Reznick Group

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
SINGLE FAMILY PROGRAM BONDS

JUNE 30, 2007 AND 2006

Community Development Administration
Single Family Program Bonds

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Reznick Group

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Community Development Administration Single Family Program Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Community Development Administration Single Family Program Bonds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Community Development Administration Single Family Program Bonds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Reznick Group, P.C.

Baltimore, Maryland
September 27, 2007

Community Development Administration
Single Family Program Bonds

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2007 and 2006

	2007	2006
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 8,990	$ 13,450
Investments	14,771	17,561
Single family mortgage loans	8,200	11,066
Accrued interest and other receivables	2,961	3,901
Due from other Funds	195	287
Total restricted current assets	35,117	46,265
Restricted long-term assets		
Investments, net of current portion	56,610	64,738
Single family mortgage loans, net of current portion	172,883	212,605
Deferred bond issuance costs	837	1,225
Total restricted long-term assets	230,330	278,568
Total restricted assets	$ 265,447	$ 324,833
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued interest payable	$ 1,690	$ 2,341
Accounts payable	73	45
Rebate liability	1,165	-
Bonds payable	16,590	23,860
Total current liabilities	19,518	26,246
Long-term liabilities		
Rebate liability, net of current portion	5,523	6,115
Bonds payable, net of current portion	123,553	168,892
Total long-term liabilities	129,076	175,007
Total liabilities	148,594	201,253
NET ASSETS		
Restricted	116,853	123,580
Total liabilities and net assets	$ 265,447	$ 324,833

See notes to financial statements

Community Development Administration
Single Family Program Bonds

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

Years ended June 30, 2007 and 2006

	2007	2006
Operating revenue		
Interest on mortgage loans	$ 13,845	$ 17,950
Interest income on investments, net of rebate	4,871	6,109
Increase (decrease) in fair value of investments, net of rebate	209	(2,599)
Fee income	191	351
	19,116	21,811
Operating expenses		
Interest expense on bonds	8,225	12,747
Professional fees and other operating expenses	1,005	1,212
Loss on foreclosure claims	44	187
Amortization of bond issuance costs	251	319
Loss on early retirement of debt	1,038	1,698
	10,563	16,163
Operating income	8,553	5,648
Transfers of funds, as permitted by the Certificate	(15,280)	(6,290)
Changes in net assets	(6,727)	(642)
Net assets - restricted at beginning of year	123,580	124,222
Net assets - restricted at end of year	$ 116,853	$ 123,580

See notes to financial statements

Community Development Administration
Single Family Program Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 56,409	$ 91,801
Mortgage insurance claims received	1,411	5,578
Foreclosure expenses paid	(276)	(1,199)
Purchase of mortgage loans	(165)	(63)
Professional fees and other operating expenses	(977)	(1,167)
Net cash provided by operating activities	56,402	94,950
Cash flows from investing activities		
Proceeds from maturities or sales of investments	68,568	150,284
Purchases of investments	(57,683)	(98,636)
Arbitrage rebates paid	-	(7,290)
Interest received on investments	5,919	7,448
Net cash provided by investing activities	16,804	51,806
Cash flows from noncapital financing activities		
Payments on bond principal	(53,510)	(135,290)
Interest on bonds	(8,876)	(14,571)
Transfers among Funds	(15,280)	(6,290)
Net cash used in noncapital financing activities	(77,666)	(156,151)
NET DECREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(4,460)	(9,395)
Cash and cash equivalents on deposit with trustee at beginning of year	13,450	22,845
Cash and cash equivalents on deposit with trustee at end of year	$ 8,990	$ 13,450

(continued)

Community Development Administration
Single Family Program Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2007 and 2006

