**Community Development Administration**

**Maryland Department of Housing and Community Development**
**Housing Revenue Bonds**

# QUARTERLY UPDATE OF ANNUAL REPORT PROVIDED PURSUANT TO SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12

The following financial information is being provided by the Community Development Administration (the "Administration"), a unit of the Division of Development Finance of the Department of Housing and Community Development, a principal department of the State of Maryland (the "Department"). This information updates the Report dated October 28, 2015 for the Administration's Housing Revenue Bond Program. Reference is made to the Administration's official statement with respect to its Housing Revenue Bonds (the "Bonds"), the most recent of which is dated September 23, 2015 for its Housing Revenue Bonds, Series 2015 B and is herein referred to as the "Official Statement", for definitions of terms used herein, additional information about the Administration, the Department and their programs and the annual financial information contained therein. The information included in this disclosure is current as of December 31, 2015.

In addition to the annual report provided pursuant to SEC Rule 15C2-12, the Administration currently provides quarterly updates to the annual Electronic Municipal Market Access ("EMMA") filing on a voluntary basis. The policy of voluntarily disseminating information is not a contractual obligation to anyone, and the Issuer may discontinue this practice at any time in its discretion without notice.

Questions concerning this release should be directed to Investor Relations at (301) 429-7898, or cdabonds_mailbox.dhcd@maryland.gov.

## Financial Statements of the Administration and the Maryland Housing Fund

The financial statements for the years ending June 30, 2015 and June 30, 2014 of the Housing Revenue Bonds of the Administration (the "Fund") have been audited by CohnReznick, LLP, as described in the Independent Auditor's Report of CohnReznick LLP, accompanying the financial statements in Appendix A to this report. As indicated in the report of the auditors, such financial statements have been prepared in conformity with accounting principles and the audits conducted in accordance with auditing standards generally accepted in the United States.

The financial statements for the year ending June 30, 2015 and June 30, 2014 of the Maryland Housing Fund ("MHF") have been audited by CohnReznick LLP, as described in the Independent Auditor's Report of CohnReznick, LLP, as described in the Independent Auditor's Report of CohnReznick, LLP accompanying the financial statements in the Appendix E to this report. As indicated in the report of the auditors, such financial statements have been prepared in conformity with accounting principles and the audits conducted in accordance with auditing standards generally accepted in the United States.

MHF is a unit of the Division of Credit Assurance of the Department. MHF does not insure the Bonds, and the assets of MHF are not available to the Administration or the Trustee to satisfy the obligations to the holders of the Bonds; however, MHF insures certain mortgage loans made from the proceeds of the Bonds and from other sources ("Mortgage Loans") and is obligated to pay mortgage insurance claims to the extent of its contractual undertakings therefore. Reference is made to Appendix E "Certain Information Relating to the Maryland Housing Fund" and the Official Statement for further information about MHF.

## THE PROGRAM

### Existing Portfolio

Under the Bond Resolution, as of December 31, 2015, the Administration had outstanding (1) fifty-five permanent Loans for fifty Rental Housing Developments (excluding Group Home Loans and Single Family Loans) which had a total outstanding principal balance of $222,739,551; (2) fifty-two Group Home Loans having an outstanding principal balance of $7,734,977; and (3) six Single Family Loans having an outstanding principal balance of $32,864.

The following table sets forth as of December 31, 2015 for each county of the State and Baltimore City, the number of Rental Housing Developments, units within such Rental Housing Developments, and, on an aggregate basis, the outstanding principal balance of Loans. This table excludes Single Family Loans and Group Home Loans.

**Distribution of Rental Housing Developments as of December 31, 2015**

| County | Number of Developments | Number of Units | Units as a Percentage of | Current Loan Amount | Percent of Current Loan Amount |
|---|---|---|---|---|---|
| Allegany County | 1 | 110 | 1.93% | $602,769 | 0.27% |
| Baltimore City | 16 | 2,070 | 36.32% | 65,500,323 | 29.41% |
| Baltimore County | 4 | 590 | 10.35% | 21,783,750 | 9.78% |
| Calvert County | 1 | 48 | 0.84% | 108,467 | 0.05% |
| Caroline County | 1 | 88 | 1.54% | 1,653,383 | 0.74% |
| Carrol County | 1 | 26 | 0.46% | 346,661 | 0.16% |
| Cecil County | 2 | 101 | 1.77% | 3,961,581 | 1.78% |
| Frederick County | 1 | 59 | 1.04% | 3,600,000 | 1.62% |
| Harford County | 2 | 188 | 3.30% | 6,801,734 | 3.05% |
| Howard County | 7 | 759 | 13.32% | 27,620,646 | 12.40% |
| Montgomery County | 2 | 260 | 4.56% | 21,546,367 | 9.67% |
| Prince George's County | 3 | 712 | 12.49% | 45,199,115 | 20.29% |
| Somerset County | 1 | 60 | 1.05% | 3,693,043 | 1.66% |
| St. Mary's County | 2 | 164 | 2.88% | 8,056,859 | 3.62% |
| Talbot County | 2 | 168 | 2.95% | 5,568,084 | 2.50% |
| Washington County | 1 | 94 | 1.65% | 264,253 | 0.12% |
| Wicomico County | 2 | 102 | 1.79% | 3,464,562 | 1.56% |
| Worcester County | 1 | 100 | 1.75% | 2,967,954 | 1.33% |
| Totals: [1] | 50 | 5,699 | 100.00% | $222,739,551 | 100.00% |

[1] Amount and percentages may not total exactly due to rounding.

## Credit Enhancement of Rental Housing Loans

As of December 31, 2015 the Loans financing rental housing developments ("Rental Housing Loans") were insured or credit enhanced as follows:

| Insurer or Guarantor | | Number of Loans | Number of Units | Percentage of Total Units Insured | Outstanding Loan Amount (3) | Percent of Outstanding Loan Amount |
|---|---|---|---|---|---|---|
| FHLMC | (2) | 1 | 110 | 1.93% | $602,769 | 0.27% |
| FNMA | | 4 | 341 | 5.98% | 9,346,629 | 4.20% |
| GNMA | (6) | 9 | 1,483 | 26.02% | 56,658,269 | 25.44% |
| LOC | (6) | 2 | 0 | 0.00% | 1,653,383 | 0.74% |
| MHF | | 11 | 563 | 9.88% | 6,788,862 | 3.05% |
| FHA RISK SHARING | (1) | 26 | 2,974 | 52.18% | 146,177,069 | 65.63% |
| UNINSURED | (5) | 2 | 228 | 4.00% | 1,512,570 | 0.68% |
| *Totals:* | (4) | 55 | 5,699 | 100.00% | $222,739,551 | 100.00% |

1 These loans are insured under the FHA Risk-Sharing Program. Under the program,upon payments of a claim by FHA, CDA would be responsible for reimbursement to FHA of 25-50% of the claim, depending on the risk-sharing level (Level I reflects a 50/50 share between FHA and the Administration; Level II reflects a 75/25 share between FHA and the Administration, with FHA assuming 75% and the Administration 25% of the potential loss). The Administration expects to receive a payment from MHF on the amount of any payment made to FHA. For more information on the FHA Risk-Sharing Program please refer to Appendix E. For more information on these Developments please refer to Appendix C. Sierra Woods Apartments is financed under one deed of trust note with 2 tranches: tranche A is insured under the FHA Risk-Sharing Program and subsidized under HUD's Section 8 program and tranche B is insured under the FHA Risk-Sharing Program and subsidized under HUD's Section 236 program.

2 Loans insured by MHF and reinsured by FHLMC, See "FHLMC Reinsurance Agreement".

3 The "Outstanding Loan Amount" represents amortized principal balances and bond proceeds disbursed as of December 31, 2015.

4 Amounts and percentages may not total exactly due to rounding.

5 Hickory Ridge was financed with two loans, one of which was credit enhanced by GNMA and was paid off on March 31, 2013. The other remaining loan is uninsured. Oak Grove was financed with two loans and both loans are uninsured.

6 Units are included under "FHA Risk-Sharing Program."

## Housing Subsidy Payments for Rental Housing Developments

As of December 31, 2015 the multi-family rental housing developments financed by Rental Housing Loans ("Developments") received federal housing subsidy payments under the USDA, Section 8 and Section 236 programs as follows:

| Housing SubsidyProgram | Numbers of Developments | Number of Units | Subsidized Units | Percentage of Units Subsidized | Outstanding Loan Amount | Percent of Outstanding Loan Amount |
|---|---|---|---|---|---|---|
| None | 23 | 2,052 | 0 | 0.00% | 87,427,293 | 39.25% |
| Section 8 (1) | 17 | 2,177 | 1,573 | 55.25% | 96,484,503 | 43.32% |
| Section 236 | 3 | 477 | 477 | 16.75% | 5,767,790 | 2.59% |
| Section 236, Section 8 | 3 | 551 | 549 | 19.28% | 20,721,142 | 9.30% |
| USDA | 4 | 442 | 248 | 8.71% | 12,338,823 | 5.54% |
| TOTALS: (2) | 50 | 5,699 | 2,847 | 100.00% | $222,739,551 | 100.00% |

1 In general, the subsidies for these Developments have terms that will expire prior to the maturity date of the corresponding Loan; however the terms are generally renewable under the terms of the applicable assistance documents subject to federal appropriations. In addition, several developments have Section 8 contacts covering less than 100% of the units.

