90	200
Accrued interest and other receivables	18,130	2,952	2,518	13,774	517	37,891	35,287
Due from other Funds	146	-	-	-	-	146	585
Total restricted current assets	161,162	145,365	78,569	289,444	15,705	690,245	555,688
Restricted long-term assets							
Investments, net of current portion	234,386	23,021	30,638	40,083	27,529	355,657	364,007
Mortgage-backed securities, net of current portion	-	27,674	250,938	-	-	278,612	199,553
Mortgage loans, net of current portion							
Single family	548,712	-	680	657,383	118	1,206,893	1,429,728
Multi-family construction and permanent financing	-	227,260	102,822	-	564	330,646	355,957
Energy and rehabilitation	-	-	-	-	314	314	1,462
Deferred bond issuance costs	5,818	2,806	798	7,325	-	16,747	19,043
Total restricted long-term assets	788,916	280,761	385,876	704,791	28,525	2,188,869	2,369,750
Total restricted assets	$ 950,078	$ 426,126	$ 464,445	$ 994,235	$ 44,230	$ 2,879,114	$ 2,925,438

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED BALANCE SHEET - CONTINUED
(in thousands)

June 30, 2003

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2003	Combined 2002
LIABILITIES AND NET ASSETS							
Current liabilities							
Accrued interest payable	$ 10,467	$ 1,994	$ 10,305	$ 15,780	$ -	$ 38,546	$ 41,626
Accounts payable	-	168	264	-	1,340	1,772	1,133
Accrued workers' compensation	-	-	-	-	3	3	4
Accrued compensated absences	-	-	-	-	272	272	261
Due to State Treasurer	-	-	-	-	1,464	1,464	829
Rebate liability	1,919	75	-	118	-	2,112	308
Bonds payable and short-term debt	86,375	120,490	8,875	170,725	-	386,465	153,855
Deposits by borrowers	-	20,450	26,828	-	-	47,278	48,109
Due to other Funds	-	-	-	146	-	146	585
Total current liabilities	98,761	143,177	46,272	186,769	3,079	478,058	246,710
Long-term liabilities							
Accrued workers' compensation, net of current portion	-	-	-	-	19	19	22
Accrued compensated absences, net of current portion	-	-	-	-	188	188	216
Rebate liability, net of current portion	23,123	673	-	2,200	-	25,996	19,363
Bonds payable, net of current portion	669,177	227,022	379,465	769,624	-	2,045,288	2,382,709
Total long-term liabilities	692,300	227,695	379,465	771,824	207	2,071,491	2,402,310
Total liabilities	791,061	370,872	425,737	958,593	3,286	2,549,549	2,649,020
NET ASSETS							
Restricted	159,017	55,254	38,708	35,642	40,944	329,565	276,418
Total liabilities and net assets	$ 950,078	$ 426,126	$ 464,445	$ 994,235	$ 44,230	$ 2,879,114	$ 2,925,438

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

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

Year ended June 30, 2003

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2003	Combined 2002
Operating revenue							
Interest on mortgage loans	$ 47,054	$ 19,939	$ 8,752	$ 44,819	$ 154	$ 120,718	$ 131,557
Interest on mortgage-backed securities	-	1,726	12,055	-	-	13,781	10,197
Fee income	1,028	388	93	1,117	1,528	4,154	2,729
Other operating revenue	-	239	55	25	134	453	101
	48,082	22,292	20,955	45,961	1,816	139,106	144,584
Operating expenses							
Trustee, legal and mortgage servicing costs	3,277	159	67	2,372	212	6,087	6,896
Salaries and related costs	-	-	-	-	5,473	5,473	5,646
General and administrative costs	-	-	-	-	2,350	2,350	1,977
Loss on foreclosure claims	345	-	-	-	-	345	375
Provision for loan losses	-	-	18	-	8	26	-
Other operating expenses	57	72	133	16	823	1,101	878
	3,679	231	218	2,388	8,866	15,382	15,772
Operating income (loss)	44,403	22,061	20,737	43,573	(7,050)	123,724	128,812
Nonoperating revenue (expenses)							
Interest income, net of rebate	16,515	2,584	2,506	7,972	1,601	31,178	40,439
Interest expense on bonds and short-term debt	(46,948)	(17,754)	(19,630)	(49,185)	-	(133,517)	(146,860)
Amortization of bond issuance costs	(768)	(106)	(40)	(494)	-	(1,408)	(1,305)
Increase (decrease) in fair value of investments, net of rebate	10,450	2,624	889	(161)	519	14,321	3,732
Increase in fair value of mortgage-backed securities	-	884	21,435	-	-	22,319	4,152
Loss on early retirement of debt	(1,671)	(384)	(13)	(642)	-	(2,710)	(1,559)
Total nonoperating revenue (expenses)	(22,422)	(12,152)	5,147	(42,510)	2,120	(69,817)	(101,401)
Transfers of funds, net, as permitted by the various bond indentures	(189)	(2,859)	(2,248)	(534)	5,070	(760)	(761)
CHANGES IN NET ASSETS	21,792	7,050	23,636	529	140	53,147	26,650
Net assets at beginning of year	137,225	48,204	15,072	35,113	40,804	276,418	249,768
Net assets at end of year	$ 159,017	$ 55,254	$ 38,708	$ 35,642	$ 40,944	$ 329,565	$ 276,418

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS
(in thousands)

