COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS
YEARS ENDED JUNE 30, 2020 AND 2019

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development
Lanham, Maryland

We have audited the accompanying financial statements of the Community Development Administration Residential Revenue Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland, which comprise the statements of net position as of June 30, 2020 and 2019 and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Financial Statement Presentation

As discussed in Note 1, the financial statements present only the financial position, the changes in financial position, and cash flows of the Fund 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 and for the years ended June 30, 2020 and 2019, and the changes in its net position and its cash flows in conformity with accounting principles generally accepted in the United States of America. Our opinion on the basic financial statements was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 25-26, is presented for purposes of additional analysis and is not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion, or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2020

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS
STATEMENTS OF NET POSITION
(in thousands)
JUNE 30, 2020 AND 2019

	2020	2019
RESTRICTED ASSETS		
RESTRICTED CURRENT ASSETS		
Cash and Cash Equivalents on Deposit	$ 402,185	$ 396,710
Investments	63,750	98,556
Mortgage-Backed Securities	427,921	36,699
Single-Family Mortgage Loans	32,710	30,902
Multi-Family Mortgage Loans	883	931
Accrued Interest and Other Receivables	18,184	15,507
Claims Receivable on Foreclosed and Other Loans, Net of Allowance	10,880	17,222
Real Estate Owned	3,665	5,839
Total Restricted Current Assets	960,178	602,366
RESTRICTED LONG-TERM ASSETS		
Investments, Net of Current Portion	9,857	9,284
Mortgage-Backed Securities, Net of Current Portion	729,755	512,358
Single-Family Mortgage Loans, Net of Current Portion and Allowance	667,112	761,480
Multi-Family Mortgage Loans, Net of Current Portion	6,086	7,821
Total Restricted Long-Term Assets	1,412,810	1,290,943
Total Restricted Assets	$ 2,372,988	$ 1,893,309
LIABILITIES		
CURRENT LIABILITIES		
Accrued Interest Payable	$ 20,677	$ 15,143
Accounts Payable	2,640	2,982
Bonds Payable	114,310	41,195
Deposits by Borrowers	908	1,168
Total Current Liabilities	138,535	60,488
LONG-TERM LIABILITIES		
Bonds Payable, Net of Current Portion	1,854,244	1,518,014
Deposits by Borrowers, Net of Current Portion	944	985
Total Long-Term Liabilities	1,855,188	1,518,999
Total Liabilities	1,993,723	1,579,487
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow on Refunding of Bond Debt	705	756
NET POSITION		
Restricted	378,560	313,066
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 2,372,988	$ 1,893,309

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
(in thousands)
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUE		
Interest on Mortgage Loans	$ 42,024	$ 47,617
Interest on Mortgage-Backed Securities	32,694	12,624
Realized Gains on Sale of Mortgage-Backed Securities	25,812	11,429
Interest Income on Investments, Net of Rebate	6,101	7,349
Increase in Fair Value of Investments	532	768
Gain on Early Retirement of Debt	1,724	1,138
Decrease in Provision for Loan Losses	176	530
Recovery of Losses on Foreclosed Loans	1,688	-
Recoveries (Losses) on Foreclosure Claims, Net	174	(252)
Other Operating Revenue	2	5
Total Operating Revenue	110,927	81,208
OPERATING EXPENSES		
Interest Expense on Bonds	56,977	41,761
Professional Fees and Other Operating Expenses	20,870	14,305
Other Loan Losses and Write-Offs	30	49
Losses and Expenses on Real Estate Owned, Net	1,444	2,502
Bond Issuance Costs	3,957	5,091
Total Operating Expenses	83,278	63,708
Operating Income	27,649	17,500
NONOPERATING REVENUE		
Increase in Fair Value of Mortgage-Backed Securities	50,845	23,239
Transfer of Funds as Permitted by the Resolution	(13,000)	(15,000)
CHANGE IN NET POSITION	65,494	25,739
NET POSITION - RESTRICTED AT BEGINNING OF YEAR	313,066	287,327
NET POSITION - RESTRICTED AT END OF YEAR	$ 378,560	$ 313,066

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS
STATEMENTS OF CASH FLOWS
(in thousands)
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Principal and Interest Received on Mortgage Loans	$ 129,989	$ 121,160
Principal and Interest Received on Mortgage-Backed Securities	113,444	33,143
Escrow Funds Received on Multi-Family Loans	1,017	1,041
Escrow Funds Paid on Multi-Family Loans	(1,318)	(1,922)
Mortgage Insurance Claims and Other Loan Proceeds Received	25,801	39,157
Foreclosure Expenses Paid	(4,296)	(4,312)
Purchase of Mortgage Loans	(5,397)	(2,950)
Purchase of Mortgage-Backed Securities	(1,110,085)	(500,085)
Funds Received from Sale of Mortgage-Backed Securities	495,798	214,247
Professional Fees and Other Operating Expenses	(20,789)	(14,318)
Other Income Received	2	5
Other Disbursements	(2,490)	(674)
Net Cash Used by Operating Activities	(378,324)	(115,508)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Maturities or Sales of Investments	98,978	77,336
Purchases of Investments	(63,850)	(101,858)
Arbitrage Rebates Refunded	-	132
Interest Received on Investments	6,357	6,130
Net Cash Provided (Used) by Investing Activities	41,485	(18,260)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Sale of Bonds	509,964	651,805
Payments on Bond Principal	(97,280)	(263,390)
Bond Issuance Costs	(4,261)	(4,787)
Interest on Bonds	(53,109)	(39,584)
Transfers Among Funds	(13,000)	(15,000)
Net Cash Provided by Noncapital Financing Activities	342,314	329,044
NET INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	5,475	195,276
CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR	396,710	201,434
CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR	$ 402,185	$ 396,710