2 Amounts and percentages may not total exactly due to rounding.

## Single Family and Group Home Loans

In addition to the Rental Housing Loans described above, the Administration acquired or financed Loans with the proceeds of the Bonds for the following single family residences and various group housing facilities for special needs populations, including developmentally disabled individuals (“Group Homes"):

| Type of Development | Number of Loans | Number of Units[1] | Type of Credit Enancement | No. of Loans Credit Enhanced | Percent of Total Units Credit Enhanced | Outstanding Loan Amount as of 12/31/2015 |
|---|---|---|---|---|---|---|
| Single Family Residences | 6 | 6 | MHF | 6 | 100% | $32,864 |
| Group Homes | 52 | 168 | MHF | 52 | 100% | 7,734,977 |
| Total | 58 | 174 | | 58 | 100% | $7,767,841 |

**Note**:

(1) In the case of single family residences, “units” refers to number of residences; in the case of Group Homes, “units” refers to number of individuals served.

For more information on delinquencies, see Table C-3

Certain Fund Balances of the Administration

During fiscal year 1997 the Administration adopted the provisions of GASB 31, a new accounting standard adopted by the Government Accounting Standards Board. This statement requires the financial statements of the Administration to reflect investments at fair value. Accordingly, the balances of the General Bond Reserve Fund and the Debt Service Reserve Fund, as reported at December 31, 2015, include investments at fair value. Reference should be made to the Official Statement for an explanation of the uses of each fund.

*Debt Service Reserve Fund.* As of December 31, 2015, the available balance in the Debt Service Reserve Fund was $8,752,373 of which $1,146,430 was cash equivalents. The fair value of investments was $7,605,943 of which $5,482,531was the book value of investments and $2,123,412 was the increase in fair value. The balance on deposit satisfies the Debt Service Reserve Requirement as of December 31, 2015.

*General Bond Reserve Fund.* As of December 31, 2015, the available balance in the General Bond Reserve Fund was $38,264,507 of which $11,710,510 was cash equivalents. The fair value of investments was $26,553,997 of which $25,503,329 was the book value of investments and $1,050,668 was the increase in fair value of the investments. The Administration may withdraw funds within the General Bond Reserve Fund, or may pledge such funds to specific obligations, at any time for any purposes under the Act.

On May 19, 1997, the Director of the Administration adopted a determination, approved by the Secretary, stating that it is the policy of the Administration to maintain a total amount of cash, Investment Obligations and loans under the Administration’s special housing opportunities program for financing Group Homes (the "Available Balance") in the General Bond Reserve Fund, as of July 1 of each year, of not less than $20,000,000. The Determination also provides that the Administration shall provide Moody’s Investors Service with written notice: (i) if, as of July 1 of any year, the Available Balance in the General Bond Reserve Fund falls below $20,000,000, such notice to be given no later than July 31 for unaudited amounts, and no later than December 31, for audited amounts; and (ii) of any event pursuant to which the administration places or causes to be placed any lien or restriction upon all of any part of the funds held in

**Description of Loans and Developments Currently Financed or Expected to be Financed with the Proceeds of the Outstanding Series of Bonds.**

See Appendix C for certain information as of December 31, 2015, contained in Appendix D of the Official Statement.

**Outstanding Indebtedness of the Administration.**

See Appendix D for an update, as of January 1, 2016, of certain information contained in Appendix E to the Official Statement.

**Appendices**

A Housing Revenue Bonds, Audited Financial Statements for the year ended June 30, 2015 and June 30, 2014. Unaudited Financial Statements for the six months ended December 31, 2015.
C Description of Loans and Developments.
D Outstanding Indebtedness of the Administration.
E Certain Information Relating to the Maryland Housing Fund: Audited Financial Statements for the year ended June 30, 2015 and June 30, 2014. Unaudited Financial Statements for the six months ended December 31, 2015.
G Certain Information relating to the Maryland Housing Fund Insurance Program.

Date: August 1, 2016*

* The original 12/31/15 EMMA filing was posted on April 6, 2016. It was determined that corrections needed to be made to Appendix G. The following corrections have been made; the Single Family Regular Reserve Ratio table on page G-11 which was adjusted to account for the incorrect inclusion of a number of paid-off loans which reduced the reserve ratios from 1.60 to 1.57. The Outstanding Multifamily Insurance Reserve table on page G-16 was adjusted to account for a data error which incorrectly overstated loan balances by approximately $9 million. The MHF Risk Rating of Multifamily Projects table on page G-17 loan count was increased by one. There were also corrections made to the footnotes in Appendix C, on pages C-1 to C-4. If you have any questions regarding these changes, please contact Michael Smith at 301-429-7894

# APPENDIX A
# COMMUNITY DEVELOPMENT ADMINISTRATION
# HOUSING REVENUE BONDS PROGRAM

## FINANCIAL STATEMENTS

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

# COMMUNITY DEVELOPMENT ADMINISTRATION
# HOUSING REVENUE BONDS

JUNE 30, 2015 AND 2014

Community Development Administration
Housing Revenue Bonds

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# INDEPENDENT AUDITOR'S REPORT

Office of the Secretary
Department of Housing and Community Development

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Development Administration Housing Revenue Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2015 and 2014, 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.

*Auditor's 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 auditor's 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 respective financial position of the Fund as of June 30, 2015 and 2014, and the changes in its respective financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

As discussed in Note 1, the financial statements present only the Community Development Administration Housing Revenue Bonds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, 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 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 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.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 28 and 29, which is the responsibility of management, 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 express no opinion on it.

CohnReznick LLP

Baltimore, Maryland
September 30, 2015

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF NET POSITION
(in thousands)

June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| RESTRICTED ASSETS | | |
| Restricted current assets | | |
| Cash and cash equivalents on deposit | $ 53,944 | $ 51,585 |
| Mortgage-backed securities | 1,113 | 57,918 |
| Mortgage loans | | |
| Single family | 28 | 29 |
| Multi-family construction and permanent financing | 3,177 | 2,889 |
| Accrued interest and other receivables | 1,043 | 1,302 |
| Total restricted current assets | 59,305 | 113,723 |
| Restricted long-term assets | | |
| Investments | 7,646 | 7,615 |
| Mortgage-backed securities, net of current portion | 77,352 | 93,875 |
| Mortgage loans, net of current portion and allowance | | |
| Single family | 24 | 48 |
| Multi-family construction and permanent financing | 136,458 | 114,497 |
| Total restricted long-term assets | 221,480 | 216,035 |
| Total restricted assets | $ 280,785 | $ 329,758 |
| LIABILITIES AND NET POSITION | | |
| Current liabilities | | |
| Accrued interest payable | $ 3,638 | $ 5,133 |
| Accounts payable | 27 | 5 |
| Bonds payable | 9,785 | 60,940 |
| Deposits by borrowers | 2,535 | 2,291 |
| Total current liabilities | 15,985 | 68,369 |
| Long-term liabilities | | |
| Bonds payable, net of current portion | 206,270 | 208,049 |
| Deposits by borrowers, net of current portion | 11,107 | 7,048 |
| Total long-term liabilities | 217,377 | 215,097 |
| Total liabilities | 233,362 | 283,466 |
| NET POSITION | | |
| Restricted | 47,423 | 46,292 |
| Total liabilities and net position | $ 280,785 | $ 329,758 |

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

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

Years ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| Operating revenue | | |
| Interest on mortgage loans | $ 6,381 | $ 5,222 |
| Interest on mortgage-backed securities | 4,989 | 11,496 |
| Interest income on investments | 494 | 864 |
| Increase (decrease) in fair value of investments | 36 | (27) |
| Fee income | 407 | 724 |
| Decrease in provision for loan losses | - | 6 |
| Other operating revenue | 1 | 13 |
| | 12,308 | 18,298 |
| Operating expenses | | |
| Interest expense on bonds | 7,844 | 14,186 |
| Professional fees and other operating expenses | 558 | 449 |
| | 8,402 | 14,635 |
| Operating income | 3,906 | 3,663 |
| Nonoperating expenses | | |
| Decrease in fair value of mortgage-backed securities | (1,650) | (5,694) |
| Total nonoperating expenses | (1,650) | (5,694) |
| Transfers of funds, as permitted by the Resolution | (1,125) | (1,125) |
| CHANGE IN NET POSITION | 1,131 | (3,156) |
| Net position - restricted at beginning of year | 46,292 | 49,448 |
| Net position - restricted at end of year | $ 47,423 | $ 46,292 |