Year ended June 30, 2003

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2003	Combined 2002
Cash flows from operating activities							
Principal and interest received on mortgage loans	$ 217,685	$ 48,852	$ 19,250	$ 176,365	$ 1,489	$ 463,641	$ 313,360
Principal and interest received on mortgage-backed securities	-	1,936	12,862	-	-	14,798	13,751
Escrow funds received	-	9,900	7,119	-	-	17,019	17,634
Escrow funds paid	-	(10,815)	(6,865)	-	-	(17,680)	(15,350)
Mortgage insurance claims received	10,688	-	-	4,266	-	14,954	20,161
Foreclosure expenses paid	(1,655)	-	-	(347)	-	(2,002)	(1,957)
Other income received	-	239	55	25	149	468	103
Loan fees received	-	9	1,127	605	1,412	3,153	3,610
Purchase of mortgage loans	-	-	(13,999)	(92,803)	(275)	(107,077)	(173,149)
Purchase of mortgage-backed securities	-	-	(58,000)	-	-	(58,000)	(72,441)
Trustee, legal and mortgage servicing costs	(3,277)	(159)	(67)	(2,372)	(212)	(6,087)	(6,896)
Salaries and related costs	-	-	-	-	(5,202)	(5,202)	(5,496)
General and administrative costs	-	-	-	-	(2,007)	(2,007)	(1,482)
Other expenses paid	(57)	(72)	(137)	(16)	(798)	(1,080)	(576)
Other reimbursements	-	-	115	-	379	494	(1,135)
Reimbursements among Funds	(3)	-	(257)	-	260	-	-
Net cash provided by (used in) operating activities	223,381	49,890	(38,797)	85,723	(4,805)	315,392	90,137
Cash flows from investing activities							
Proceeds from maturities or sales of investments	206,458	13,376	60,017	209,439	6,161	495,451	564,270
Purchases of investments	(230,442)	(12,860)	(62,910)	(142,919)	(7,928)	(457,059)	(482,686)
Arbitrage rebates paid	(3,388)	-	-	(455)	-	(3,843)	(256)
Interest received on investments	18,249	2,826	2,278	8,554	1,872	33,779	44,556
Net cash (used in) provided by investing activities	(9,123)	3,342	(615)	74,619	105	68,328	125,884
Cash flows from noncapital financing activities							
Proceeds from sale of bonds	-	102,530	74,185	109,945	-	286,660	383,785
Payments on bond principal	(155,765)	(49,715)	(8,585)	(178,525)	-	(392,590)	(396,213)
Bond issuance costs	-	(768)	-	(189)	-	(957)	(4,708)
Reimbursement of bond costs	-	255	22	-	-	277	-
Interest on bonds and short-term debt	(49,726)	(18,059)	(18,270)	(50,565)	-	(136,620)	(146,194)
Transfers among Funds	(189)	(2,859)	(2,248)	(534)	5,070	(760)	(761)
Net cash (used in) provided by noncapital financing activities	(205,680)	31,384	45,104	(119,868)	5,070	(243,990)	(164,091)
NET INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	8,578	84,616	5,692	40,474	370	139,730	51,930
Cash and cash equivalents on deposit with trustee at beginning of year	41,828	41,388	49,211	75,997	8,347	216,771	164,841
Cash and cash equivalents on deposit with trustee at end of year	$ 50,406	$ 126,004	$ 54,903	$ 116,471	$ 8,717	$ 356,501	$ 216,771

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS - CONTINUED
(in thousands)

Year ended June 30, 2003

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2003	Combined 2002
Reconciliation of operating income (loss) to net cash from operating activities							
Operating income (loss)	$ 44,403	$ 22,061	$ 20,737	$ 43,573	$ (7,050)	$ 123,724	$ 128,812
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Changes in assets and liabilities							
Decrease (increase) in mortgage-backed securities	-	210	(57,193)	-	-	(56,983)	(68,887)
Decrease (increase) in mortgage loans	178,480	28,294	(2,408)	47,827	698	252,891	25,093
Decrease (increase) in accrued interest and other receivables	345	245	3	(5,519)	264	(4,662)	3,143
Decrease (increase) in due from other Funds	158	-	10	(306)	270	132	17,295
(Decrease) increase in due to other Funds	(3)	-	(267)	148	(10)	(132)	(17,295)
Decrease in accrued workers' compensation/vacation	-	-	-	-	(21)	(21)	(9)
Increase in due to State Treasurer	-	-	-	-	635	635	654
(Decrease) increase in accounts payable	(2)	100	132	-	409	639	(874)
(Decrease) increase in deposits by borrowers	-	(1,020)	189	-	-	(831)	2,205
Net cash provided by (used in) operating activities	$ 223,381	$ 49,890	$ (38,797)	$ 85,723	$ (4,805)	$ 315,392	$ 90,137
Supplemental disclosures of noncash investing and noncapital financing activities							
Amortization of investment discounts and premiums	$ 234	$ 27	$ 4	$ (938)	$ 238	$ (435)	$ (284)
Amortization of bond original issue discounts and premiums	(15)	-	-	(8)	-	(23)	(22)
(Increase) decrease in fair value of investments, net of rebate	(10,450)	(2,624)	(889)	161	(519)	(14,321)	(3,988)
Increase in fair value of mortgage-backed securities	-	(884)	(21,435)	-	-	(22,319)	(4,152)
Amortization of deferred bond issuance costs	768	106	40	494	-	1,408	1,305
Loss on early retirement of debt	1,671	384	13	642	-	2,710	1,559

See notes to combined financial statements

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

Within each fund group in Revenue Obligation Funds are separate funds maintained for each obligation in accordance with the respective indentures. The following summarizes each of the fund groups.

Fund	Purpose
Single Family Program Bonds	To originate or purchase single family mortgage loans.
Multi-Family Housing Revenue Bonds	To provide construction and permanent financing for multi-family housing projects.
Housing Revenue Bonds	To provide funds to finance or refinance loans for various types of housing. As of June 30, 2003, Housing Revenue Bonds have primarily financed multi-family projects.
Residential Revenue Bonds	To originate or purchase single family mortgage loans.
General Bond Reserve Fund	To provide funds for payment of principal and interest on bonds and notes to the extent revenues and assets specifically pledged are not sufficient. This fund also provides for the payment of general and administrative expenses of the Funds.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounts are organized on the basis of funds, each of which is a separate accounting entity. The Funds are set up primarily in accordance with CDA's enabling legislation and the various indentures. The Funds use 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.

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

The Annual Financial Report normally includes 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents on Deposit with Trustee

Cash on deposit is primarily cash equivalents. 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, 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 investments collateralized by governmental debt securities. These 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.

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 N for additional information on mortgage loans and mortgage insurance, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses

Substantially all the mortgage loans of the Funds are insured or guaranteed by agencies of the U.S. Government, the Maryland Housing Fund (MHF) or private insurers. CDA has three uninsured non-amortizing multi-family loans, totaling $1,023. CDA has established a loss reserve 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 includes 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 and energy and rehabilitation 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 Combined Statement 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 I.