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS
STATEMENTS OF CASH FLOWS (CONTINUED)
(in thousands)
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income	$ 27,649	$ 17,500
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:		
Amortization of Investment Discounts and Premiums	(363)	(863)
Amortization of Bond Original Issue Discounts and Premiums	(1,666)	(306)
Decrease in Provision for Loan Losses	(176)	(530)
Increase in Fair Value of Investments	(532)	(768)
Arbitrage Rebate Refunded	-	(132)
Gain on Early Retirement of Debt	(1,724)	(1,138)
Bond Issuance Costs	4,261	4,787
Interest Received on Investments	(6,357)	(6,130)
Interest on Bonds	53,109	39,584
Decrease (Increase) in Assets:		
Mortgage Loans	94,822	97,357
Mortgage-Backed Securities	(557,774)	(275,728)
Accrued Interest and Other Receivables	(2,677)	(2)
Claims Receivable on Foreclosed and Other Loans	6,039	3,433
Real Estate Owned	2,174	5,718
Increase (Decrease) in Liabilities:		
Accrued Interest Payable	5,534	2,483
Accounts Payable	(342)	108
Deposits by Borrowers	(301)	(881)
Net Cash Used by Operating Activities	$ (378,324)	$ (115,508)

See accompanying Notes to Financial Statements.

NOTE 1 AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

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

The accompanying financial statements only include CDA's Residential Revenue Bonds (the Fund). CDA's other Funds are not included. The Fund was established to issue bonds primarily to originate or purchase single-family mortgage loans.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is accounted for as an enterprise fund. Accordingly, the accompanying financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (GAAP).

Basis of Accounting and Measurement Focus

The basis of accounting for the Fund is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of the Fund are included on the Statements of Net Position. The Fund is required to follow all statements of the Governmental Accounting Standards Board (GASB).

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by GASB. Consequently, CDA applies all applicable GASB pronouncements.

In accordance with accounting guidance issued by GASB, net position should be reported as restricted when constraints placed on net position use is either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation. Accordingly, the net position of the Fund is restricted as to its use as the net position is pledged to bondholders.

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 included in these financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents on Deposit

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, 2020 and 2019, the Fund's cash equivalents were primarily invested in a money market mutual fund. Cash equivalents are more fully described in Note 3.

Investments

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

Mortgage-Backed Securities

These guaranteed securities are issued in connection with mortgage loans on single-family homes. They are stated at fair value, based on quoted market prices. Mortgage-backed securities are more fully described in Note 3.

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of allowance for loan losses. Any single-family mortgage loan in foreclosure with a pending insurance claim is recorded as claims receivable. See Notes 4 and 12 for additional information on mortgage loans and mortgage insurance, respectively.

Accrued Interest and Other Receivables

Accrued interest and other receivables include interest on loans and investments. On insured single-family loans, interest ceases to accrue after foreclosure. 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.

Claims Receivable on Foreclosed and Other Loans

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

Real Estate Owned

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses

Substantially all single-family mortgage loans of the Fund are insured or guaranteed by agencies of the U.S. Government, the Maryland Housing Fund (MHF), or private mortgage insurers. Most primary coverage levels range from 25% to 100% of the loan. As of June 30, 2020 and 2019, CDA has established an allowance for loan losses on the uninsured portions of single-family mortgage loans. CDA has also established an allowance for loan losses on single-family loans that are in foreclosure. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD's asset management group as well as a current assessment of probability and risk of loss due to default or deteriorating economic conditions. Multi-family mortgage loans of the Fund are insured or guaranteed; as such, no allowance for loans losses was necessary as of June 30, 2020 and 2019. See Note 4 for additional information on allowance for loan losses.

Bond Issuance Costs

Bond issuance costs are recognized and expensed in the period incurred.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized original issue discounts or premiums. However, in an economic refunding, any costs incurred from the refunding of bonds would be reported as deferred outflows or inflows of resources on the Statements of Net Position. See Notes 6, 7, 8, and 10 for additional information on bonds.

Deposits by Borrowers

This account consists of escrows and reserves held by CDA on behalf of multi-family housing developments. CDA invests these deposits and, for reserves, allows earnings to accrue to the benefit of the mortgagor. Escrows represent amounts held by CDA for mortgage insurance and hazard insurance premiums and real estate taxes, all of which are generally paid annually and which are classified as a current liability. Based on the current year's reserve disbursements, CDA has estimated the current reserve liability. The balance of the reserves is classified as long term. See Note 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 may also include 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 and over the term of the bonds, CDA determines and maintains compliance with the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the Code. If at any time the composite yields on the transferred loans are out of compliance with the Code, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2020 and 2019, all mortgage loan yields were 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.

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. See Note 13 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the State of Maryland. The Fund's activities are considered to be operating except for increases and decreases in the fair value of mortgage-backed securities that are held within the portfolio. Mortgage-backed securities that are part of the To Be Announced (TBA) Mortgage Backed Securities program are classified as operating which is more fully described in Note 3.