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| Cash flows from operating activities | | |
| Principal and interest received on mortgage loans | $ 14,547 | $ 16,257 |
| Principal and interest received on mortgage-backed securities | 77,004 | 135,022 |
| Escrow funds received | 6,704 | 4,447 |
| Escrow funds paid | (2,401) | (3,063) |
| Loan fees received | 407 | 733 |
| Purchase of mortgage loans | (30,174) | (41,937) |
| Transfer of mortgage loans | (292) | - |
| Professional fees and other operating expenses | (558) | (449) |
| Other income received | 1 | 13 |
| Other reimbursements | 22 | (70) |
| Net cash provided by operating activities | 65,260 | 110,953 |
| Cash flows from investing activities | | |
| Interest received on investments | 497 | 843 |
| Net cash provided by investing activities | 497 | 843 |
| Cash flows from noncapital financing activities | | |
| Proceeds from the sale of bonds | 27,155 | 112,620 |
| Payments on bond principal | (80,095) | (200,530) |
| Interest on bonds | (9,333) | (17,918) |
| Transfers among Funds | (1,125) | (1,125) |
| Net cash used in noncapital financing activities | (63,398) | (106,953) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT | 2,359 | 4,843 |
| Cash and cash equivalents on deposit at beginning of year | 51,585 | 46,742 |
| Cash and cash equivalents on deposit at end of year | $ 53,944 | $ 51,585 |

(continued)

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | $ 3,906 | $ 3,663 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| (Increase) decrease in assets | | |
| Mortgage loans | (22,224) | (30,773) |
| Mortgage-backed securities | 71,678 | 122,967 |
| Accrued interest and other receivables | 259 | 414 |
| (Decrease) increase in liabilities | | |
| Accrued interest payable | (1,495) | (3,732) |
| Accounts payable | 22 | (70) |
| Deposits by borrowers | 4,303 | 1,384 |
| Amortizations | | |
| Investment premiums | 5 | 4 |
| Bond original discount | 6 | - |
| Decrease in provision for loan losses | - | (6) |
| (Increase) decrease in fair value of investments | (36) | 27 |
| Interest received on investments | (497) | (843) |
| Interest on bonds | 9,333 | 17,918 |
| Net cash provided by operating activities | $ 65,260 | $ 110,953 |

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2015 and 2014

## 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 Housing Revenue Bonds (the Fund). CDA's other Funds are not included. The Fund was established to issue bonds to provide funds to finance or refinance loans for various types of housing. As of June 30, 2015 and 2014, Housing Revenue Bonds have primarily financed multi-family projects.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

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

### Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). 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.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2015 and 2014, all of the Fund's cash equivalents were 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.

### Mortgage-Backed Securities

These guaranteed securities are issued in connection with mortgage loans on multi-family projects. They are stated at fair value, based on quoted market prices. Mortgage-backed securities 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 allowance for loan losses. Loan fees are recognized as revenue in the period received. Any single family 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

Substantially all of the mortgage loans of the Fund are insured or guaranteed. Less than 1% of the loan portfolio is uninsured and CDA has established an allowance for loan losses on these loans. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD's asset management group. See Notes 4 and 11 for additional information.

### Accrued Interest and Other Receivables

Accrued interest and other receivables include interest on loans and investments. On insured multi-family mortgage loans that are in default, CDA continues to accrue interest until receipt of a mortgage insurance claim. On insured single family loans, interest ceases to accrue after foreclosure. See Note 5 for additional information.

### 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 9 for more information.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 9 for further information on changes in long-term obligations.

### Mortgage Yield Limitations

All mortgage loans are subject to yield limitations under the Internal Revenue Service Code (the Code) in order for the associated bonds to maintain their tax-exempt status. At the time of bond issuance 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, 2015 and 2014, 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.

### Fee Income

CDA receives multi-family financing fees at loan origination. These fees are recognized as revenue in the period received as fee income.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 12 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 in the portfolio.

### 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.

## 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 Housing 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 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, 2015 and 2014, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

| Assets | 2015 | 2014 |
|---|---|---|
| Cash and cash equivalents: | | |
| Federated Prime Cash Obligations Fund | $ 53,944 | $ 51,585 |
| Investments: | | |
| Obligations of the U.S. Treasury | 7,646 | 7,615 |
| GNMA mortgage-backed securities | 78,465 | 151,793 |
| Total | $ 140,055 | $ 210,993 |

### 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.

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

As of June 30, 2015, the amortized cost, fair value and maturities for these assets were as follows:

| | | | Maturities (in years) | | | | |
|---|---|---|---|---|---|---|---|
| Asset | Amortized cost | Fair value | Less than 1 | 1 - 5 | 6 - 10 | 11 - 15 | More than 15 |
| Federated Prime Cash Obligations Fund | $ 53,944 | $ 53,944 | $ 53,944 | $ - | $ - | $ - | $ - |
| Obligations of the U.S. Treasury | 5,485 | 7,646 | - | - | - | 7,646 | - |
| GNMA mortgage-backed securities | 75,502 | 78,465 | - | - | - | - | 78,465 |
| Total | $ 134,931 | $ 140,055 | $ 53,944 | $ - | $ - | $ 7,646 | $ 78,465 |

As of June 30, 2014, the amortized cost, fair value and maturities for these assets were as follows:

| | | | Maturities (in years) | | | | |
|---|---|---|---|---|---|---|---|
| Asset | Amortized cost | Fair value | Less than 1 | 1 - 5 | 6 - 10 | 11 - 15 | More than 15 |
| Federated Prime Cash Obligations Fund | $ 51,585 | $ 51,585 | $ 51,585 | $ - | $ - | $ - | $ - |
| Obligations of the U.S. Treasury | 5,490 | 7,615 | - | - | - | 7,615 | - |
| GNMA mortgage-backed securities | 147,180 | 151,793 | - | - | - | - | 151,793 |
| Total | $ 204,255 | $ 210,993 | $ 51,585 | $ - | $ - | $ 7,615 | $ 151,793 |

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

The Federated Prime Cash Obligations Fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. Government. 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, 2015 and 2014, 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, 2015 and 2014, all counterparty ratings were at least equal to the ratings on the Fund's bonds. As of June 30, 2015 and 2014, the ratings on Housing Revenue Bonds 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 5 percent or more of total investments in accordance with accounting guidance issued by GASB.

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

As of June 30, 2015, 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 Prime Cash Obligations Fund | $ 53,944 | 38.52% | Aaa | | Moody's |
| Government National Mortgage Association (GNMA) Mortgage-backed securities | 78,465 | 56.02% | | Direct U.S. Obligations | |
| Obligations of the U.S. Treasury | 7,646 | 5.46% | | Direct U.S. Obligations | |
| Total | $ 140,055 | 100.00% | | | |

As of June 30, 2014, 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 Prime Cash Obligations Fund | $ 51,585 | 24.45% | Aaa | | Moody's |
| Government National Mortgage Association (GNMA) Mortgage-backed securities | 151,793 | 71.94% | | Direct U.S. Obligations | |
| Obligations of the U.S. Treasury | 7,615 | 3.61% | | Direct U.S. Obligations | |
| Total | $ 210,993 | 100.00% | | | |

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

### Mortgage-Backed Securities

All mortgage-backed securities held by the Fund are guaranteed by the Government National Mortgage Association (GNMA), an instrumentality of the United States Government. GNMA securities are "fully modified pass-through" mortgage-backed securities which require monthly payments by a Federal Housing Administration (FHA) lender, as the issuer of the guaranteed Security to CDA. GNMA guarantees timely payment of principal and interest on Guaranteed Securities.

### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2015 and 2014, 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.

## NOTE 4 - MORTGAGE LOANS

All the mortgage loans are secured by first liens on the related property and approximately 99% are insured or credit enhanced by the Federal Housing Administration (FHA), Maryland Housing Fund (MHF), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (FNMA) or GNMA. As of June 30, 2015 and 2014, interest rates on such loans range from 0.75% to 7.85% and 0.875% to 7.85%, respectively, with remaining loan terms ranging from 1 month to 40 years and 5 months to 40 years, respectively. For the years ended June 30, 2015 and 2014, an allowance for loan losses in the amount of $37 has been established for uninsured loans.

## NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2015 and 2014 were as follows:

| | 2015 | 2014 |
|---|---|---|
| Accrued mortgage loan interest | $ 614 | $ 538 |
| Accrued mortgage-backed securities interest | 341 | 678 |
| Accrued investment interest | 46 | 46 |
| Negative arbitrage due from mortgagors | 42 | 40 |
| | $ 1,043 | $ 1,302 |

## NOTE 6 - BONDS PAYABLE

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

The provisions of the Resolution require or allow for the special redemption of bonds 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. The Fund's bonds are tax-exempt and have fixed rates, except Series 2013 E which is a taxable, variable rate issue. The variable 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 these variable rate bonds bear interest at a rate in excess of 12%.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2015 and 2014

## NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2015 and the debt outstanding and bonds payable as of June 30, 2015:

| | Issue dated | Range of interest rates | Range of maturities | Debt Outstanding at June 30, 2014 | Bond Activity: New bonds issued | Bond Activity: Scheduled maturity payments | Bond Activity: Bonds redeemed | Debt Outstanding at June 30, 2015 | Bond discount/ premium deferred | Bonds payable at June 30, 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Housing Revenue Bonds | | | | | | | | | | |
| Series 1996 A | 11/01/96 | 5.80% - 5.95% | 2016 - 2023 | $ 5,600 | $ - | $ (1,335) | $ (670) | $ 3,595 | $ - | $ 3,595 |
| Series 1996 B | 11/01/96 | 5.875% - 5.95% | 2016 - 2028 | 1,245 | - | (60) | (100) | 1,085 | - | 1,085 |
| Series 2004 C | 06/10/04 | 4.65% - 5.40% | 2014 - 2047 | 6,710 | - | (80) | (6,630) | - | - | - |
| Series 2004 D | 11/23/04 | 4.35% - 5.00% | 2015 - 2037 | 1,280 | - | (45) | (1,235) | - | - | - |
| Series 2005 A | 02/17/05 | 4.25% - 4.85% | 2015 - 2047 | 5,915 | - | (75) | (1,190) | 4,650 | - | 4,650 |
| Series 2005 B | 04/21/05 | 4.25% - 5.10% | 2014 - 2047 | 17,995 | - | (230) | (17,765) | - | - | - |
| Series 2005 C | 12/14/05 | 4.25% - 5.15% | 2014 - 2047 | 11,450 | - | (415) | (11,035) | - | - | - |
| Series 2006 A | 04/27/06 | 4.35% - 5.05% | 2014 - 2047 | 9,335 | - | (125) | (9,210) | - | - | - |
| Series 2006 B | 04/27/06 | 4.35% - 5.00% | 2014 - 2039 | 2,520 | - | (155) | (2,365) | - | - | - |
| Series 2006 C | 04/27/06 | 4.00% - 4.75% | 2014 - 2036 | 1,835 | - | (45) | - | 1,790 | - | 1,790 |
| Series 2006 D | 09/27/06 | 4.91% | 7/1/2048 | 4,230 | - | (50) | - | 4,180 | - | 4,180 |
| Series 2007 A | 06/14/07 | 4.15% - 4.95% | 2014 - 2049 | 20,215 | - | (345) | (3,055) | 16,815 | - | 16,815 |
| Series 2007 B | 08/30/07 | 5.51% | 1/1/2038 | 4,625 | - | (70) | - | 4,555 | - | 4,555 |
| Series 2007 C | 12/20/07 | 5.38% | 1/1/2043 | 1,460 | - | (15) | - | 1,445 | - | 1,445 |
| Series 2008 A | 05/29/08 | 5.24% | 7/1/2038 | 5,330 | - | (110) | - | 5,220 | - | 5,220 |
| Series 2008 B | 05/29/08 | 5.63% | 7/1/2049 | 9,960 | - | (90) | - | 9,870 | - | 9,870 |
| Series 2008 C | 09/19/08 | 5.60% | 7/1/2048 | 7,135 | - | (70) | - | 7,065 | - | 7,065 |
| Series 2008 D | 12/18/08 | 5.25% - 6.75% | 2018 - 2039 | 3,660 | - | (60) | - | 3,600 | - | 3,600 |
| Series 2009 A | 11/24/09 | 5.25% | 7/1/2041 | 7,005 | - | (250) | - | 6,755 | - | 6,755 |
| Series 2012 A | 07/26/12 | 0.50% - 4.375% | 2014 - 2054 | 9,320 | - | (115) | - | 9,205 | - | 9,205 |
| Series 2012 B | 08/30/12 | 0.45% - 4.125% | 2014 - 2054 | 4,500 | - | (55) | - | 4,445 | - | 4,445 |
| Series 2012 D | 11/07/12 | 0.40% - 3.875% | 2014 - 2054 | 4,700 | - | (65) | - | 4,635 | - | 4,635 |
| Series 2013 A | 02/28/13 | 0.55% - 4.00% | 2015 - 2054 | 10,925 | - | (75) | - | 10,850 | - | 10,850 |
| Series 2013 B | 07/25/13 | 0.70% - 5.15% | 2015 - 2055 | 11,915 | - | - | (970) | 10,945 | - | 10,945 |
| Series 2013 C | 07/25/13 | 0.50% - 5.50% | 2014 - 2045 | 22,695 | - | (765) | (17,965) | 3,965 | - | 3,965 |
| Series 2013 D | 09/19/13 | 0.60% - 5.65% | 2015 - 2055 | 10,790 | - | - | (3,205) | 7,585 | - | 7,585 |
| Series 2013 E | 11/07/13 | Variable rate | 7/1/2045 | 41,795 | - | - | - | 41,795 | - | 41,795 |
| Series 2013 F | 12/12/13 | 0.75% - 5.25% | 2016 - 2055 | 16,255 | - | - | - | 16,255 | - | 16,255 |
| Series 2014 A | 02/27/14 | 0.30% - 5.00% | 2015 - 2055 | 4,805 | - | - | - | 4,805 | - | 4,805 |
| Series 2014 B | 05/21/14 | 0.50% - 4.45% | 2016 - 2055 | 3,790 | - | - | - | 3,790 | - | 3,790 |
| Series 2014 C | 08/21/14 | 0.45% - 4.05% | 2016 - 2046 | - | 3,700 | - | - | 3,700 | - | 3,700 |
| Series 2014 D | 12/17/14 | 0.45% - 4.20% | 2016 - 2056 | - | 10,060 | - | - | 10,060 | - | 10,060 |
| Series 2015 A | 05/28/15 | 0.80% - 4.55% | 2017 - 2057 | - | 13,395 | - | - | 13,395 | - | 13,395 |
| Total | | | | $ 268,995 | $ 27,155 | $ (4,700) | $ (75,395) | $ 216,055 | $ - | $ 216,055 |

## NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2014 and the debt outstanding and bonds payable as of June 30, 2014:

| | Issue dated | Range of interest rates | Range of maturities | Debt Outstanding at June 30, 2013 | Bond Activity: New bonds issued | Bond Activity: Scheduled maturity payments | Bond Activity: Bonds redeemed | Debt Outstanding at June 30, 2014 | Bond discount/ premium deferred | Bonds payable at June 30, 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Housing Revenue Bonds | | | | | | | | | | |
| Series 1996 A | 11/01/96 | 5.80% - 5.95% | 2016 - 2023 | $ 8,135 | $ - | $ (1,460) | $ (1,075) | $ 5,600 | $ - | $ 5,600 |
| Series 1996 B | 11/01/96 | 5.875% - 5.95% | 2016 - 2028 | 1,305 | - | (60) | - | 1,245 | - | 1,245 |
| Series 1999 A | 02/01/99 | 5.05% - 5.35% | 2018 - 2041 | 14,420 | - | (110) | (14,310) | - | - | - |
| Series 1999 D | 12/01/99 | 5.90% - 6.35% | 2013 - 2042 | 5,425 | - | (140) | (5,285) | - | - | - |
| Series 2000 A | 10/01/00 | 5.40% - 6.10% | 2013 - 2042 | 17,705 | - | (235) | (17,470) | - | - | - |
| Series 2001 B | 10/01/01 | 5.10% - 5.45% | 2016 - 2043 | 24,715 | - | (245) | (24,470) | - | - | - |
| Series 2002 A | 03/01/02 | 5.00% - 5.70% | 2013 - 2043 | 8,705 | - | (110) | (8,595) | - | - | - |
| Series 2002 B | 10/01/02 | 3.95% - 5.05% | 2013 - 2045 | 25,990 | - | (345) | (25,645) | - | - | - |
| Series 2003 A | 04/01/03 | 4.10% - 5.22% | 2013 - 2045 | 22,995 | - | (285) | (22,710) | - | - | - |
| Series 2003 C | 09/01/03 | 4.30% - 5.90% | 2013 - 2045 | 10,040 | - | (115) | (9,925) | - | - | - |
| Series 2003 D | 12/01/03 | 4.05% - 5.125% | 2013 - 2045 | 11,215 | - | (140) | (11,075) | - | - | - |
| Series 2004 B | 03/31/04 | 3.50% - 4.70% | 2013 - 2046 | 18,760 | - | (375) | (18,385) | - | - | - |
| Series 2004 C | 06/10/04 | 4.50% - 5.40% | 2013 - 2047 | 33,595 | - | (370) | (26,515) | 6,710 | - | 6,710 |
| Series 2004 D | 11/23/04 | 4.35% - 5.00% | 2015 - 2037 | 1,365 | - | (85) | - | 1,280 | - | 1,280 |
| Series 2005 A | 02/17/05 | 4.25% - 4.85% | 2015 - 2047 | 5,995 | - | (80) | - | 5,915 | - | 5,915 |
| Series 2005 B | 04/21/05 | 4.15% - 5.10% | 2013 - 2047 | 18,215 | - | (220) | - | 17,995 | - | 17,995 |
| Series 2005 C | 12/14/05 | 4.15% - 5.15% | 2013 - 2047 | 11,845 | - | (395) | - | 11,450 | - | 11,450 |
| Series 2006 A | 04/27/06 | 4.30% - 5.05% | 2013 - 2047 | 9,455 | - | (120) | - | 9,335 | - | 9,335 |
| Series 2006 B | 04/27/06 | 4.30% - 5.00% | 2013 - 2039 | 2,670 | - | (150) | - | 2,520 | - | 2,520 |
| Series 2006 C | 04/27/06 | 3.90% - 4.75% | 2013 - 2036 | 1,880 | - | (45) | - | 1,835 | - | 1,835 |
| Series 2006 D | 09/27/06 | 4.91% | 7/1/2048 | 4,270 | - | (40) | - | 4,230 | - | 4,230 |
| Series 2007 A | 06/14/07 | 4.05% - 4.95% | 2013 - 2049 | 20,550 | - | (335) | - | 20,215 | - | 20,215 |
| Series 2007 B | 08/30/07 | 5.51% | 1/1/2038 | 4,690 | - | (65) | - | 4,625 | - | 4,625 |
| Series 2007 C | 12/20/07 | 5.38% | 1/1/2043 | 1,480 | - | (20) | - | 1,460 | - | 1,460 |
| Series 2008 A | 05/29/08 | 5.24% | 7/1/2038 | 5,435 | - | (105) | - | 5,330 | - | 5,330 |
| Series 2008 B | 05/29/08 | 5.63% | 7/1/2049 | 10,040 | - | (80) | - | 9,960 | - | 9,960 |
| Series 2008 C | 09/19/08 | 5.60% | 7/1/2048 | 7,380 | - | (245) | - | 7,135 | - | 7,135 |
| Series 2008 D | 12/18/08 | 4.125% - 6.75% | 2013 - 2039 | 3,720 | - | (60) | - | 3,660 | - | 3,660 |
| Series 2009 A | 11/24/09 | 5.25% | 7/1/2041 | 7,240 | - | (235) | - | 7,005 | - | 7,005 |
| Series 2012 A | 07/26/12 | 0.40% - 4.375% | 2014 - 2054 | 9,340 | - | (20) | - | 9,320 | - | 9,320 |
| Series 2012 B | 08/30/12 | 0.45% - 4.125% | 2014 - 2054 | 5,505 | - | - | (1,005) | 4,500 | - | 4,500 |
| Series 2012 C | 09/13/12 | 0.85% | 9/1/2014 | 7,200 | - | - | (7,200) | - | - | - |
| Series 2012 D | 11/07/12 | 0.40% - 3.875% | 2014 - 2054 | 4,700 | - | - | - | 4,700 | - | 4,700 |
| Series 2013 A | 02/28/13 | 0.55% - 4.00% | 2015 - 2054 | 10,925 | - | - | - | 10,925 | - | 10,925 |
| Series 2013 B | 07/25/13 | 0.70% - 5.15% | 2015 - 2055 | - | 11,915 | - | - | 11,915 | - | 11,915 |
| Series 2013 C | 07/25/13 | 0.50% - 5.50% | 2014 - 2045 | - | 23,270 | (575) | - | 22,695 | (6) | 22,689 |
| Series 2013 D | 09/19/13 | 0.60% - 5.65% | 2015 - 2055 | - | 10,790 | - | - | 10,790 | - | 10,790 |
| Series 2013 E | 11/07/13 | Variable rate | 7/1/2045 | - | 41,795 | - | - | 41,795 | - | 41,795 |
| Series 2013 F | 12/12/13 | 0.75% - 5.25% | 2016 - 2055 | - | 16,255 | - | - | 16,255 | - | 16,255 |
| Series 2014 A | 02/27/14 | 0.30% - 5.00% | 2015 - 2055 | - | 4,805 | - | - | 4,805 | - | 4,805 |
| Series 2014 B | 05/21/14 | 0.50% - 4.45% | 2016 - 2055 | - | 3,790 | - | - | 3,790 | - | 3,790 |
| Total | | | | $ 356,905 | $ 112,620 | $ (6,865) | $ (193,665) | $ 268,995 | $ (6) | $ 268,989 |

## NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2015, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2015 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 5-year increments thereafter, were as follows:

| Years ended June 30, | Interest | Principal |
|---|---|---|
| 2016 | $ 7,356 | $ 9,785 |
| 2017 | 7,336 | 12,340 |
| 2018 | 7,153 | 2,705 |
| 2019 | 7,062 | 2,490 |
| 2020 | 6,971 | 2,385 |
| 2021 - 2025 | 33,099 | 14,855 |
| 2026 - 2030 | 29,680 | 16,550 |
| 2031 - 2035 | 25,345 | 20,700 |
| 2036 - 2040 | 19,754 | 24,895 |
| 2041 - 2045 | 13,811 | 24,455 |
| 2046 - 2050 | 7,484 | 65,795 |
| 2051 - 2055 | 2,590 | 17,515 |
| 2056 - 2060 | 64 | 1,585 |
| Total | $ 167,705 | $ 216,055 |

The interest calculations on outstanding variable rate bonds in the amount of $41,795 are based on the variable rate in effect on June 30, 2015 and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary.

NOTE 7 - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2014, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2014 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 5-year increments thereafter, were as follows:

| Years ended June 30, | Interest | Principal |
|---|---|---|
| 2015 | $ 9,342 | $ 60,940 |
| 2016 | 7,346 | 14,785 |
| 2017 | 7,109 | 6,330 |
| 2018 | 6,978 | 3,205 |
| 2019 | 6,871 | 2,650 |
| 2020 - 2024 | 32,566 | 15,105 |
| 2025 - 2029 | 28,936 | 16,915 |
| 2030 - 2034 | 24,590 | 19,470 |
| 2035 - 2039 | 19,278 | 23,965 |
| 2040 - 2044 | 13,307 | 23,230 |
| 2045 - 2049 | 7,254 | 65,475 |
| 2050 - 2054 | 2,524 | 14,460 |
| 2055 - 2059 | 104 | 2,465 |
| Total | $ 166,205 | $ 268,995 |

The interest calculations on outstanding variable rate bonds in the amount of $41,795 are based on the variable rate in effect on June 30, 2014 and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary.

## NOTE 8 - BOND REFUNDINGS

For current refundings of debt in an optional redemption, CDA replaces previously issued bonds 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.

During the fiscal year ended June 30, 2014, CDA issued and redeemed the following bonds as part of economic refundings:

On July 25, 2013, CDA issued $23,270 of Series 2013 C bonds which refunded all or part of Series 1999 D, Series 2001 B and Series 2003 C on August 26, 2013. This refunding reduced total debt service payments for the remaining life of the bonds and resulted in an economic gain of $2,127.

On November 7, 2013, CDA issued $41,795 of Series 2013 E bonds which refunded all of Series 1999 A, Series 2001 B and Series 2003 D on December 9, 2013. The Series 2013 E bonds are variable rate and exact savings cannot be calculated at this time.

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. As a result of the refundings described above, CDA did not have to defer any refunding debt costs associated with the refunded bonds. For the year ended June 30, 2015, CDA did not issue any refunding bonds for the purpose of lowering its cost of debt.

## NOTE 9 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2015 and 2014 were as follows:

| | 2015 | 2014 |
|---|---|---|
| Bonds payable | | |
| Beginning balance | $ 268,989 | $ 356,899 |
| Additions | 27,155 | 112,620 |
| Reductions | (80,095) | (200,530) |
| Change in deferred amounts for issuance discounts/premiums | 6 | - |
| Ending balance | 216,055 | 268,989 |
| Less due within one year | (9,785) | (60,940) |
| Total long-term bonds payable | 206,270 | 208,049 |
| Deposits by borrowers | | |
| Beginning balance | 9,339 | 7,955 |
| Additions | 6,704 | 4,447 |
| Reductions | (2,401) | (3,063) |
| Ending balance | 13,642 | 9,339 |
| Less due within one year | (2,535) | (2,291) |
| Total long-term deposits by borrowers | 11,107 | 7,048 |
| Total long-term liabilities | $ 217,377 | $ 215,097 |

## NOTE 10 - 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, 2015 and 2014, the Fund transferred the following amounts, as permitted, among Funds:

| | 2015 | 2014 |
|---|---|---|
| Excess revenue transferred to the General Bond Reserve Fund | $ (1,125) | $ (1,125) |

## NOTE 11 - MORTGAGE INSURANCE

Approximately 99% of the Fund's mortgage loans are insured or credit enhanced 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.

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

## 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 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.

## NOTE 13 - SUBSEQUENT EVENTS

Events that occur after the date of the statement of net position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of CDA through September 30, 2015 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements except for the following activity that occurred subsequent to June 30, 2015.