	2007	2006
Reconciliation of operating income to net cash from operating activities		
Operating income	$ 8,553	$ 5,648
Adjustments to reconcile operating income to net cash provided by operating activities		
Decrease in assets		
Mortgage loans	42,779	74,446
Accrued interest and other receivables	940	4,505
Due from other funds	92	25
(Decrease) increase in liabilities		
Accrued interest payable	(651)	(1,824)
Accounts payable	28	45
Rebate liability	573	(9,576)
Amortizations		
Deferred income on loans	(191)	(351)
Investment discounts and premiums	158	131
Deferred bond issuance costs	251	319
(Increase) decrease in fair value of investments	(125)	16,085
Realized gains on investments sold	-	(10,614)
Arbitrage rebates paid	-	7,290
Loss on early retirement of debt	1,038	1,698
Interest received on investments	(5,919)	(7,448)
Interest on bonds	8,876	14,571
Net cash provided by operating activities	$ 56,402	$ 94,950

See notes to financial statements

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). CDA has adopted GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. Consequently, CDA applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARBS of the Committee on Accounting Procedure issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CDA has adopted GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis*. Under GASB Statement No. 34, net assets should be reported as restricted when constraints placed on net asset use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation. Accordingly, all net assets of the Fund are restricted as to their use as all net assets are pledged to bondholders.

The Annual Financial Report may include a Management's Discussion and Analysis. Since CDA is an enterprise fund included in the State of Maryland's Comprehensive Annual Financial Report, a separate Management's Discussion and Analysis is not required in these financial statements. CDA prepares a Management's Discussion and Analysis for the General Accounting Division of the State of Maryland that is not part of these financial statements.

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2007 and 2006, all of the Fund's cash equivalents are invested in a money market mutual fund which is more fully described in Note 3.

Investments

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans

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

Allowance for Loan Losses

Approximately 96% of the Fund's mortgage loans are insured or guaranteed by agencies of the U.S. Government or the Maryland Housing Fund (MHF). CDA also has secondary pool insurance for loans in the Fund. No allowance for loan losses was necessary as of June 30, 2007 and 2006. See Notes 4 and 11 for additional information.

Accrued Interest and Other Receivables

Accrued interest and other receivables include interest on loans and investments and outstanding claims on insured mortgage loans. On insured single family loans, interest ceases to accrue after foreclosure. See Note 5 for additional information.

Deferred Bond Issuance Costs

Costs incurred in issuing bonds are capitalized and amortized using the effective interest method for each respective bond issue. When bonds are redeemed early with mortgage prepayments, a proportionate share of the remaining unamortized costs is recognized as a loss on the Statements of Revenue, Expenses and Changes in Net Assets. However, in an economic refunding, CDA defers unamortized costs and redemption premiums as an offset to the new bonds.

Due from (to) Other Funds

Due from (to) other Funds records the pending transfers of cash between Funds which is primarily a result of receipts due to one Fund, but received by another, as more fully described in Note 10.

NOTE 2 - 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 or premiums. See Notes 6 and 7 for additional information.

Rebate Liability on Investments

Regulations governing the issuance of tax-exempt debt place limitations on permitted investment yield on borrowed funds. Based on these regulations, CDA is required to periodically rebate excess earnings from investments to the United States Treasury. In addition, the liability also includes an estimate of the rebate obligation related to unrealized gains as a result of recording investments at fair value. Rebate liability is more fully described in Note 8.

Mortgage Yield Limitations

All mortgage loans are subject to yield limitations under the Internal Revenue Service Code (the Code) in order for the associated bonds to maintain their tax-exempt status. At the time of bond issuance and over the term of the bonds, CDA determines and maintains compliance with the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the Code. If at any time the composite yields on the transferred loans are out of compliance with the Code, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2007 and 2006, all mortgage loan yields are in compliance with the Code.

Interest on Mortgage Loans

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fee Income

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

Administrative Support

In addition to expenses incurred directly by the Fund, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund and reported in the financial statements of CDA's Revenue Obligation Funds. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

The employees of CDA are covered by the Maryland State Retirement and Pension System and the costs of employees' retirement benefits are included in the salaries and related costs charged to CDA's General Bond Reserve Fund. See Note 12 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in conformity with GASB Statement No. 34. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the State of Maryland. All of the Fund's activities are considered to be operating.

Use of Estimates

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

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Bond proceeds and revenues from mortgages and investments are invested in authorized investments as defined in the Single Family Program Bonds 1980 General Certificate (the Certificate) and in CDA's Investment Policy until required for originating mortgage loans, funding reserves, paying bond debt service or redeeming outstanding bonds, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, repurchase agreements, investment agreements, money market funds and certificates of deposit.