Use of Estimates

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

(in thousands)

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

Bond proceeds and revenues from mortgages, mortgage-backed securities, and investments are invested in authorized investments as defined in the Residential Revenue Bond 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 funding program expenses. Authorized investments include State Housing Finance Agency (HFA) Variable Rate Demand Obligations (VRDO), obligations of the U.S. Treasury, U.S. Government Agencies, repurchase agreements, investment agreements, money market funds, and certificates of deposit.

The following assets, reported at fair value and held by the Fund as of June 30, 2020 and 2019, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2020	2019
Cash and Cash Equivalents:		
BlackRock Liquidity FedFund Administration Shares	$ 394,878	$ 389,493
Demand Deposit Account	7,307	7,217
Investments:		
State HFA VRDO	63,750	-
U.S. Treasury Notes	-	23,211
Obligations of U.S. Government Agencies	7,449	82,221
Repurchase and Investment Agreements	2,408	2,408
Mortgage-Backed Securities:		
GNMA Mortgage-Backed Securities	617,033	299,225
FNMA Mortgage-Backed Securities	452,679	226,882
FHLMC Mortgage-Backed Securities	87,964	22,950
Total	$ 1,633,468	$ 1,053,607

(in thousands)

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

Interest Rate Risk

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

As of June 30, 2020, 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
BlackRock Liquidity FedFund Administration Shares	$ 394,878	$ 394,878	$ 394,878	$ -	$ -	$ -	$ -
Demand Deposit Account	7,307	7,307	7,307	-	-	-	-
State HFA VRDO	63,750	63,750	-	-	-	-	63,750
Obligations of U.S. Government Agencies	4,888	7,449	-	-	4,252	3,197	-
Repurchase Agreements/ Investment Agreements	2,408	2,408	-	-	1,232	1,176	-
GNMA Mortgage-Backed Securities	580,218	617,033	-	-	-	-	617,033
FNMA Mortgage-Backed Securities	424,757	452,679	-	-	-	-	452,679
FHLMC Mortgage-Backed Securities	82,478	87,964	-	-	-	-	87,964
Total	$ 1,560,684	$ 1,633,468	$ 402,185	$ -	$ 5,484	$ 4,373	$ 1,221,426

As of June 30, 2019, 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
BlackRock Liquidity FedFund Administration Shares	$ 389,493	$ 389,493	$ 389,493	$ -	$ -	$ -	$ -
Demand Deposit Account	7,217	7,217	7,217	-	-	-	-
U.S. Treasury Notes	23,152	23,211	23,211				
Obligations of U.S. Government Agencies	80,250	82,221	75,345	-	-	6,876	-
Repurchase Agreements/ Investment Agreements	2,408	2,408	-	-	-	2,408	-
GNMA Mortgage-Backed Securities	289,937	299,225	-	-	-	-	299,225
FNMA Mortgage-Backed Securities	217,880	226,882	-	-	-	-	226,882
FHLMC Mortgage-Backed Securities	21,864	22,950	-	-	-	-	22,950
Total	$ 1,032,201	$ 1,053,607	$ 495,266	$ -	$ -	$ 9,284	$ 549,057

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

Interest Rate Risk (continued)

The BlackRock Liquidity FedFund Administration Shares invests primarily in cash, U.S. Treasury bills, notes, and other obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities, and repurchase agreements secured by such obligations or cash and operates 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, 2020 and 2019, the cost of the money market mutual fund approximated fair value.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA’s Investment Policy nor the Resolution requires investment agreements or deposits to be collateralized. CDA’s Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Resolution and CDA’s Investment Policy, securities must be at a rating no lower than the rating on the bonds or, if an investment maintains only a short-term rating, a rating not less than F1/P-1; and financial institutions who are a counterparty to CDA in investment agreements must be rated at least comparable to the existing rating on CDA bonds unless counterparty ratings lower than the bond ratings are permitted and do not affect the ratings on the bonds. In addition, certain investment and repurchase agreements require counterparty ratings no less than the ratings on the bonds. As of June 30, 2020 and 2019, all counterparty ratings were at least equal to the ratings on the Fund’s bonds. The ratings on Residential Revenue Bonds as of June 30, 2020 and 2019 were Aa1 and Aa2, respectively, by Moody’s Investors Service and AA by Fitch Ratings. The following tables provide credit quality rating information for the investment portfolio and individual issuers if they represent 5% or more of total investments in accordance with accounting guidance issued by GASB.

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

The State HFA VRDO held in CDA's investment portfolio are short-term (7-day) instruments that can be tendered at 7 days’ notice at par. The rate is reset weekly by a remarketing agent, therefore the market value of the bonds is approximately 100% of the principal amount of the bonds during any period.

In order to facilitate a transaction with a liquidity provider, CDA has invested in a demand deposit account that is classified as cash and cash equivalents. This investment is backed by an Irrevocable Standby Letter of Credit dated July 26, 2019, that was established by the Federal Home Loan Bank of Pittsburgh, and is automatically extended each year until July 24, 2024. This date corresponds with the termination date of the standby purchase agreement.