Subsequent to the year ended June 30, 2015, the following activity took place:

On July 20, 2015, CDA redeemed the following bonds:
Series 2013 F $3,950

On September 8, 2015, CDA redeemed the following bonds:
Series 1996 A $100

Community Development Administration
Housing Revenue Bonds

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

June 30, 2015 and 2014
(Unaudited)

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 the U.S. Treasury) held by the Fund as of June 30, 2015, 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 |
|---|---|---|
| 1997 | $ (352) | $ (352) |
| 1998 | $ 832 | $ 480 |
| 1999 | $ (407) | $ 73 |
| 2000 | $ 48 | $ 121 |
| 2001 | $ 193 | $ 314 |
| 2002 | $ 157 | $ 471 |
| 2003 | $ 889 | $ 1,360 |
| 2004 | $ (678) | $ 682 |
| 2005 | $ 897 | $ 1,579 |
| 2006 | $ (866) | $ 713 |
| 2007 | $ 48 | $ 761 |
| 2008 | $ 444 | $ 1,205 |
| 2009 | $ 202 | $ 1,407 |
| 2010 | $ 472 | $ 1,879 |
| 2011 | $ (280) | $ 1,599 |
| 2012 | $ 1,283 | $ 2,882 |
| 2013 | $ (730) | $ 2,152 |
| 2014 | $ (27) | $ 2,125 |
| 2015 | $ 36 | $ 2,161 |

Community Development Administration
Housing Revenue Bonds

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

June 30, 2015 and 2014
(Unaudited)

For mortgage-backed securities held by the Fund as of June 30, 2015, 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 |
|---|---|---|
| 2000 | $ (3,825) | $ (3,825) |
| 2001 | $ (3,291) | $ (7,116) |
| 2002 | $ 3,340 | $ (3,776) |
| 2003 | $ 21,435 | $ 17,659 |
| 2004 | $ (11,126) | $ 6,533 |
| 2005 | $ 12,879 | $ 19,412 |
| 2006 | $ (27,704) | $ (8,292) |
| 2007 | $ 3,661 | $ (4,631) |
| 2008 | $ (5,987) | $ (10,618) |
| 2009 | $ 17,358 | $ 6,740 |
| 2010 | $ 13,103 | $ 19,843 |
| 2011 | $ (7,348) | $ 12,495 |
| 2012 | $ 6,303 | $ 18,798 |
| 2013 | $ (8,491) | $ 10,307 |
| 2014 | $ (5,694) | $ 4,613 |
| 2015 | $ (1,650) | $ 2,963 |

# COMMUNITY DEVELOPMENT ADMINISTRATION
# HOUSING REVENUE BONDS

## Unaudited Interim Financial Statements
## For the six month period ended
## December 31, 2015

# Community Development Administration
# Housing Revenue Bonds

## Statements of Net Position
(in thousands)

As of December 31, 2015 and June 30, 2015

| | 12/31/2015 (Unaudited) | 6/30/2015 (Audited) |
|---|---|---|
| **Restricted assets** | | |
| **Restricted current assets** | | |
| Cash and cash equivalents on deposit | $ 54,094 | $ 53,944 |
| Investments | 4,960 | - |
| Mortgage-backed securities | 927 | 1,113 |
| Single family mortgage loans | 21 | 28 |
| Multi-family mortgage loans | 3,391 | 3,177 |
| Accrued interest and other receivables | 1,171 | 1,043 |
| **Total restricted current assets** | 64,564 | 59,305 |
| **Restricted long-term assets** | | |
| Investments, net of current portion | 7,606 | 7,646 |
| Mortgage-backed securities, net of current portion | 60,422 | 77,352 |
| Single family mortgage loans, net of current portion | 12 | 24 |
| Multi-family mortgage loans, net of current portion | 170,390 | 136,458 |
| **Total restricted long-term assets** | 238,430 | 221,480 |
| **Total restricted assets** | $ 302,994 | $ 280,785 |
| | | |
| **Liabilities and net position** | | |
| **Current liabilities** | | |
| Accrued interest payable | $ 3,676 | $ 3,638 |
| Accounts payable | 23 | 27 |
| Bonds payable | 8,230 | 9,785 |
| Deposits by borrowers | 2,963 | 2,535 |
| **Total current liabilities** | 14,892 | 15,985 |
| **Long-term liabilities** | | |
| Bonds payable, net of current portion | 226,160 | 206,270 |
| Deposits by borrowers, net of current portion | 10,542 | 11,107 |
| **Total long-term liabilities** | 236,702 | 217,377 |
| **Total liabilities** | 251,594 | 233,362 |
| **Net position** | | |
| Restricted | 51,400 | 47,423 |
| **Total liabilities and net position** | $ 302,994 | $ 280,785 |

*See accompanying notes.*

# Community Development Administration
# Housing Revenue Bonds

## Statements of Revenue, Expenses and Changes in Net Position
(in thousands)

For the six months ended December 31, 2015 and December 31, 2014

| | 12/31/2015 (Unaudited) | 12/31/2014 (Unaudited) |
|---|---|---|
| **Operating revenue** | | |
| Interest on mortgage loans | $ 3,775 | $ 3,123 |
| Interest on mortgage-backed securities | 1,800 | 2,873 |
| Interest income on investments | 341 | 247 |
| (Decrease) increase in fair value of investments | (45) | 212 |
| Fee income | 557 | 207 |
| | 6,428 | 6,662 |
| **Operating expenses** | | |
| Interest expense on bonds | 3,938 | 4,160 |
| Professional fees and other operating expenses | 241 | 278 |
| | 4,179 | 4,438 |
| Operating income | 2,249 | 2,224 |
| **Nonoperating revenue (expense)** | | |
| Increase (decrease) in fair value of mortgage-backed securities | 1,728 | (424) |
| **Change in net position** | 3,977 | 1,800 |
| Net position - restricted at beginning of period | 47,423 | 46,292 |
| Net position - restricted at end of period | $ 51,400 | $ 48,092 |

*See accompanying notes.*

# Community Development Administration
# Housing Revenue Bonds

## Statements of Cash Flows
(in thousands)

For the six months ended December 31, 2015 and December 31, 2014

| | 12/31/2015 (Unaudited) | 12/31/2014 (Unaudited) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Principal and interest received on mortgage loans | $ 14,933 | $ 5,263 |
| Principal and interest received on mortgage-backed securities | 20,733 | 69,746 |
| Escrow funds received | 2,854 | 3,247 |
| Escrow funds paid | (2,991) | (1,473) |
| Loan fees received | 557 | 207 |
| Purchase of mortgage loans | (45,449) | (20,585) |
| Professional fees and other operating expenses | (241) | (278) |
| Other reimbursements | (4) | - |
| Net cash from operating activities | (9,608) | 56,127 |
| **Cash flows from investing activities** | | |
| Purchases of investments | (4,996) | - |
| Interest received on investments | 319 | 266 |
| Net cash from investing activities | (4,677) | 266 |
| **Cash flows from noncapital financing activities** | | |
| Proceeds from sale of bonds | 48,200 | 13,760 |
| Payments on bond principal | (29,865) | (69,130) |
| Interest on bonds | (3,900) | (5,711) |
| Net cash from noncapital financing activities | 14,435 | (61,081) |
| Net increase (decrease) in cash and cash equivalents on deposit | 150 | (4,688) |
| Cash and cash equivalents on deposit at beginning of period | 53,944 | 51,585 |
| Cash and cash equivalents on deposit at end of period | $ 54,094 | $ 46,897 |

(continued)

Community Development Administration
Housing Revenue Bonds

Statements of Cash Flows - continued
(in thousands)

For the six months ended December 31, 2015 and December 31, 2014

| | 12/31/2015 (Unaudited) | 12/31/2014 (Unaudited) |
|---|---|---|
| **Reconciliation of operating income to net cash from operating activities** | | |
| Operating income | $ 2,249 | $ 2,224 |
| Adjustments to reconcile operating income to net cash from operating activities | | |
| (Increase) decrease in assets | | |
| Mortgage loans | (34,127) | (18,376) |
| Mortgage-backed securities | 18,844 | 66,560 |
| Accrued interest and other receivables | (128) | 261 |
| Increase (decrease) in liabilities | | |
| Accrued interest payable | 38 | (1,557) |
| Accounts payable | (4) | - |
| Deposits by borrowers | (137) | 1,774 |
| Amortizations | | |
| Investment premiums and discounts | 31 | 2 |
| Bond original issue premiums | - | 6 |
| Decrease (increase) in fair value of investments | 45 | (212) |
| Interest received on investments | (319) | (266) |
| Interest on bonds | 3,900 | 5,711 |
| Net cash from operating activities | $ (9,608) | $ 56,127 |

*See accompanying notes.*

# Community Development Administration
# Housing Revenue Bonds

## Notes to Unaudited Interim Financial Statements
(in thousands)

December 31, 2015

**1. Basis of Presentation:**

In the opinion of management, the accompanying interim financial statements of the Community Development Administration (CDA) Housing Revenue Bonds present fairly the financial position at December 31, 2015 and the results of its operations for the six months ended December 31, 2015 and December 31, 2014. These interim financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations. The December 31, 2015 financial statements are unaudited, and certain information and footnote disclosures normally included in the annual financial statements have been omitted. Readers of these statements should refer to the financial statements and notes thereto as of June 30, 2015 and for the year then ended, which have been included elsewhere in this disclosure. The results of operations presented in the accompanying financial statements are not necessarily representative of operations for the entire year.

**2. Investments and Mortgage-backed Securities:**

In accordance with GASB Statement No. 31, CDA reflects investments and mortgage-backed securities at fair value.

**Investments**
As of December 31, 2015, the fair value of investments was $12,566 of which $10,450 was the cost of these investments and $2,116 was the cumulative increase in fair value. For the six months ended December 31, 2015, the fair value of investments decreased by $45.