The following assets, reported at fair value and held by the Fund at June 30, 2007 and 2006, are evaluated in accordance with GASB Statement No. 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2007	2006
Cash and cash equivalents:		
Federated Treasury Obligations Fund	$ 8,990	$ 13,450
Investments:		
Obligations of the U.S. Treasury	37,420	37,463
Obligations of U.S. Government Agencies	2,456	2,446
Repurchase and Investment Agreements	31,505	42,390
Total	$ 80,371	$ 95,749

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.

(in thousands)

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

As of June 30, 2007, the amortized cost, fair value and maturities for these assets were as follows:

Asset	Amortized Cost	Fair Value	Maturities (in years) Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	$ 8,990	$ 8,990	$ 8,990	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	32,126	37,420	-	-	979	21,004	15,437
Obligations of U.S. Government Agencies	2,518	2,456	-	740	-	1,716	-
Repurchase agreements/ Investment agreements	31,505	31,505	-	-	-	31,505	-
Total	$ 75,139	$ 80,371	$ 8,990	$ 740	$ 979	$ 54,225	$ 15,437

As of June 30, 2006, the amortized cost, fair value and maturities for these assets were as follows:

Asset	Amortized Cost	Fair Value	Maturities (in years) Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	$ 13,450	$ 13,450	$ 13,450	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	32,247	37,463	-	-	263	21,849	15,351
Obligations of U.S. Government Agencies	2,555	2,446	-	724	-	1,722	-
Repurchase agreements/ Investment agreements	42,390	42,390	-	-	-	42,390	-
Total	$ 90,642	$ 95,749	$ 13,450	$ 724	$ 263	$ 65,961	$ 15,351

The Federated Treasury Obligations Fund invests primarily in repurchase agreements collateralized by Treasury securities and U.S. Treasuries. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2007 and 2006, the cost of this money market mutual fund approximated fair value.

(in thousands)

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

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the Certificate requires investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Certificate and CDA's Investment Policy, securities must be at a rating no lower than the rating on the bonds or, if an investment maintains only a short-term rating, a rating not less than F1/P-1; and financial institutions who are a counterparty to CDA in investment agreements must be rated at least comparable to the existing rating on CDA bonds unless counterparty ratings lower than the bond ratings are permitted and do not affect the ratings on the bonds. In addition, certain investment and repurchase agreements require counterparty ratings no less than the ratings on the bonds. As of June 30, 2007 and 2006, all counterparty ratings were at least equal to the ratings on the Fund's bonds. The ratings on Single Family Program Bonds as of June 30, 2007 and 2006 were Aa2 by Moody's Investors Service and AA by Fitch Ratings. The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent five percent or more of total investments in accordance with GASB Statement No. 40.

As of June 30, 2007, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	$ 8,990	11.19%	Aaa		Moody's
Obligations of the U.S. Treasury	37,420	46.56%		Direct U. S. Obligation	
Obligations of U.S. Government Agencies	2,456	3.05%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
WestLB rated Aa1 by Moody's*	31,505	39.20%		Aaa	Moody's
Total	$ 80,371	100.00%			

* WestLB AG is formerly known as "Westdeutsche Landesbank Gironzentrale." This investment agreement was entered into prior to July 19, 2001 and is therefore governed by guarantor liability in accordance with the agreement reached between the German Federal Government and the European Commission (Letter of Understanding I). The current rating of Aa1 by Moody's for this investment agreement is based on such guarantor liability. As of July 19, 2005, all contracts entered into with West LB AG between July 19, 2001 and July 18, 2005 which mature after December 31, 2015, and contracts entered into after July 18, 2005 are not covered by the guarantor liability, and therefore carry West LB's current Moody's rating of A1.