(in thousands)

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

Credit Risk and Concentration of Credit Risk (continued)

As of June 30, 2020, 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
BlackRock Liquidity FedFund Administration Shares	$ 394,878	24.17%	Aaa		Moody's
State HFA VRDO	$ 63,750	3.90%		Aaa to Aa3	Moody's
Government National Mortgage Association (GNMA) Mortgage-Backed Securities	617,033	37.77%		Direct U.S. Obligations	
Federal National Mortgage Association (FNMA) Mortgage-Backed Securities	452,679	27.71%		Aaa	Moody's
Federal Home Loan Mortgage Corporation (FHLMC) Mortgage-Backed Securities	87,964	5.39%		Aaa	Moody's

As of June 30, 2019, 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
BlackRock Liquidity FedFund Administration Shares	$ 389,493	36.97%	Aaa		Moody's
Government National Mortgage Association (GNMA) Mortgage-Backed Securities	299,225	28.40%		Direct U.S. Obligations	
Federal National Mortgage Association (FNMA) Mortgage-Backed Securities	226,882	21.53%		Aaa	Moody's
Obligations of U.S. Government Agencies	82,221	7.80%		Aaa	Moody's

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

Mortgage-Backed Securities

All mortgage-backed securities held by CDA are guaranteed by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Corporation (Freddie Mac).

GNMA mortgage-backed securities are instrumentalities of the United States Government and 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.

Fannie Mae and Freddie Mac mortgage-backed securities are “guaranteed mortgage pass-through securities” which supplement amounts received by a trust created under a trust agreement as required permitting timely payments of principal and interest on the securities to CDA. The securities and payments of principal and interest on the securities are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae or Freddie Mac.

As an investor of GNMA I mortgage-backed securities (MBS), CDA receives separate principal and interest payments on the 15th of each month; however, for GNMA II MBS, CDA receives the total principal and interest from a central paying agent on the 20th of each month. CDA receives the total principal and interest from the trustee on the 25th of each month for both Fannie Mae and Freddie Mac securities and on the 15th of each month for some Freddie Mac securities. All mortgages backing a GNMA I MBS have the same mortgage rate equal to 50 basis points greater than the coupon, with 44 basis points of servicing fee and 6 basis points of guaranty fee. Similarly, GNMA II MBS also have 6 basis points of guaranty fee, but the mortgage rate for the loans backing the security can vary between 25 to 75 basis points greater than the coupon which may result in a variety of servicing fees. Primarily, Fannie Mae and Freddie Mac securities have a guaranty fee of approximately 44-45 basis points and a servicing fee of 25 basis points. Some Fannie Mae securities may have a guaranty fee of 82.5 basis points. CDA also participates from time to time in the Fannie Mae or Freddie Mac buy-up or buy-down of the guaranty fee created in the pooling process in order to maximize pooling of securities for efficiency and effectiveness.

In January 2012, CDA expanded the sources of financing for its mortgage-backed securities program through the ongoing sale of forward contracts of GNMA, Fannie Mae, or Freddie Mac mortgage-backed securities. These securities are comprised of single family mortgage loans originated by CDA’s network of approved lender partners. As part of this program, CDA periodically enters into forward contracts to sell GNMA, Fannie Mae or Freddie Mac mortgage-backed securities to investors before the securities are ready for delivery (referred to as to-be-announced or TBA Mortgage-Backed Security Contract). These forward contracts are settled monthly, using funds held in Residential Revenue Bonds’ additional collateral account, prior to being sold into the secondary market. As of June 30, 2020, CDA entered into TBA Mortgage-Backed Security Contracts with a notional amount of $269,961 outstanding. At June 30, 2019, the notional amount outstanding was $42,949. The increase/decrease in the fair value of GNMA, Fannie Mae or Freddie Mac mortgage-backed securities that are part of the TBA program is classified as operating revenue on the Statements of Revenue, Expenses, and Changes in Net Position.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2020 and 2019, the Fund's investments were not subject to custodial credit risk under accounting guidance issued by GASB. CDA's investments and collateralized securities are held in trust by the trustee or the trustee's agent, kept separate from the assets of the bank and from other trust accounts and are held in CDA's name.

Fair Value Measurements

CDA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments in money market mutual funds are not subject to the fair value measurement requirements.

The Fund has the following recurring fair value measurements as of June 30, 2020 and 2019:

- U.S. Government Agencies and U.S. Treasury Notes of $7,449 and $105,432, respectively, are valued using quoted market prices (Level 1).
- State HFA VRDO of $63,750 and $0 respectively, are valued using the matrix pricing technique (Level 2).
- GNMA, FNMA, and FHLMC mortgage-backed securities of $1,157,676 and $549,057, respectively, are valued using the matrix pricing technique (Level 2).

NOTE 4 MORTGAGE LOANS

Substantially all of the Fund's single family mortgage loans are secured by first liens on the related property. Approximately 96% of all single family mortgage loans are credit enhanced through the Federal Housing Administration (FHA) mortgage insurance programs, the Veterans Administration and USDA/RD guarantee programs, Maryland Housing Fund (MHF), or by private mortgage insurance policies. As of June 30, 2020 and 2019, interest rates on such loans ranged from 0.0% to 10.25%, with remaining loan terms ranging approximately from less than 1 year to 38 years.

All of the Fund's multi-family mortgage loans are credit-enhanced through FHA or MHF. As of June 30, 2020 and 2019, interest rates on such loans ranged from 5.75% to 8.25%, with remaining loan terms ranging from approximately 2 years to 15 years.