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 L.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized deferred gain or loss for bonds refunded for economic purposes and original issue discounts/premiums. See Notes F, G, H, and I for additional information.

Deposits by Borrowers

This account consists of escrows held by CDA on behalf of multi-family housing developments. Escrows and project reserves represent amounts held by CDA for interest, insurance, real estate taxes, and reserves. CDA invests these funds and, for reserves, allows earnings to accrue to the benefit of the mortgagor.

Rebate Liability

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 J.

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, 2003, all mortgage loan yields are in compliance with the Code.

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

Multi-family financing fees and single family commitment fees are deferred over the life of the loan. Tax credit fees and administrative fees are recorded as earned.

Administrative Support

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

For the year ended June 30, 2003, the total costs charged to the General Bond Reserve Fund were:

Salaries and related costs	$	5,473
General and administrative expenses		2,350
	$	7,823

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 discussed above. See Note O for additional information.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from the mortgage loans or mortgage-backed securities purchased or originated by CDA in connection with CDA's principal ongoing operations. Operating revenue arise from the collection of interest and fees on mortgage loans and mortgage-backed securities. Operating expenses are those costs incurred in the collection of this income. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Combined Totals

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

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

Proceeds from bonds are invested in authorized investments as defined in the respective indentures 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.

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

Cash and Cash Equivalents

As of June 30, 2003, the Funds had $356,501 invested in a money market mutual fund (ARK U.S. Government Cash Management Corporate II Class Fund) which is classified as cash equivalent. This fund invests exclusively in obligations of the U.S. government and its agencies and instrumentalities and in repurchase agreements. It is rated AAA by Standard & Poor's and Aaa by Moody's Investors Services.

As of June 30, 2003, the cost of this money market mutual fund approximates fair value.

The money market mutual fund is not categorized by credit risk because it is not evidenced by securities that exist in physical or book entry form.

Investments

As of June 30, 2003, $3,000 was held in certificates of deposit and is classified as investments in Single Family Program Bonds. These certificates are insured by federal depository insurance subject to maximum coverage and are collateralized by securities held by the trustee in CDA's name.

Obligations of the U.S. Treasury and obligations of U.S. government agencies are held in CDA's account by the trustee and total $383,555.

Repurchase agreements, which include guaranteed investment contracts, total $228,722. For $226,722 of these investments, collateral is held by the trustee or its agent. The remaining $2,000 is uncollateralized. The agreements and contracts are at fixed interest rates with maturities ranging from less than 1 year to 30 years.

(in thousands)

NOTE C - CASH, 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, were as follows:

	Certificates and Other Time Deposits		Obligations of the U.S. Treasury		Obligations of U.S. Government Agencies		Securities Held Under Repurchase Agreements or Guaranteed Investment Contracts		Combined	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Single Family Program Bonds	$ 3,000	$ 3,000	$ 192,415	$ 135,320	$ -	$ -	$ 115,021	$ 115,021	$ 310,436	$ 253,341
Multi-Family Housing Revenue Bonds	-	-	30,911	26,255	1,882	1,604	2,000	2,000	34,793	29,859
Housing Revenue Bonds	-	-	6,897	5,537	-	-	40,781	40,781	47,678	46,318
Residential Revenue Bonds	-	-	-	-	117,543	116,578	70,920	70,920	188,463	187,498
General Bond Reserve Fund	-	-	2,908	2,477	30,999	29,805	-	-	33,907	32,282
	$ 3,000	$ 3,000	$ 233,131	$ 169,589	$ 150,424	$ 147,987	$ 228,722	$ 228,722	$ 615,277	$ 549,298

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 of and interest on Guaranteed Securities. It is the intention of CDA to hold these securities until the underlying loan is paid in full.

(in thousands)

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

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

	Fair Value	Amortized Cost
Multi-Family Housing Revenue Bonds	$ 27,894	$ 25,293
Housing Revenue Bonds	251,834	234,174
	$ 279,728	$ 259,467

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 CDA are classified as Category 1.

NOTE D - MORTGAGE LOANS

Substantially all single family mortgage loans are secured by first liens on the related property and are credit enhanced through the FHA mortgage insurance programs, the Veterans Administration and USDA/RD guarantee programs, the Maryland Housing Fund (MHF) or by private primary mortgage insurance policies. As of June 30, 2003, interest rates on such loans range from 4.0% to 13.9%, with remaining loan terms ranging from 5 to 30 years.

(in thousands)

NOTE D - MORTGAGE LOANS (Continued)

Substantially all multi-family construction and permanent mortgage loans outstanding are insured or credit enhanced by the FHA, the MHF, Federal Home Loan Mortgage Corporation or GNMA. As of June 30, 2003, interest rates on amortizing loans range from 3.7% to 14.5%, with remaining loan terms ranging from 14 months to 40 years.

Substantially all energy and rehabilitation loans are insured by the MHF. Loans made or purchased in excess of $5 are secured by a deed of trust on the related property. As of June 30, 2003, interest rates on such loans range from 7.0% on owner-occupied residential properties to 10.0% on rental housing, with remaining loan terms ranging from less than one year to 8 years.

NOTE E - ACCRUED INTEREST AND OTHER RECEIVABLES

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

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Accrued mortgage loan interest	$ 6,132	$ 1,650	$ 744	$ 7,591	$ 28	$ 16,145
Escrows due from multi-family mortgagors	-	716	406	-	-	1,122
Accrued investment interest	4,045	586	1,201	1,334	446	7,612
Claims due from mortgage insurers	7,953	-	-	4,849	-	12,802
Negative arbitrage due from mortgagors	-	-	167	-	-	167
Miscellaneous loan billings	-	-	-	-	43	43
	$ 18,130	$ 2,952	$ 2,518	$ 13,774	$ 517	$ 37,891

(in thousands)

NOTE F - SHORT-TERM DEBT

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

Short-term debt activity for the year ended June 30, 2003, in Residential Revenue Bonds, was as follows:

	Balance at June 30, 2002	Issued	Matured/ Redeemed	Balance at June 30, 2003
Residential Revenue Bonds				
2002 Series B	$ 36,745	$ -	$ 36,745	$ -
2002 Series C	60,530	-	60,530	-
2002 Series D	-	41,980	-	41,980
2002 Series E	-	67,965	-	67,965
Totals	$ 97,275	$ 109,945	$ 97,275	$ 109,945

The outstanding short-term debt of $109,945 plus the principal payments due within one year of $60,780 equal the current portion of bonds payable and short-term debt of $170,725 for the Residential Revenue Bonds on the Combined Balance Sheet. For the year ended June 30, 2003, none of the other Funds had short-term debt activity.