**Mortgage-backed Securities**
As of December 31, 2015, the fair value of mortgage-backed securities was $61,349 of which $56,658 was the cost of these mortgage-backed securities and $4,691 was the cumulative increase in fair value. For the six months ended December 31, 2015, the fair value of mortgage-backed securities increased by $1,728.

**3. Mortgage loans:**

During the six months ended December 31, 2015, CDA purchased multi-family mortgage loans in the amount of $45,449.

**4. Bonds payable:**

On July 20, 2015 and September 8, 2015, CDA redeemed, prior to maturity, $3,950 and $100, respectively, of Housing Revenue Bonds. No losses were incurred.

On October 1, 2015, October 15, 2015 and October 23, 2015, CDA redeemed, prior to maturity, $9,510, $8,840 and $2,520, respectively, of Housing Revenue Bonds. No losses were incurred.

On October 7, 2015, CDA issued $48,200 of Housing Revenue Bonds Series 2015 B with interest rates from 0.70% to 4.50% and maturity dates from October 1, 2017 to July 1, 2057.

On December 2, 2015, CDA redeemed, prior to maturity, $565 of Housing Revenue Bonds. No losses were incurred.

**5. Subsequent events:**

On April 1, 2016, CDA redeemed, prior to maturity, $3,740 of Housing Revenue Bonds.

## Appendix C

## Description of Loans and Developments

**Table C-1, Developments Currently Financed with the Proceeds of Prior Series of Bonds:**

*Multifamily Projects*

| Name | Footnote | Location | Owner/ Developer | Subsidy | No. of Units (5) | No. of Subsidized Units | Total Subsidy Term (Months) | Credit Enhancement | Original Loan Term (Months) | Remaining Loan Term (Months) | Interest Rate (6) | Original Mortgage Loan Balance Amount | Scheduled Loan Balance as of 12/31/2015 | Current Loan Balance as of 12/31/2015 | Reserve For Replacements as of 12/31/2015 (7) | Occupancy (2) | Inspection Rating (3) | Bond Series |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Alcott Place Apt Long-Term | 9, 11, 15, 22 | Baltimore City | Alcott Place,LLC | None | 51 | 0 | 0 | RISK SHARE | 480 | 473 | 4.95% | 1,270,000 | 1,264,024 | 1,264,024 | 8,925 | 98% | Pending | HRB2014B |
| Bethel Gardens | 10 | Washington County | The Bethel Corporation | Section 236 | 94 | 94 | 480 | MHF | 480 | 17 | 7.85% | 2,259,719 | 264,253 | 264,253 | 52,438 | 97% | Satisfactory | HRB1996A |
| Bolton House/Mt. Royal | 15, 16, 25 | Baltimore City | Mid-City Urban, LLC | Section 236 | 260 | 260 | 480 | RISK SHARE | 480 | 23 | 7.85% | 5,433,760 | 1,008,124 | 1,008,124 | 244,113 | 95% | Satisfactory | HRB2013C |
| Bolton House/Mt. Royal II | 15, 25 | Baltimore City | Mid-City Urban, LLC | Section 236 | 0 | 0 | 0 | RISK SHARE | 360 | 182 | 6.47% | 3,091,240 | 2,255,375 | 2,255,375 | 0 | 95% | Satisfactory | HRB2013C |
| Calvert Pines II | | Calvert County | Housing Authority of Calvert County | None | 48 | 0 | 0 | MHF | 336 | 53 | 7.00% | 353,956 | 108,467 | 108,467 | 542,431 | 98% | Satisfactory | HRB1996A |
| Cherrydale Apartments | | Baltimore City | Cherrydale Limited Partnership | None | 186 | 0 | 0 | GNMA | 480 | 405 | 6.19% | 3,755,000 | 3,591,547 | 3,591,547 | 0 | 97% | Above Average | HRB2008B |
| Chesapeake Commons | 14 | Baltimore City | City College Associates Limited Partnership | None | 95 | 0 | 0 | MHF | 360 | 89 | 7.00% | 235,000 | 108,304 | 108,304 | 0 | 92% | Above Average | HRB1996A |
| Coleman Manor Apartments | | Baltimore City | Homes for Wallbrook Limited Partner | Section 8 | 50 | 49 | 480 | GNMA | 480 | 389 | 5.41% | 1,126,400 | 1,052,056 | 1,052,056 | 0 | 86% | Satisfactory | HRB2007A |
| Cottages at River House Phase IV Const | 9, 11, 15, 22 | Wicomico County | Blackburn Housing IV LP | None | 36 | 0 | 0 | RISK SHARE | 480 | 480 | 4.60% | 1,990,000 | 1,990,000 | 1,990,000 | 0 | 0% | New Const. | HRB2015A |
| Cottages at River House Phase IV Short-Term | 11 | Wicomico County | Blackburn Housing IV LP | None | 0 | 0 | 0 | MHF | 480 | 480 | 1.125% | 910,000 | 203,898 | 203,898 | 0 | 0% | New Const. | HRB2015A |
| Epiphany House | 12 | Baltimore City | Epiphany House Limited Partnership | None | 33 | 0 | 0 | MHF | 384 | 24 | 3.70% | 925,000 | 81,676 | 81,676 | 17,916 | 94% | Above Average | HRB1996A |
| Essex House Apartments | 15, 22 | Montgomery County | Essex House,LLC | None | 135 | 0 | 0 | RISK SHARE | 480 | 472 | 5.20% | 10,855,000 | 10,800,173 | 10,800,173 | 108,007 | 98% | Above Average | HRB2013F |
| Fairbrooke Senior Apts | 11, 15, 22 | Harford County | MD HA Fairbrooke LLC | Section 8 | 122 | 24 | 0 | RISK SHARE | 480 | 478 | 4.34% | 6,525,000 | 6,514,847 | 6,514,847 | 40,654 | 98% | Pending | HRB2014D |
| Federalsburg Square Const. | 9,11, 15, 22 | Caroline County | Federalsburg Square LLC | USDA | 88 | 70 | 0 | RISK SHARE | 480 | 480 | 4.50% | 1,975,000 | 0 | 0 | 0 | 0% | New Const. | HRB2015B |
| Federalsburg Square LOC | 9, 11 | Caroline County | Federalsburg Square LLC | None | 0 | 0 | 0 | LOC | 24 | 23 | 0.95% | 2,935,000 | 1,653,383 | 1,653,383 | 0 | 0% | New Const. | HRB2015B |
| Foxwell Memorial Apartments | | Baltimore City | Homes for Greenspring LP | Section 8 | 154 | 154 | 240 | GNMA | 420 | 305 | 5.54% | 3,320,000 | 2,928,378 | 2,928,378 | 0 | 99% | Below Average | HRB2006A |