(in thousands)

NOTE 4 MORTGAGE LOANS (CONTINUED)

For the years ended June 30, 2020 and 2019, the single family mortgage loan and claims receivable balances, net of the allowances for loan losses on the uninsured portions of single family loans, including loans in foreclosure and other loans with pending insurance claims, were as follows:

	2020	2019
Single Family Mortgage Loans	$ 704,694	$ 797,944
Allowance for Loan Losses	(4,872)	(5,562)
Single Family Mortgage Loans, Net of Allowance	$ 699,822	$ 792,382
Claims Receivable on Foreclosed and Other Loans	$ 11,949	$ 19,478
Allowance for Loan Losses	(1,069)	(2,256)
Claims Receivable on Foreclosed and Other Loans, Net of Allowance	$ 10,880	$ 17,222

NOTE 5 ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2020 and 2019 were as follows:

	2020	2019
Accrued Mortgage Loan Interest	$ 5,932	$ 6,723
Accrued Mortgage-Backed Securities Interest	3,282	1,707
Accrued Investment Interest	185	804
Funds Due from Mortgage Insurers for Loan Modifications	67	141
Reimbursement Due for State-Funded Loans	4,457	2,454
Reimbursement Due for Pre-Foreclosure Costs Incurred on Mortgage Loans	3,711	3,678
Miscellaneous Billings	550	-
Total	$ 18,184	$ 15,507

NOTE 6 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 Resolution. 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 Resolution require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. All outstanding bonds are subject to optional redemption, in whole or in part at any time, after certain dates, as specified in the respective series resolutions, at a redemption price equal to the principal amount thereof to be redeemed. When bonds are redeemed, whether as a special or optional redemption, CDA writes off a proportionate share of any unamortized original issue premiums, net of any unamortized original issue discounts, as a gain on early retirement of debt in the accompanying Statements of Revenue, Expenses, and Changes in Net Position. If unamortized original issue discounts exceed unamortized original issue premiums, CDA records a loss.

(in thousands)

NOTE 6 BONDS PAYABLE (CONTINUED)

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.

2006 Series G and J; 2012 Series B; and 2014 Series F.

The rate is set weekly by a remarketing agent so that the market value of the bonds is as close as possible to 100% of the principal amount of the bonds. In no event will the bonds bear interest at a rate in excess of 12%.

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

2012 Series A and B; 2014 Series E and F; 2015 Series B; 2016 Series A; 2017 Series A and 2019 Series D.

The following is a summary of the bond activity for the year ended June 30, 2020, and the debt outstanding and bonds payable as of June 30, 2020:

					Bond Activity					
	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2019	New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	Debt Outstanding at June 30, 2020	Bond Premium/ Discount Deferred	Bonds Payable at June 30, 2020
Residential Revenue Bonds										
2006 Series G	05/24/06	Variable Rate	9/1/2040	$ 30,375	$ -	$ -	$ (2,480)	$ 27,895	$ -	$ 27,895
2006 Series I	07/13/06	4.80%	9/1/2021	8,660	-	(1,650)	(4,375)	2,635	-	2,635
2006 Series J	07/13/06	Variable Rate	9/1/2040	60,000	-	-	-	60,000	-	60,000
2010 Series A	06/09/10	4.30%	3/1/2020	1,825	-	(1,535)	(290)	-	-	-
2011 Series A	05/05/11	3.75% - 5.00%	2019 - 2041	14,220	-	(2,505)	(935)	10,780	59	10,839
2011 Series B	05/05/11	1.18%	3/1/2036	20,000	-	-	-	20,000	(69)	19,931
2012 Series A	08/23/12	2.662% - 4.00%	2019 - 2025	10,535	-	(3,490)	(795)	6,250	75	6,325
2012 Series B	08/23/12	Variable Rate	9/1/2033	45,000	-	-	-	45,000	-	45,000
2014 Series A	02/20/14	1.75% - 4.30%	2019 - 2032	47,620	-	(1,460)	(1,890)	44,270	-	44,270
2014 Series B	02/20/14	3.25%	9/1/2044	14,095	-	-	(2,860)	11,235	336	11,571
2014 Series C	09/25/14	2.15% - 4.00%	2021 - 2044	39,845	-	-	(2,310)	37,535	438	37,973
2014 Series D	09/25/14	1.80% - 4.00%	2019 - 2036	12,010	-	(870)	(3,625)	7,515	463	7,978
2014 Series E	09/25/14	2.407% - 4.478%	2019 - 2040	30,830	-	(1,260)	(1,035)	28,535	-	28,535
2014 Series F	09/25/14	Variable Rate	9/1/2044	24,555	-	-	-	24,555	-	24,555
2015 Series A	12/03/15	1.45% - 3.95%	2019 - 2045	19,530	-	(575)	(945)	18,010	240	18,250
2015 Series B	12/03/15	2.29% - 4.515%	2019 - 2041	47,650	-	(1,850)	(3,200)	42,600	-	42,600
2016 Series A	08/31/16	1.617% - 3.797%	2019 - 2047	266,435	-	(6,900)	(10,460)	249,075	1,528	250,603
2017 Series A	04/27/17	2.053% - 4.416%	2020 - 2048	216,810	-	(2,780)	(10,495)	203,535	-	203,535
2018 Series A	11/08/18	2.00% - 4.50%	2019 - 2048	234,445	-	(5,220)	(7,845)	221,380	3,763	225,143
2018 Series B	11/08/18	4.50%	9/1/2048	39,285	-	-	(3,635)	35,650	2,020	37,670
2019 Series A	03/13/19	1.55% - 4.25%	2019 - 2049	140,000	-	(2,830)	(1,935)	135,235	3,757	138,992
2019 Series B	06/13/19	1.50% - 4.00%	2020 - 2049	210,000	-	(2,130)	(1,180)	206,690	10,255	216,945
2019 Series C	10/16/19	1.35% - 5.00%	2020 - 2050	-	319,580	(1,780)	-	317,800	16,884	334,684
2019 Series D	10/16/19	1.636% -3.335%	2020 - 2050	-	27,490	(155)	-	27,335	-	27,335
2020 Series A	02/25/20	0.85% - 3.75%	2020 - 2050	-	130,750	-	-	130,750	5,290	136,040
2020 Series B	02/25/20	1.00% - 1.40%	2020 - 2023	-	9,250	-	-	9,250	-	9,250
Total				$ 1,533,725	$ 487,070	$ (36,990)	$ (60,290)	$ 1,923,515	$ 45,039	$ 1,968,554