NOTE G - BONDS PAYABLE

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

(in thousands)

NOTE G - BONDS PAYABLE (Continued)

indentures require or allow for the 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 redemption at the option of CDA, in whole or in part at any time after certain dates, as specified in the respective series indentures. The prescribed redemption prices range from 100% to 102% of the principal amount. All bonds have fixed interest rates with the exception of Multi-Family Housing Revenue Bonds 2003 Series C which have a variable interest rate. The variable rate on the Multi-Family Housing Revenue Bonds 2003 Series C is equal to the Federal Home Loan Bank (FHLB) Discount Notes Funding Costs as determined two business days prior to February 15, May 15, August 15 and November 15 plus 1/2 of 1%.

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

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2002	New bonds issued	Scheduled maturity payments	Redemp- tions	Debt Outstanding at June 30, 2003	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2003
Single Family Program Bonds										
1992 First Series	03/01/92	6.30%-6.75%	2003-2011	$ 3,445	$ -	$ -	$ (3,445)	$ -	$ -	$ -
1992 Second Series	03/01/92	6.55%-6.95%	2003-2011	10,050	-	-	(10,050)	-	-	-
1992 Third Series*	03/26/92	6.55%	2017	7,980	-	-	(7,980)	-	-	-
1992 Seventh Series	06/25/92	6.45%	2012	4,630	-	-	(4,630)	-	-	-
1992 Eighth Series	06/25/92	6.00%-6.80%	2003-2024	11,620	-	-	(11,620)	-	-	-
1993 Third Series	10/01/93	4.65%-5.30%	2003-2016	37,630	-	(3,005)	(4,220)	30,405	-	30,405
1994 First Series	03/01/94	5.20%-5.90%	2003-2017	41,230	-	(3,420)	(6,395)	31,415	(52)	31,363
1994 Fourth Series	05/01/94	5.65%-6.45%	2003-2014	36,745	-	(2,165)	-	34,580	-	34,580
1994 Fifth Series	05/01/94	5.70%-6.75%	2026	43,655	-	-	(9,765)	33,890	-	33,890
1994 Sixth Series	12/01/94	6.10%-7.05%	2003-2017	28,070	-	(1,415)	(6,345)	20,310	-	20,310
1994 Seventh Series	12/01/94	6.90%-7.30%	2019-2025	14,765	-	-	(14,765)	-	-	-
1994 Ninth Series**	12/22/94	5.00%-6.15%	2003-2019	19,370	-	(700)	-	18,670	-	18,670
1995 First Series	03/01/95	5.40%-6.25%	2003-2017	36,270	-	(1,790)	-	34,480	-	34,480
1995 Second Series	03/01/95	6.45%-6.55%	2017-2026	32,275	-	-	(9,550)	22,725	-	22,725
1995 Third Series	06/01/95	5.25%-6.25%	2003-2027	61,225	-	(1,180)	(955)	59,090	-	59,090
1995 Fourth Series	10/01/95	6.00%	2017	5,790	-	-	-	5,790	-	5,790
1995 Fifth Series	10/01/95	5.00%-6.20%	2003-2027	23,990	-	(615)	(1,230)	22,145	-	22,145
1996 Third Series	07/01/96	5.15%-6.25%	2003-2017	11,380	-	(585)	-	10,795	-	10,795
1996 Fourth Series	07/01/96	5.30%-6.45%	2003-2028	25,525	-	(135)	(3,480)	21,910	-	21,910
1996 Fifth Series	08/01/96	4.90%-5.95%	2003-2016	29,660	-	(1,410)	-	28,250	-	28,250
1996 Sixth Series	08/01/96	4.90%-6.25%	2022-2028	17,275	-	-	(6,240)	11,035	-	11,035
1997 First Series	08/01/97	4.70%-5.60%	2003-2018	99,015	-	(5,370)	(4,765)	88,880	38	88,918
1999 First Series	12/01/98	4.10%-5.25%	2003-2029	23,470	-	(475)	-	22,995	-	22,995
1999 Second Series	12/01/98	4.40%-5.00%	2009-2017	53,205	-	-	-	53,205	-	53,205
1999 Third Series	12/01/98	4.10%-5.125%	2003-2021	73,345	-	(2,120)	(6,805)	64,420	-	64,420
2000 First Series	03/01/00	4.80%-5.80%	2003-2017	27,320	-	(1,375)	(2,180)	23,765	(723)	23,042
2001 First Series	03/01/01	3.65%-5.00%	2003-2017	65,185	-	(3,285)	(5,115)	56,785	(1,516)	55,269
2001 Second Series	03/01/01	3.75%-4.80%	2003-2023	17,010	-	(630)	(1,525)	14,855	(416)	14,439
2002 First Series	02/01/02	4.45%-4.60%	2012-2013	4,495	-	-	-	4,495	(117)	4,378
2002 Second Series	02/01/02	2.80%-5.375%	2004-2024	49,740	-	-	(5,030)	44,710	(1,262)	43,448
Total				$ 915,365	$ -	$ (29,675)	$ (126,090)	$ 759,600	$ (4,048)	$ 755,552

* Remarketed on January 14, 1993
**Remarketed on November 9, 1995

Community Development Administration
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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2003