(in thousands)

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

As of June 30, 2006, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	$ 13,450	14.05%	Aaa		Moody’s
Obligations of the U.S. Treasury	37,463	39.13%		Direct U. S. Obligation	
Obligations of U.S. Government Agencies	2,446	2.55%		Aaa	Moody’s
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
WestLB rated Aa2 by Moody’s*	42,390	44.27%		Aaa	Moody’s
Total	$ 95,749	100.00%			

* WestLB AG is formerly known as “Westdeutsche Landesbank Gironzentrale.” This investment agreement was entered into prior to July 19, 2001 and is therefore governed by guarantor liability in accordance with the agreement reached between the German Federal Government and the European Commission (Letter of Understanding I). The current rating of Aa2 by Moody's for this investment agreement is based on such guarantor liability. As of July 19, 2005, all contracts entered into with West LB AG between July 19, 2001 and July 18, 2005 which mature after December 31, 2015, and contracts entered into after July 18, 2005 are not covered by the guarantor liability, and therefore carry West LB’s current Moody’s rating of A1.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2007 and 2006, the Fund’s investments were not subject to custodial credit risk under GASB Statement No. 40. CDA’s investments and collateralized securities are held in trust by the trustee or the trustee’s agent, kept separate from the assets of the bank and from other trust accounts and are held in CDA’s name.

(in thousands)

NOTE 4 - MORTGAGE LOANS

Substantially all of the Fund's mortgage loans are secured by first liens on the related property and approximately 96% of the loans are credit enhanced primarily through FHA, the Veterans Administration, or the Maryland Housing Fund (MHF). As of June 30, 2007 and 2006, interest rates on such loans range from 3.0% to 13.9%. As of June 30, 2007 and 2006, remaining loan terms ranged from approximately 2 to 29 years and 3 to 30 years, respectively.

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2007 and 2006, were as follows:

	2007	2006
Accrued mortgage loan interest	$ 1,359	$ 1,745
Accrued investment interest	1,426	1,659
Claims due from mortgage insurers	176	494
Miscellaneous loan billings	-	3
	$ 2,961	$ 3,901

NOTE 6 - BONDS PAYABLE

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

The provisions of the Certificate require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. All outstanding bonds are subject to optional redemption, in whole or in part at any time, after certain dates, as specified in the respective series certificates. The prescribed optional redemption premiums range from 0% to 1% of the principal amount. All bonds have fixed interest rates and are tax-exempt.

(in thousands)

NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2007, and the debt outstanding and bonds payable as of June 30, 2007:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2006	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2007	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2007
Single Family Program Bonds										
1993 Third Series	10/01/93	5.05% - 5.20%	2007 - 2009	$ 5,530	$ -	$ (3,180)	$ (2,350)	$ -	$ -	$ -
1999 First Series	12/01/98	4.40% - 5.15%	2007 - 2018	7,210	-	-	(7,210)	-	-	-
1999 Second Series	12/01/98	4.40% - 5.00%	2009 - 2017	53,205	-	-	(1,950)	51,255	-	51,255
1999 Third Series	12/01/98	4.40% - 5.125%	2007 - 2021	50,675	-	(5,500)	(2,300)	42,875	-	42,875
2001 First Series	03/01/01	4.05% - 5.00%	2007 - 2017	41,170	-	(3,820)	(165)	37,185	(925)	36,260
2001 Second Series	03/01/01	4.35% - 4.65%	2008 - 2023	3,855	-	-	(1,715)	2,140	(56)	2,084
2002 First Series	02/01/02	4.45% - 4.60%	2012 - 2013	4,495	-	-	-	4,495	(70)	4,425
2002 Second Series	02/01/02	4.05% - 5.375%	2007 - 2024	28,675	-	(1,750)	(23,570)	3,355	(111)	3,244
Total				$ 194,815	$ -	$ (14,250)	$ (39,260)	$ 141,305	$ (1,162)	$ 140,143