(in thousands)

NOTE 6 BONDS PAYABLE (CONTINUED)

The following is a summary of the bond activity for the year ended June 30, 2019, and the debt outstanding and bonds payable as of June 30, 2019:

					Bond Activity					
	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2018	New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	Debt Outstanding at June 30, 2019	Bond Premium/ Discount Deferred	Bonds Payable at June 30, 2019
Residential Revenue Bonds										
2006 Series G	05/24/06	Variable Rate	9/1/2040	$ 34,065	$ -	$ -	$ (3,690)	$ 30,375	$ -	$ 30,375
2006 Series I	07/13/06	4.80%	9/1/2021	14,705	-	(3,605)	(2,440)	8,660	-	8,660
2006 Series J	07/13/06	Variable Rate	9/1/2040	60,000	-	-	-	60,000	-	60,000
2007 Series M	12/12/07	Variable Rate	9/1/2043	29,050	-	-	(29,050)	-	-	-
2008 Series D	09/04/08	Variable Rate	9/1/2038	42,475	-	(2,040)	(40,435)	-	-	-
2009 Series A	09/24/09	3.70% - 5.05%	2019 - 2039	32,590	-	-	(32,590)	-	-	-
2009 Series B	10/08/09	3.35% - 4.75%	2018 - 2039	37,415	-	(1,055)	(36,360)	-	-	-
2009 Series C	10/27/09	3.15% - 4.55%	2018 - 2039	13,285	-	(375)	(12,910)	-	-	-
2010 Series A	06/09/10	4.125% - 4.30%	2019 - 2020	13,920	-	-	(12,095)	1,825	-	1,825
2011 Series A	05/05/11	3.375% - 5.00%	2018 - 2041	19,055	-	(515)	(4,320)	14,220	108	14,328
2011 Series B	05/05/11	1.18%	3/1/2036	20,000	-	-	-	20,000	(72)	19,928
2012 Series A	08/23/12	2.362% - 4.00%	2018 - 2025	14,950	-	(2,715)	(1,700)	10,535	105	10,640
2012 Series B	08/23/12	Variable Rate	9/1/2033	45,000	-	-	-	45,000	-	45,000
2014 Series A	02/20/14	1.40% - 4.30%	2018 - 2032	50,510	-	(2,890)	-	47,620	-	47,620
2014 Series B	02/20/14	3.25%	9/1/2044	17,520	-	-	(3,425)	14,095	432	14,527
2014 Series C	09/25/14	2.15% - 4.00%	2021 - 2044	41,215	-	-	(1,370)	39,845	643	40,488
2014 Series D	09/25/14	1.450% - 4.00%	2018 - 2036	15,475	-	(1,715)	(1,750)	12,010	693	12,703
2014 Series E	09/25/14	2.107% - 4.478%	2018 - 2040	35,645	-	(1,615)	(3,200)	30,830	-	30,830
2014 Series F	09/25/14	Variable Rate	9/1/2044	24,555	-	-	-	24,555	-	24,555
2015 Series A	12/03/15	1.10% - 3.95%	2018 - 2045	20,915	-	(570)	(815)	19,530	296	19,826
2015 Series B	12/03/15	1.841% - 4.515%	2018 - 2041	54,520	-	(1,810)	(5,060)	47,650	-	47,650
2016 Series A	08/31/16	1.408% - 3.797%	2018 - 2047	288,830	-	(6,575)	(15,820)	266,435	1,816	268,251
2017 Series A	04/27/17	1.546% - 4.416%	2018 - 2048	241,420	-	(5,195)	(19,415)	216,810	-	216,810
2018 Series A	11/08/18	2.00% - 4.50%	2019 - 2048	-	239,565	(3,210)	(1,910)	234,445	4,223	238,668
2018 Series B	11/08/18	4.50%	9/1/2048	-	40,435	-	(1,150)	39,285	2,265	41,550
2019 Series A	03/13/19	1.55% - 4.25%	2019 - 2049	-	140,000	-	-	140,000	3,982	143,982
2019 Series B	06/13/19	1.50% - 4.00%	2020 - 2049	-	210,000	-	-	210,000	10,993	220,993
Total				$ 1,167,115	$ 630,000	$ (33,885)	$ (229,505)	$ 1,533,725	$ 25,484	$ 1,559,209

On May 29, 2020, CDA issued its Residential Revenue Bonds 2020 Series C. The 2020 Series C Bonds are taxable drawdown bonds and were issued pursuant to a private placement with a financial institution. When drawn, the proceeds of 2020 Series C Bonds are expected to be used as a short-term bridge facility to purchase loans. As of June 30, 2020, no proceeds of the 2020 Series C Bonds have been drawn and no 2020 Series C Bonds are outstanding.