NOTE G - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2002	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Redemptions	Debt Outstanding at June 30, 2003	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2003
Multi-Family Housing Revenue Bonds										
1992 Series C	01/01/92	9.05%	2033	$ 6,085	$ -	$ (40)	$ (2,555)	$ 3,490	$ -	$ 3,490
1992 Series F	05/01/92	8.375%-9.35%	2008-2024	7,005	-	(30)	(4,795)	2,180	-	2,180
1993 Series A	12/01/92	5.75%-6.625%	2003-2023	3,620	-	(110)	-	3,510	-	3,510
1993 Series B	12/01/92	5.75%-6.65%	2003-2034	20,480	-	(550)	-	19,930	-	19,930
1993 Series C	12/01/92	8.95%	2024	7,405	-	(120)	-	7,285	-	7,285
1993 Series D	03/01/93	5.20%-6.05%	2003-2024	45,025	-	(1,715)	(7,210)	36,100	-	36,100
1993 Series E	03/01/93	5.20%-6.05%	2003-2028	1,505	-	(25)	-	1,480	-	1,480
1993 Series F	03/01/93	5.20%-6.05%	2003-2020	3,630	-	(125)	-	3,505	-	3,505
1993 Series G	03/01/93	8.375%	2024	1,825	-	(30)	-	1,795	-	1,795
1993 Series H	08/01/93	4.80%-5.60%	2003-2026	20,190	-	(520)	-	19,670	-	19,670
1993 Series I	08/01/93	4.70%-5.60%	2003-2023	1,130	-	(35)	(80)	1,015	-	1,015
1993 Series J	08/01/93	4.80%-5.75%	2003-2024	2,055	-	(50)	-	2,005	-	2,005
1993 Series K	08/01/93	6.55%	2004	455	-	(220)	-	235	-	235
1994 Series A	02/01/94	4.65%-5.45%	2004-2024	1,515	-	(40)	-	1,475	-	1,475
1994 Series B	02/01/94	6.80%-7.90%	2009-2025	11,515	-	(205)	-	11,310	-	11,310
1994 Series C	09/01/94	5.60%-6.75%	2003-2036	11,020	-	(145)	-	10,875	-	10,875
1994 Series D	09/01/94	5.60%-6.65%	2003-2025	1,990	-	(50)	-	1,940	-	1,940
1994 Series E	09/01/94	5.75%-6.85%	2003-2025	11,615	-	(235)	-	11,380	-	11,380
1994 Series F	09/01/94	8.45%-9.55%	2004-2026	14,105	-	(210)	(13,895)	-	-	-
1995 Series A	04/01/95	5.25%-6.70%	2003-2036	15,715	-	(145)	-	15,570	-	15,570
1995 Series B	12/01/95	4.65%-5.80%	2003-2026	10,435	-	(240)	-	10,195	-	10,195
1995 Series C	12/01/95	4.65%-5.80%	2003-2026	1,685	-	(35)	-	1,650	-	1,650
1995 Series D	12/01/95	4.85%-5.90%	2003-2027	2,355	-	(45)	-	2,310	-	2,310
1998 Series A	11/01/98	3.95%-5.15%	2003-2029	9,740	-	(235)	-	9,505	-	9,505
1998 Series B	11/01/98	4.05%-5.25%	2003-2028	7,890	-	(240)	-	7,650	-	7,650
2001 Series A	10/01/01	2.50%-5.10%	2003-2028	10,860	-	(70)	(8,710)	2,080	(46)	2,034
2001 Series B	10/01/01	2.80%-5.35%	2003-2032	32,300	-	(555)	(5,555)	26,190	(843)	25,347
2002 Series A	03/01/02	2.00%-5.40%	2003-2033	20,360	-	(615)	-	19,745	(448)	19,297
2002 Series B	03/01/02	2.30%-5.60%	2003-2033	12,945	-	(280)	-	12,665	(421)	12,244
2003 Series A	06/19/03	1.00%-4.45%	2004-2034	-	80,525	-	-	80,525	-	80,525
2003 Series B	06/19/03	1.25%-4.40%	2004-2023	-	2,005	-	-	2,005	-	2,005
2003 Series C	06/19/03	Variable	2033	-	20,000	-	-	20,000	-	20,000
Total				$ 296,455	$ 102,530	$ (6,915)	$ (42,800)	$ 349,270	$ (1,758)	$ 347,512

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2003

NOTE G - BONDS PAYABLE (Continued)

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2002	New bonds issued	Scheduled maturity payments	Redemp- tions	Debt Outstanding at June 30, 2003	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2003
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
Total				$ 322,740	$ 74,185	$ (4,880)	$ (3,705)	$ 388,340	$ -	$ 388,340