The following is a summary of the bond activity for the year ended June 30, 2006, and the debt outstanding and bonds payable as of June 30, 2006:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2005	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2006	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2006
Single Family Program Bonds										
1993 Third Series	10/01/93	4.85% - 5.25%	2006 - 2016	$ 11,865	$ -	$ (595)	$ (5,740)	$ 5,530	$ -	$ 5,530
1994 First Series	03/01/94	5.80%	2009	5,570	-	-	(5,570)	-	-	-
1996 Fifth Series	08/01/96	5.30% - 5.95%	2007 - 2016	14,890	-	-	(14,890)	-	-	-
1997 First Series	08/01/97	4.90% - 5.60%	2006 - 2018	67,865	-	(3,745)	(64,120)	-	-	-
1999 First Series	12/01/98	4.35% - 5.25%	2006 - 2029	18,140	-	(535)	(10,395)	7,210	-	7,210
1999 Second Series	12/01/98	4.40% - 5.00%	2009 - 2017	53,205	-	-	-	53,205	-	53,205
1999 Third Series	12/01/98	4.35% - 5.125%	2006 - 2021	51,545	-	(545)	(325)	50,675	-	50,675
2000 First Series	03/01/00	5.10% - 5.70%	2006 - 2015	18,160	-	-	(18,160)	-	-	-
2001 First Series	03/01/01	4.00% - 5.00%	2006 - 2017	45,775	-	(3,670)	(935)	41,170	(1,053)	40,117
2001 Second Series	03/01/01	4.35% - 4.65%	2008 - 2023	5,935	-	-	(2,080)	3,855	(104)	3,751
2002 First Series	02/01/02	4.45% - 4.60%	2012 - 2013	4,495	-	-	-	4,495	(83)	4,412
2002 Second Series	02/01/02	3.70% - 5.375%	2006 - 2024	32,660	-	(475)	(3,510)	28,675	(823)	27,852
Total				$ 330,105	$ -	$ (9,565)	$ (125,725)	$ 194,815	$ (2,063)	$ 192,752

(in thousands)

NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2007, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2007 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 6) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

Years ended June 30,	Interest	Principal
2008	$ 6,577	$ 16,590
2009	5,995	12,485
2010	5,444	13,075
2011	4,852	10,010
2012	4,393	12,500
2013 - 2017	13,862	43,540
2018 - 2022	4,890	30,865
2023 - 2027	152	2,240
Totals	$ 46,165	$ 141,305

As of June 30, 2006, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2006 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 6) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

Years ended June 30,	Interest	Principal
2007	$ 9,102	$ 23,860
2008	8,261	12,670
2009	7,697	14,390
2010	7,062	15,060
2011	6,378	12,265
2012 - 2016	22,874	61,080
2017 - 2021	9,462	50,775
2022 - 2026	422	4,715
Totals	$ 71,258	$ 194,815

(in thousands)

NOTE 8 - REBATE LIABILITY

In accordance with the Internal Revenue Service Code (the Code), the Fund has recorded a rebate liability for excess investment earnings in tax-exempt bonds and notes issued after 1981. The excess investment earnings arise due to actual investment yields earned by the Fund being greater than yields permitted to be retained by CDA under the Code. The Code requires 90% of such excess investment earnings to be remitted to the United States Treasury every five years and in full at the final redemption of the bonds. Interest income on the Statements of Revenue, Expenses and Changes in Net Assets is reduced by the rebate liability due to excess investment earnings. The increase/decrease in fair value of investments on the Statements of Revenue, Expenses and Changes in Net Assets is adjusted by the change in the estimated rebate liability due to change in fair value of investments.

Rebate liability activity for the years ended June 30, 2007 and 2006, was as follows:

	2007	2006
Beginning rebate liability	$ 6,115	$ 15,691
Change in estimated liability due to excess investment earnings	657	586
Change in estimated liability due to change in fair value of investments	(84)	(2,872)
Less payments made	-	(7,290)
Ending rebate liability	$ 6,688	$ 6,115

Total rebate liability is allocated as follows:

	2007	2006
Estimated liability due to excess investment earnings	$ 1,691	$ 1,760
Estimated liability due to change in fair value of investments	3,832	4,355
Actual final rebate liability	1,165	-
Ending rebate liability	$ 6,688	$ 6,115

(in thousands)

NOTE 9 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2007 and 2006, were as follows:

	2007	2006
Rebate liability		
Beginning balance	$ 6,115	$ 15,691
Additions	657	586
Reductions	(84)	(10,162)
Ending balance	6,688	6,115
Less due within one year	(1,165)	-
Total long-term rebate liability	5,523	6,115
Bonds payable		
Beginning balance	192,752	327,121
Additions	-	-
Reductions	(53,510)	(135,290)
Change in deferred amounts on refundings	901	921
Ending balance	140,143	192,752
Less due within one year	(16,590)	(23,860)
Total long-term bonds payable	123,553	168,892
Total long-term liabilities	$ 129,076	$ 175,007

(in thousands)

NOTE 10 - INTERFUND ACTIVITY

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

During the years ended June 30, 2007 and 2006, the Fund transferred the following amounts, as permitted, among Funds:

	2007	2006
Cost of issuance on bonds transferred to Residential Revenue Bonds	$ (8,905)	$ (2,415)
Excess revenue transferred to the General Bond Reserve Fund	(6,375)	(3,875)
	$ (15,280)	$ (6,290)

As of June 30, 2007 and 2006, interfund balances consisted of the following:

	2007	2006
Mortgage loan receipts for participation loans due from Residential Revenue Bonds	$ 195	$ 287

NOTE 11 - MORTGAGE INSURANCE

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

Approximately 33% of the loans are insured by an agency of the U.S. Government with the primary mortgage insurance covering an amount substantially equal to the unpaid principal amount of the loan. Another 63% of loans have primary mortgage insurance in an amount that is at least 25% of the loan amount. Less than 4% of all first lien loans either did not have

(in thousands)

NOTE 11 - MORTGAGE INSURANCE (Continued)

primary mortgage insurance due to their original loan-to-value ratios of less than 75% or have cancelled primary mortgage insurance due to their outstanding balance falling below 75% of the original loan amount. For any losses not covered by primary mortgage insurance, CDA has purchased pool insurance or established specific reserves. For each series of bonds, pool insurance coverage cannot exceed 10% of the amount of proceeds of the series of bonds. MHF has issued most of the pool insurance policies.

NOTE 12 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. CDA's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year end. The System prepares a separate audited Comprehensive Annual Financial Report, which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by visiting the website at www.sra.state.md.us.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2007, the following bond activity took place:

On September 4, 2007, CDA redeemed the following bonds:

1999 Second Series	$4,645
1999 Third Series	$1,155
2001 First Series	$85
2001 Second Series	$195
2002 First Series	$70
2002 Second Series	$195

Community Development Administration
Single Family Program Bonds

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

June 30, 2007 and 2006
(Unaudited)

During fiscal year 1997, CDA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31. This statement requires the financial statements of CDA to reflect investments at fair value, and the increase or decrease in fair value is included in the Statements of Revenue, Expenses and Changes in Net Assets.

For investments (obligations of the U.S. Treasury and U.S. Government Agencies) held by the Fund as of June 30, 2007, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal year ended June 30,	Annual increases /decreases	Cumulative total
Cumulative FY 1996 and prior periods	$ 28,537	$ 28,537
1997	$ 3,461	$ 31,998
1998	$ 18,225	$ 50,223
1999	$ (14,325)	$ 35,898
2000	$ (1,536)	$ 34,362
2001	$ 1,356	$ 35,718
2002	$ 3,372	$ 39,090
2003	$ 18,005	$ 57,095
2004	$ (17,786)	$ 39,309
2005	$ (18,117)	$ 21,192
2006	$ (16,085)	$ 5,107
2007	$ 125	$ 5,232

Community Development Administration
Single Family Program Bonds

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

June 30, 2007 and 2006
(Unaudited)

Reconciliation to the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2007:

Increase in fair value of investments held at June 30, 2007	$	125
Realized gains on investments sold		-
Adjustment due to change in rebate liability (see Note 8)		84
Increase in fair value of investments, net of rebate, as reported on the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2007	$	209

Reconciliation to the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2006:

Decrease in fair value of investments held at June 30, 2006	$	(16,085)
Realized gains on investments sold		10,614
Adjustment due to change in rebate liability (see Note 8)		2,872
Decrease in fair value of investments, net of rebate, as reported on the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2006	$	(2,599)