(in thousands)

NOTE 7 DEBT SERVICE REQUIREMENTS

As of June 30, 2020, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2020 and excluding the effect of unamortized discounts/premiums as shown in Note 6) and interest payments for each of the next five years and in five-year increments thereafter, were as follows:

Year Ending June 30,	Interest	Principal
2021	$ 59,437	$ 114,310
2022	56,680	50,540
2023	55,565	52,680
2024	54,308	54,540
2025	52,941	55,820
2026 - 2030	237,197	342,300
2031 - 2035	176,965	392,140
2036 - 2040	117,475	359,475
2041 - 2045	67,278	279,695
2046 - 2050	21,618	222,015
Total	$ 899,464	$ 1,923,515

The interest calculations on outstanding variable rate bonds in the amount of $157,450 are based on the variable rates in effect on June 30, 2020, 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.

As of June 30, 2019, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2019 and excluding the effect of unamortized discounts/premiums as shown in Note 6) and interest payments for each of the next five years and in five-year increments thereafter were as follows:

Year Ending June 30,	Interest	Principal
2020	$ 49,764	$ 41,195
2021	50,928	45,640
2022	49,788	43,935
2023	48,667	44,340
2024	47,455	44,685
2025 - 2029	215,344	259,290
2030 - 2034	163,080	341,650
2035 - 2039	104,238	325,480
2040 - 2044	53,270	228,265
2045 - 2049	17,328	149,780
2050 - 2054	194	9,465
Total	$ 800,056	$ 1,533,725

The interest calculations on outstanding variable rate bonds in the amount of $159,930 are based on the variable rates in effect on June 30, 2019, 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 8 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 related to the old debt. CDA writes off any unamortized original issue premiums, net of any unamortized original issue discounts, as a gain on early retirement of debt in the accompanying statements of revenue, expenses, and changes in net position. If unamortized original issue discounts exceed unamortized original issue premiums, CDA records a loss.

For current refundings of debt in an optional redemption, CDA replaces previously issued bonds for the purpose of lowering debt costs by reducing interest rates or for other purposes such as revising payment schedules or modifying restrictions related to the old debt. This type of transaction is commonly known as an economic refunding.

There were no economic refundings for the year ended June 30, 2020.

For the year ended June 30, 2019, CDA issued 2018 Series AB bonds on November 8, 2018 in the amount of $286,753 (amount includes a bond premium of $6,753). The 2018 Series AB bonds refunded $151,345 of bonds, in full, on November 9, 2018. This economic refunding resulted in savings of approximately $6,305, net of cost of issuance. The following table summarizes the bonds that were issued and refunded:

New Bonds Issued			Bonds Refunded	
Bonds Issued	Amount Issued	Amount Refunded	Bonds Refunded	Amount Refunded
2018 Series AB	$ 286,753	$ 151,345	2007 Series M	$ 29,050
	(includes issue premium)		2009 Series A	32,590
			2009 Series B	36,360
			2009 Series C	12,910
			2008 Series D	40,435

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 related to the old debt). These deferrals would be reported as a deferred outflow or a deferred inflow of resources for the refunding of debt on the Statements of Net Position. This deferral would be amortized, using the effective interest method, over the remaining life of the old debt or the life of the new debt, whichever is shorter. During the 2019 fiscal year, CDA issued 2018 Series A and 2018 Series B refunding bonds but deferred no costs associated with the refunding.

(in thousands)

NOTE 9 REBATE LIABILITY

In accordance with the Internal Revenue Service Code (the Code), the Fund may record a rebate liability for excess investment earnings in tax-exempt bond and note issues. The excess investment earnings arise due to actual investment yields earned by the Fund being greater than yields permitted to be retained by the Fund 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 Position 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 Position is adjusted by the change in the estimated rebate liability due to change in fair value of investments. CDA has no rebate liability from interest income or from unrealized gains on mortgage-backed securities. For the years ended June 30, 2020 and 2019, CDA had no rebate liability to record for excess investment earnings in tax-exempt bond issues.

NOTE 10 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Bonds Payable:		
Beginning Balance at June 30,	$ 1,559,209	$ 1,172,169
Additions	487,070	630,000
Reductions	(97,280)	(263,390)
Change in Deferred Amounts for Issuance Discounts/Premiums	19,555	20,430
Ending Balance at June 30,	1,968,554	1,559,209
Less Due Within One Year	(114,310)	(41,195)
Total Long-Term Bonds Payable	1,854,244	1,518,014
Deposits by Borrowers:		
Beginning Balance at June 30,	2,153	3,034
Additions	1,017	1,041
Reductions	(1,318)	(1,922)
Ending Balance at June 30,	1,852	2,153
Less Due Within One Year	(908)	(1,168)
Total Long-Term Deposits by Borrowers	944	985
Interest Rate Swap Agreements		
Beginning Balance at June 30,	-	171
Additions	-	-
Reductions	-	(171)
Ending Balance at June 30,	-	-
Less Due Within One Year	-	-
Total Long-Term Interest Rate Swap Agreements	-	-
Total Long-Term Liabilities	$ 1,855,188	$ 1,518,999

(in thousands)

NOTE 11 INTERFUND ACTIVITY

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

During the years ended June 30, 2020 and 2019, the Fund transferred the following amounts, as permitted, among Funds:

	2020	2019
Excess Revenue Transferred to the General Bond Reserve Fund	$ (13,000)	$ (15,000)

NOTE 12 MORTGAGE INSURANCE

Substantially all mortgage loans in the Fund have mortgage insurance as described in Note 4.