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2002	New bonds issued	Scheduled maturity payments	Redemp- tions	Debt Outstanding at June 30, 2003	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2003
Residential Revenue Bonds										
1997 Series A	08/01/97	5.60%	2017	$ 16,940	$ -	$ -	$ (585)	$ 16,355	$ -	$ 16,355
1997 Series B	08/01/97	4.70%-5.875%	2003-2029	66,900	-	(1,695)	(6,500)	58,705	-	58,705
1998 Series A	01/01/98	4.70%-5.05%	2010-2017	4,640	-	-	-	4,640	-	4,640
1998 Series B	01/01/98	4.15%-5.35%	2003-2030	66,615	-	(1,225)	(6,010)	59,380	47	59,427
1998 Series D	12/01/98	3.95%-5.25%	2003-2029	58,130	-	(1,125)	(2,480)	54,525	-	54,525
1999 Series C	05/01/99	4.70%-4.95%	2011-2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	05/01/99	3.85%-5.40%	2003-2031	55,265	-	(840)	(2,815)	51,610	(35)	51,575
1999 Series E	08/01/99	4.60%-5.70%	2005-2017	22,605	-	-	(640)	21,965	-	21,965
1999 Series F	08/01/99	4.50%-5.95%	2003-2031	52,210	-	(1,160)	(8,805)	42,245	-	42,245
1999 Series H	12/01/99	4.60%-6.25%	2003-2031	56,770	-	(830)	(9,875)	46,065	(18)	46,047
2000 Series A	03/01/00	5.15%-5.50%	2007-2012	7,965	-	-	(215)	7,750	-	7,750
2000 Series B	03/01/00	4.80%-6.15%	2003-2032	69,400	-	(1,000)	(8,465)	59,935	-	59,935
2000 Series C	06/01/00	5.45%-5.70%	2010-2013	5,870	-	-	(335)	5,535	-	5,535
2000 Series D	06/01/00	5.10%-6.25%	2003-2032	70,665	-	(990)	(10,035)	59,640	-	59,640
2000 Series F	08/01/00	4.35%-5.20%	2004-2014	15,190	-	-	(230)	14,960	-	14,960
2000 Series G	08/01/00	4.50%-5.95%	2003-2032	63,870	-	(1,010)	(6,725)	56,135	-	56,135
2000 Series H	12/01/00	4.60%-5.80%	2003-2032	58,375	-	-	(6,880)	51,495	-	51,495
2001 Series A	03/01/01	3.65%-5.00%	2003-2017	18,885	-	-	-	18,885	-	18,885
2001 Series B	03/01/01	4.65%-5.45%	2011-2032	50,725	-	-	(290)	50,435	-	50,435
2001 Series E	06/01/01	3.30%-4.65%	2003-2012	13,775	-	-	-	13,775	-	13,775
2001 Series F	06/01/01	3.50%-5.60%	2003-2032	66,195	-	-	(475)	65,720	-	65,720
2001 Series G	08/15/01	3.05%-4.20%	2004-2011	10,100	-	-	-	10,100	-	10,100
2001 Series H	08/15/01	4.40%-5.35%	2011-2033	49,900	-	-	(15)	49,885	-	49,885
2002 Series A	02/01/02	2.80%-5.45%	2004-2033	8,005	-	-	-	8,005	-	8,005
2002 Series B	02/28/02	1.60%	12/19/2002	36,745	-	(36,745)	-	-	-	-
2002 Series C	02/28/02	1.65%	12/19/2002	60,530	-	(60,530)	-	-	-	-
2002 Series D	12/18/02	1.20%	12/18/2003	-	41,980	-	-	41,980	-	41,980
2002 Series E	12/18/02	1.25%	12/18/2003	-	67,965	-	-	67,965	-	67,965
Total				$ 1,008,935	$ 109,945	$ (107,150)	$ (71,375)	$ 940,355	$ (6)	$ 940,349

(in thousands)

NOTE H - DEBT SERVICE REQUIREMENTS

As of June 30, 2003, the required principal payments for short-term debt and 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:

For the Year	Single Family Program Bonds		Multi-Family Housing Revenue Bonds		Housing Revenue Bonds		Residential Revenue Bonds	
Ended June 30,	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2004	$ 39,861	$ 86,375	$ 11,615	$ 120,490	$ 20,756	$ 8,875	$ 44,846	$ 170,725
2005	36,939	32,665	10,288	7,145	20,691	5,620	41,439	15,315
2006	35,313	34,265	10,108	7,360	20,401	6,960	40,747	16,005
2007	33,598	39,005	9,904	7,530	20,066	7,580	40,008	16,735
2008	31,632	42,490	9,673	7,810	19,699	8,075	39,218	17,520
2009-2013	126,932	189,560	43,936	43,300	91,881	45,940	182,411	100,705
2014-2018	75,592	172,170	34,584	48,820	78,351	51,720	153,726	122,540
2019-2023	34,526	110,485	22,365	51,575	65,681	40,140	116,100	152,925
2024-2028	7,560	51,225	10,539	33,215	54,725	39,605	69,331	184,450
2029-2033	71	1,360	4,193	17,280	42,426	49,905	18,772	141,265
2034-2038	-	-	626	4,745	27,118	60,885	58	2,170
2039-2043	-	-	-	-	9,909	54,600	-	-
2044-2048	-	-	-	-	494	8,435	-	-
Totals	$ 422,024	$ 759,600	$ 167,831	$ 349,270	$ 472,198	$ 388,340	$ 746,656	$ 940,355

NOTE I - BOND REFUNDINGS

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

(in thousands)

NOTE I - BOND REFUNDINGS (Continued)

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, 2003, the following table summarizes the economic refundings.

Multi-Family Housing Revenue Bonds

	Refunding Bonds		
Refunded Bonds	2003 Series A	2003 Series B	2003 Series C
1992 Series C	$ -	$ -	$ 3,490
1992 Series F	-	-	2,180
1993 Series A	3,510	-	-
1993 Series B	19,930	-	-
1993 Series C	-	-	7,285
1993 Series D	31,415	-	-
1993 Series E	1,480	-	-
1993 Series F	3,505	-	-
1993 Series G	-	-	1,795
1993 Series H	19,670	-	-
1993 Series I	1,015	-	-
1993 Series J	-	2,005	-
Subtotal	80,525	2,005	14,750
Cost of issuance	-	-	1,290
Redemption premiums	-	-	1,889
Interest payable on refunded bonds	-	-	1,198
Deposit to Debt Service Reserve Fund	-	-	873
Total issued	$ 80,525	$ 2,005	$ 20,000

(in thousands)

NOTE I - BOND REFUNDINGS (Continued)

In economic refundings, CDA defers the difference between the reacquisition price (i.e., the principal of the old debt, plus the call premium) and the net carrying amount of the old debt (i.e., the amount due at maturity, adjusted for any unamortized premium or discount and issuance costs related to the old debt) as an offset to the new bonds on the accompanying Combined Balance Sheet, 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 are included in the chart below.

Multi-Family Housing Revenue Bonds

Refunding Bonds Issued	Amount of Refunding Bond	Deferred Amount on Refunding	Range of Amortization Period (Months)
2003 Series A	$ 80,525	$ 749	239-371
2003 Series B	2,005	31	239
2003 Series C	20,000	105	252-359
Total	$ 102,530	$ 885	

In Multi-Family Housing Revenue Bonds, the refunding of 1993 Series A, 1993 Series B, 1993 Series D, 1993 Series E, 1993 Series F, 1993 Series H, 1993 Series I, and 1993 Series J with the proceeds of 2003 Series A and 2003 Series B reduced total debt service payments over the next 31 years by $21,406 and resulted in an economic gain of $16,197.

The refunding of Multi-Family Housing Revenue Bonds 1992 Series C, 1992 Series F, 1993 Series C, 1993 Series G with the proceeds of 2003 Series C reduced total debt service payments over the next 30 years by $8,778 and resulted in an economic gain of $7,461 based upon an estimated variable rate of 2% over the life of the bonds.

(in thousands)

NOTE J - 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 Combined Statement of Revenue, Expenses and Changes in Net Assets is reduced by the rebate liability due to excess investment earnings. The increase/decrease in fair value of investments on the Combined Statement of Revenue, Expenses and Changes in Net Assets is reduced by the estimated rebate liability due to unrealized investment gains. CDA has no rebate liability from interest income or unrealized gains on mortgage-backed securities.

Rebate liability activity for the year ended June 30, 2003, was as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Rebate liability as of June 30, 2002	$ 17,085	$ 314	$ -	$ 2,272	$ -	$ 19,671
Change in estimated liability due to excess investment earnings	1,106	75	-	(43)	-	1,138
Change in estimated liability due to unrealized gains on investments	10,239	359	-	544	-	11,142
Less - payments made	(3,388)	-	-	(455)	-	(3,843)
Rebate liability as of June 30, 2003	$ 25,042	$ 748	$ -	$ 2,318	$ -	$ 28,108

(in thousands)

NOTE J - REBATE LIABILITY (Continued)

Total rebate liability is allocated as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Estimated liability due to excess investment earnings	$ 3,080	$ 75	$ -	$ 1,465	$ -	$ 4,620
Estimated liability due to unrealized gains on investments	21,962	673	-	853	-	23,488
Rebate liability as of June 30, 2003	$ 25,042	$ 748	$ -	$ 2,318	$ -	$ 28,108

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2003

NOTE K - LONG-TERM OBLIGATIONS

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

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Long-term bonds payable						
Beginning balance, bonds payable	$ 876,121	$ 286,970	$ 317,835	$ 901,783	$ -	$ 2,382,709
Additions	-	102,530	74,185	109,945	-	286,660
Reductions	(116,521)	(40,230)	(3,680)	(71,373)	-	(231,804)
Less deferred amounts for issuance discounts/premiums	(14)	-	-	(6)	-	(20)
Less deferred amounts on refunding	(4,034)	(1,758)	-	-	-	(5,792)
Less due within one year	(86,375)	(120,490)	(8,875)	(170,725)	-	(386,465)
Total long-term bonds payable	669,177	227,022	379,465	769,624	-	2,045,288
Rebate liability						
Beginning balance, rebate liability	16,777	314	-	2,272	-	19,363
Additions	11,345	434	-	501	-	12,280
Reductions	(3,080)	-	-	(455)	-	(3,535)
Less due within one year	(1,919)	(75)	-	(118)	-	(2,112)
Total long-term rebate liability	23,123	673	-	2,200	-	25,996
Compensated absences						
Beginning balance, compensated absences	-	-	-	-	216	216
Additions	-	-	-	-	317	317
Reductions	-	-	-	-	(73)	(73)
Less due within one year	-	-	-	-	(272)	(272)
Total long-term compensated absences	-	-	-	-	188	188
Workers' compensation						
Beginning balance, workers' compensation	-	-	-	-	22	22
Less due within one year	-	-	-	-	(3)	(3)
Total long-term workers' compensation liability	-	-	-	-	19	19
Total long-term liabilities	$ 692,300	$ 227,695	$ 379,465	$ 771,824	$ 207	$ 2,071,491

(in thousands)

NOTE L - INTERFUND ACTIVITY

In accordance with the various bond indentures, restricted assets in each of the funds are restricted and pledged to bondholders. However, restricted assets may be transferred to other funds, subject to the provisions of the respective indentures. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the indenture to meet the obligations of the Funds in current and future years. A cash flow analysis is not required for the General Bond Reserve Fund because there were no bonds outstanding as of June 30, 2003.

During the year ended June 30, 2003, CDA transferred the following amounts, as permitted among Funds:

	Transfers among Funds				
	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund
Single family commitment fees	$ -	$ -	$ -	$ (723)	$ 723
Multi-family financing fees	-	-	(1,123)	-	1,123
Excess revenue	-	(2,099)	(1,125)	-	3,224
Cost of issuance on bonds	(189)	-	-	189	-
Transfer to separate account in accordance with HUD agreement	-	(760)	-	-	-
	$ (189)	$ (2,859)	$ (2,248)	$ (534)	$ 5,070

(in thousands)

NOTE L - INTERFUND ACTIVITY (Continued)

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

	Due from (to) other Funds				
	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund
Servicer receipts for participation loans	$ 146	$ -	$ -	$ (146)	$ -

NOTE M - OTHER OUTSTANDING MORTGAGE REVENUE BONDS ISSUED BY CDA

CDA has issued the following bonds that are not included in the combined financial statements of the Funds. The Multi-Family Development Revenue Bonds and the Multi-Family Development Revenue Refunding Bonds are secured solely by the properties and related revenues of the projects and the applicable credit enhancements. The Draw Down Mortgage Revenue Bonds are secured by an investment equal to the debt outstanding. No assets of the Funds have been pledged as security for these bonds.

	Amount Issued	Outstanding at June 30, 2003
Multi-Family Development Revenue Bonds		
1990 Issue A (College Estates)	$ 6,750	$ 6,050
1990 Issue B (Middle Branch Manor)	12,350	10,300
1990 Issue C (Harbor City Townhomes)	4,150	3,500
Series 1998 A (Auburn Manor)	11,000	10,370
Series 1999 A (GNMA - Selborne House)	2,150	2,120
Series 2000 A (Waters Landing II Apartments)	11,000	11,000

(in thousands)

NOTE M - OTHER OUTSTANDING MORTGAGE REVENUE BONDS ISSUED BY CDA (Continued)