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

For the single family loan portfolio, approximately 42% of the mortgage loans are insured by agencies of the U.S. Government in an amount substantially equal to the unpaid principal amount of the loan. Almost all other loans have primary mortgage insurance in an amount that is at least 25% of the loan amount. Approximately 4% of all first lien loans either did not have primary mortgage insurance due to their original loan-to-value ratios of less than 80% or have cancelled primary mortgage insurance due to their outstanding balance falling below 80% of the original loan amount.

Approximately 54% of mortgage loans are insured by private mortgage insurers or MHF. Approximately 97% of the mortgage loans insured by private mortgage insurers or MHF are covered at 35% of the loan amount, while 3% of the loans are covered at 25%. There are two private mortgage insurers who, due to financial constraints or receivership, are currently paying to CDA approximately three quarters of the amount determined to be due. These two private mortgage insurers represent 5% of the mortgage loans insured by private mortgage insurers or MHF. An allowance for loan losses has been established for loans insured by private mortgage insurers. Premiums are paid by single family mortgagors.

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 (the System) and are also entitled to certain healthcare benefits upon retirement. CDA's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year-end. The liability for the employees is recorded by the general fund of the state of Maryland and is not allocated to CDA. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by visiting the website at www.sra.state.md.us.

(in thousands)

NOTE 14 SUBSEQUENT EVENTS

CDA identified the following activity that occurred subsequent to the year ended June 30, 2020.

On August 21, 2020, CDA redeemed the following bonds:

2006 Series G	$2,115
2006 Series I	$1,780
2006 Series J	$880
2014 Series B	$1,715
2014 Series D	$830
2018 Series A	$3,210
2018 Series B	$2,290

On August 27, 2020, CDA issued 2020 Series D bonds in the amount of $160,000.

On August 28, 2020, CDA redeemed the following bonds:

2011 Series A	$9,230
2014 Series C	$645
2015 Series A	$540
2018 Series A	$11,980
2019 Series A	$2,075
2019 Series B	$2,370
2019 Series C	$425
2020 Series A	$550

On August 31, 2020, CDA redeemed the following bonds:

2012 Series A	$525
2014 Series E	$670
2015 Series B	$2,360
2016 Series A	$9,145
2017 Series A	$7,995
2019 Series D	$195

Prior to the fiscal year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to CDA activity, COVID-19 may impact various parts of its 2021 operations and financial results including, but not limited to, an increase in non-performing loans, an increase in loans in forbearance, an overall decrease in loan production, all of which would likely reduce revenues and increase expenses. Management believes that CDA is taking appropriate actions to mitigate the negative impact.

As of the end of the fiscal year, CDA did not observe any material impacts on the Fund's operations or its financial position from the pandemic public health crisis. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated at this time as these events are still developing.

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS
SUPPLEMENTAL DISCLOSURE OF CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES
(in thousands)
JUNE 30, 2020 AND 2019

In accordance with accounting guidance issued by GASB, CDA reflects 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 Position.

For investments (obligations of U.S. Government Agencies) held by the Fund as of June 30, 2020, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal Year Ended June 30,	Annual Increases/ Decreases	Cumulative Total
2000	$ (227)	$ (227)
2001	$ 551	$ 324
2002	$ 97	$ 421
2003	$ 544	$ 965
2004	$ (674)	$ 291
2005	$ 403	$ 694
2006	$ (1,567)	$ (873)
2007	$ 1,062	$ 189
2008	$ 785	$ 974
2009	$ 46	$ 1,020
2010	$ 2,747	$ 3,767
2011	$ (2,244)	$ 1,523
2012	$ 1,374	$ 2,897
2013	$ (855)	$ 2,042
2014	$ 243	$ 2,285
2015	$ 43	$ 2,328
2016	$ 445	$ 2,773
2017	$ (646)	$ 2,127
2018	$ (866)	$ 1,261
2019	$ 768	$ 2,029
2020	$ 532	$ 2,561

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS
SUPPLEMENTAL DISCLOSURE OF CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES (CONTINUED)
(in thousands)
JUNE 30, 2020 AND 2019

For mortgage-backed securities held by the Fund as of June 30, 2020, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and cost:

Fiscal Year Ended June 30,	Annual Increases/ Decreases	Cumulative Total
2011	$ (585)	$ (585)
2012	$ 1,858	$ 1,273
2013	$ (5,593)	$ (4,320)
2014	$ 3,127	$ (1,193)
2015	$ 503	$ (690)
2016	$ 4,216	$ 3,526
2017	$ (3,294)	$ 232
2018	$ (4,093)	$ (3,861)
2019	$ 23,239	$ 19,378
2020	$ 50,845	$ 70,223