	Amount Issued	Outstanding at June 30, 2003
Multi-Family Development Revenue Bonds (Continued)		
Series 2000 B-1 (Edgewater Village Apartments)	$ 7,640	$ 7,530
Series 2000 B-2 (Edgewater Village Apartments)	3,125	3,125
Series 2000 C (Park Montgomery Apartments)	6,170	5,945
Series 2001 A (Heritage Crossing)	3,050	3,050
Series 2001 B (Heritage Crossing)	3,050	3,050
Series 2001 C (Parklane Apartments)	9,800	9,800
Series 2001 D (Princess Anne Townhouses)	4,350	4,300
Series 2001 E (Princess Anne Townhouses)	2,875	2,875
Series 2001 F (Waters Tower Senior Apartments)	7,570	7,455
Series 2001 G (Waters Tower Senior Apartments)	4,045	4,045
Series 2002 A (Broadway Homes)	8,100	8,100
Series 2002 B (Broadway Homes)	5,045	5,045
Series 2002 C (Orchard Mews Apartments)	5,845	5,845
Multi-Family Development Revenue Refunding Bonds		
Series 1997 (Avalon Lea Apartments)	16,835	16,835
Series 1997 (Avalon Ridge Apartments)	26,815	26,815
Series 1999 C (Westfield/Greens)	9,200	8,825
Draw Down Mortgage Revenue Bonds		
Series 2002-1 (AMT)	34,635	34,635
Series 2002-2 (Non-AMT)	34,570	34,570

The Multi-Family Development Revenue Bonds, the Multi-Family Development Revenue Refunding Bonds, and Draw Down Mortgage Revenue Bonds are not guaranteed by the State of Maryland or any other program of the State of Maryland or any political subdivision.

NOTE N - MORTGAGE INSURANCE

Substantially all of 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.

For an FHA insured loan in Single Family Program Bonds, the primary mortgage insurance covers an amount equal to the unpaid principal amount of the loan. All other loans have primary mortgage insurance in an amount that is at least 25% of the loan amount. Single family mortgagors pay the premiums for primary mortgage insurance. 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.

FHA insured loans in Residential Revenue Bonds are insured in an amount equal to the unpaid principal amount of the loan. All other loans are insured by the VA or USDA/RD at various coverages. These coverage levels are sufficient so that no pool insurance or reserves are required. Premiums are paid by single family mortgagors.

NOTE O - 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.

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2003

NOTE P - SUBSEQUENT EVENTS

Subsequent to year ended, June 30, 2003, the following bond activity took place:

Multi-Family Housing Revenue Bonds

On July 24, 2003, CDA redeemed the following bonds:

1992 Series C	$ 3,490
1992 Series F	$ 2,180
1993 Series A	$ 3,510
1993 Series B	$19,930
1993 Series C	$ 7,285
1993 Series D	$31,415
1993 Series E	$ 1,480
1993 Series F	$ 3,505
1993 Series G	$ 1,795
1993 Series H	$19,670
1993 Series I	$ 1,015
1993 Series J	$ 2,005
1993 Series K	$ 235
1994 Series B	$11,310

On September 10, 2003, CDA redeemed the following bonds:

1993 Series D	$ 4,685

Housing Revenue Bonds

On July 24, 2003, CDA issued the following bonds:

Series 2003 B	$17,660

On July 24, 2003, CDA redeemed the following bonds:

Series 1996 A	$ 3,775

On September 4, 2003, CDA issued the following bonds:

Series 2003 C	$10,735

(in thousands)

NOTE P - SUBSEQUENT EVENTS (Continued)

Single Family Program Bonds

On September 2, 2003, CDA redeemed the following bonds:

1993 Third Series	$ 1,025
1994 First Series	$ 3,485
1994 Fifth Series	$ 3,675
1994 Sixth Series	$20,310
1995 Second Series	$ 2,850
1995 Third Series	$ 395
1995 Fifth Series	$ 410
1996 Fourth Series	$13,850
1996 Sixth Series	$ 1,330
1997 First Series	$ 1,375
1999 Third Series	$ 3,230
2001 Second Series	$ 1,310
2002 Second Series	$ 2,085

Residential Revenue Bonds

On September 2, 2003, CDA redeemed the following bonds:

1997 Series B	$ 2,030
1998 Series B	$ 1,320
1998 Series D	$ 2,590
1999 Series D	$ 1,265
1999 Series F	$ 2,575
2000 Series B	$ 1,165
2000 Series D	$35,780
2000 Series H	$ 275
2001 Series B	$ 275
2001 Series H	$ 30

Community Development Administration
Revenue Obligation Funds

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

June 30, 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 Combined Statement of Revenue, Expenses and Changes in Net Assets.

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:

Fiscal Year Period	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Cumulative FY 1996 and prior periods	$ 28,537	$ 1,972	$ -	$ -	$ 620	$ 31,129
FY 1997	3,461	415	(352)	-	175	3,699
FY 1998	18,225	3,431	832	-	90	22,578
FY 1999	(14,325)	(2,009)	(407)	-	(191)	(16,932)
FY 2000	(1,536)	(154)	48	(227)	(237)	(2,106)
FY 2001	1,356	1,192	193	551	244	3,536
FY 2002	3,372	(668)	157	97	405	3,363
FY 2003	18,005	755	889	544	519	20,712
Cumulative total	$ 57,095	$ 4,934	$ 1,360	$ 965	$ 1,625	$ 65,979

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

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Increase (decrease) in fair value of investments held at June 30, 2003	$ 18,005	$ 755	$ 889	$ 544	$ 519	$ 20,712
Realized gains on investments sold	2,684	2,228	-	-	-	4,912
Decrease in fair value of matured investments	-	-	-	(161)	-	(161)
Less - reduction due to rebate liability (see Note J)	(10,239)	(359)	-	(544)	-	(11,142)
Increase (decrease) in fair value of investments as reported on the Combined Statement of Revenue, Expenses and Changes in Net Assets	$ 10,450	$ 2,624	$ 889	$ (161)	$ 519	$ 14,321

Community Development Administration
Revenue Obligation Funds

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

June 30, 2003
(Unaudited)

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:

Fiscal Year Period	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Combined
FY 2000	$ (452)	$ (3,825)	$ (4,277)
FY 2001	1,358	(3,291)	(1,933)
FY 2002	812	3,340	4,152
FY 2003	884	21,435	22,319
Cumulative total	$ 2,602	$ 17,659	$ 20,261