## Appendix C

## Description of Loans and Developments

**Table C-1, Developments Currently Financed with the Proceeds of Prior Series of Bonds:**

*Multifamily Projects*

| Name | Footnote | Location | Owner/ Developer | Subsidy | No. of Units (5) | No. of Subsidized Units | Total Subsidy Term (Months) | Credit Enhancement | Original Loan Term (Months) | Remaining Loan Term (Months) | Interest Rate (6) | Original Mortgage Loan Balance Amount | Scheduled Loan Balance as of 12/31/2015 | Current Loan Balance as of 12/31/2015 | Reserve For Replacements as of 12/31/2015 (7) | Occupancy (2) | Inspection Rating (3) | Bond Series |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Frostburg Heights | | Allegany County | The Tressler Lutheran Home for Children | Section 8 | 110 | 110 | 480 | FHLMC | 480 | 40 | 6.79% | 2,784,200 | 602,769 | 602,769 | 143,680 | 92% | Satisfactory | HRB1996A |
| Greenbelt/ Greenridge | | Prince George's County | City of Greenbelt | Section 8 | 101 | 100 | 480 | MHF | 480 | 23 | 7.23% | 3,343,400 | 459,949 | 459,949 | 589,406 | 99% | Above Average | HRB1996A |
| Hickory Ridge Apts. II | 17 | Howard County | Hickory Ridge Village, LLLP | None | 108 | 0 | 0 | UNINSURED | 456 | 334 | 4.00% | 507,121 | 411,563 | 411,563 | 0 | 99% | Above Average | HRB1996A |
| Holly Lane Apartments | | Baltimore City | HTA Development | None | 170 | 0 | 0 | GNMA | 480 | 394 | 5.41% | 10,648,600 | 9,992,303 | 9,992,303 | 0 | 81% | Satisfactory | HRB2007A |
| Johnston Square Apartments | | Baltimore County | General Greene Limited Partnership | Section 8 | 218 | 217 | 480 | GNMA | 480 | 408 | 6.18% | 7,380,000 | 7,073,381 | 7,073,381 | 0 | 97% | Satisfactory | HRB2008C |
| Lanvale Towers/Canal Court Apts. | 4, 20, 21 | Baltimore City | Lanvale Housing, LP | Section 236 Section 8 | 321 | 321 | 168 | GNMA | 480 | 374 | 5.47% | 16,135,000 | 13,011,320 | 13,011,320 | 0 | 95% | Satisfactory | HRB2005C |
| Leonard Apartments Long-Term | 15, 22 | Wicomico County | Booth Street Limited Partnership | USDA | 66 | 58 | 0 | RISK SHARE | 360 | 345 | 4.93% | 1,295,000 | 1,270,664 | 1,270,664 | 177,296 | 97% | Satisfactory | HRB2013B |
| Lester Morton Court Apts. Part A | 4, 18 | Baltimore City | Hampstead Lester Morton Court Partners, L.P. | Section 236 Section 8 | 70 | 70 | 120 | FNMA | 360 | 253 | 6.45% | 2,770,000 | 1,204,746 | 1,204,746 | 0 | 94% | Satisfactory | HRB2004D |
| Longwood | | Howard County | Columbia Associates | Section 8 | 100 | 100 | 480 | MHF | 480 | 37 | 7.23% | 3,080,000 | 650,813 | 650,813 | 116,963 | 98% | Above Average | HRB1996A |
| Manhattan Park Apartments - Part A | 4, 23 | Baltimore City | The Manhattan Park Apts., LP | Section 236 | 123 | 123 | 108 | FNMA | 360 | 266 | 6.46% | 2,520,000 | 2,240,038 | 2,240,038 | 0 | 97% | Above Average | HRB2006B |
| Mount Clare Overlook | | Baltimore City | SKB Development LP | Section 8 | 110 | 110 | 252 | GNMA | 480 | 378 | 5.57% | 6,705,000 | 6,213,324 | 6,213,324 | 0 | 100% | Below Average | HRB2006A |
| Mulberry Hills Apts. I | 4, 15 | Talbot County | Mulberry Estates, LLLP | USDA | 128 | 63 | 0 | RISK SHARE | 480 | 455 | 4.27% | 4,500,000 | 4,407,162 | 4,407,162 | 230,032 | 99% | Satisfactory | HRB2012B |
| New Towne Village - A | 19 | St. Mary's County | Leonardtown Senior Limited Partnership | None | 36 | 0 | 0 | FNMA | 420 | 324 | 6.43% | 1,545,000 | 1,422,226 | 1,422,226 | 0 | 100% | Above Average | HRB2007C |
| North Street Senior Apartments | 11, 15, 22 | Cecil County | TCB North Street Senior, LLC | None | 53 | 0 | 0 | RISK SHARE | 480 | 472 | 5.20% | 1,450,000 | 1,442,675 | 1,442,675 | 13,250 | 100% | Pending | HRB2013F |
| Oak Grove Manor | | Baltimore County | Oak Grove Associates, LLC | None | 120 | 0 | 0 | UNINSURED | 480 | 352 | 4.00% | 139,494 | 120,693 | 120,693 | 0 | 94% | Above Average | HRB1996A |
| Oak Grove Manor II | 17 | Baltimore County | Oak Grove Associates, LLC | None | 0 | 0 | 0 | UNINSURED | 456 | 336 | 4.00% | 1,110,506 | 980,314 | 980,314 | 0 | 94% | Above Average | HRB1996A |
| Orchard Ridge IV | 9, 15 | Baltimore City | Orchard Ridge Rental IV, LLC | Section 8 | 64 | 20 | 480 | RISK SHARE | 480 | 470 | 5.75% | 4,185,000 | 4,162,027 | 4,162,027 | 14,401 | 98% | Satisfactory | HRB2013D |
| Park View at Colonial Landing -200 | 15 | Howard County | Colonial Development, LLLP | None | 100 | 0 | 0 | RISK SHARE | 480 | 453 | 4.00% | 4,700,000 | 4,587,852 | 4,587,852 | 267,533 | 99% | Satisfactory | HRB2012D |
| Park View at Ellicott City I | 9, 11, 15, 22 | Howard County | Ellicott LLLP | None | 81 | 0 | 0 | RISK SHARE | 480 | 477 | 4.34% | 3,535,000 | 3,526,734 | 3,526,734 | 89,102 | 100% | Pending | HRB2014D |
| Park View at Laurel II | 11, 15, 22 | Prince George's County | Laurel II LLLP c/o Shelter Development LLC | None | 105 | 0 | 0 | RISK SHARE | 480 | 469 | 5.10% | 4,805,000 | 4,770,532 | 4,770,532 | 136,523 | 93% | Pending | HRB2014A |

## Appendix C

## Description of Loans and Developments

**Table C-1, Developments Currently Financed with the Proceeds of Prior Series of Bonds:**

*Multifamily Projects*

| Name | Footnote | Location | Owner/ Developer | Subsidy | No. of Units (5) | No. of Subsidized Units | Total Subsidy Term (Months) | Credit Enhancement | Original Loan Term (Months) | Remaining Loan Term (Months) | Interest Rate (6) | Original Mortgage Loan Balance Amount | Scheduled Loan Balance as of 12/31/2015 | Current Loan Balance as of 12/31/2015 | Reserve For Replacements as of 12/31/2015 (7) | Occupancy (2) | Inspection Rating (3) | Bond Series |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Parkview Towers Apts. | 15 | Montgomery County | MHP Parkview Towers, L.P. | None | 125 | 0 | 0 | RISK SHARE | 480 | 461 | 4.05% | 10,925,000 | 10,746,193 | 10,746,193 | 169,296 | 100% | Satisfactory | HRB2013A |
| Pikeswood Park Apts | 15 | Baltimore County | Osprey Property Co. LLC | None | 140 | 0 | 0 | RISK SHARE | 480 | 452 | 4.40% | 9,340,000 | 9,129,744 | 9,129,744 | 102,913 | 98% | Above Average | HRB2012A |
| Poppleton Place Apts Part I | 10 | Baltimore City | Poppleton Partners, LP | Section 8 | 123 | 123 | 480 | GNMA | 480 | 387 | 5.55% | 4,425,000 | 4,134,391 | 4,134,391 | 0 | 98% | Satisfactory | HRB2006D |
| Richmond Hill Pointe | 15, 22 | Cecil County | Richmond Hill Redevelopment | None | 48 | 0 | 0 | RISK SHARE | 480 | 464 | 5.21% | 2,545,000 | 2,518,906 | 2,518,906 | 0 | 100% | Above Average | HRB2013B |
| Riverwoods at St. Michaels-Long-term | 15, 22 | Talbot County | Riverwoods St. Michaels, LLC | None | 40 | 0 | 0 | RISK SHARE | 480 | 466 | 5.75% | 1,170,000 | 1,160,921 | 1,160,921 | 14,001 | 97% | Above Average | HRB2013D |
| Ruscombe Gardens Apartments | | Baltimore City | Evergreen Partners | Section 8 | 151 | 150 | 480 | GNMA | 420 | 391 | 5.39% | 8,882,979 | 8,661,570 | 8,661,570 | 0 | 99% | Above Average | HRB2007A |
| Samuel Chase Apartments-Long-term | 9, 15, 22 | Somerset County | Green Street Housing, LLC | USDA | 60 | 57 | 0 | RISK SHARE | 360 | 357 | 4.35% | 2,390,000 | 2,383,043 | 2,383,043 | 213,865 | 86% | Above Average | HRB2014C |
| Samuel Chase Apartments-Short-Term | | Somerset County | Green Street Housing, LLC | USDA | 0 | 0 | 0 | MHF | 24 | 9 | 0.75% | 1,310,000 | 1,310,000 | 1,310,000 | 0 | 86% | Above Average | HRB2014C |
| Schoolhouse Road | 8 | Carrol County | Schoolhouse Road Associates Ltd. | Section 8 | 26 | 26 | 480 | MHF | 480 | 72 | 6.45% | 1,000,000 | 346,661 | 346,661 | 28,516 | 93% | Satisfactory | HRB1996A |
| Sierra Woods Apts - A | 4, 15, 24 | Howard County | Enterprise Housing Corp | Section 236 Section 8 | 160 | 158 | 360 | RISK SHARE | 360 | 303 | 5.60% | 6,815,000 | 6,338,257 | 6,338,257 | 193,963 | 96% | Satisfactory | HRB2009A |
| Sierra Woods Apts.- B | 15 | Howard County | Enterprise Housing Corp | Section 236 Section 8 | 0 | 0 | 360 | RISK SHARE | 70 | 13 | 5.60% | 790,000 | 166,819 | 166,819 | 0 | 96% | Satisfactory | HRB2009A |
| Spring Valley Apts | 15 | St. Mary's County | Spring Valley Workforce Housing | None | 128 | 0 | 0 | RISK SHARE | 480 | 467 | 5.21% | 6,690,000 | 6,634,633 | 6,634,633 | 70,135 | 98% | Above Average | HRB2013B |
| Stevens Forest Apartments Part I | 15 | Howard County | Stevens Forest Limited Partnership | Section 8 | 108 | 96 | 480 | RISK SHARE | 480 | 404 | 5.94% | 6,545,000 | 6,237,696 | 6,237,696 | 385,841 | 100% | Satisfactory | HRB2008B |
| The Graw / Havre-de-Grace | | Harford County | Havre de Grace Associates | Section 8 | 66 | 65 | 480 | MHF | 480 | 33 | 6.79% | 1,575,000 | 286,887 | 286,887 | 120,767 | 97% | Above Average | HRB1996A |
| Timothy House Apartments | | Baltimore County | Timothy House LLLP | None | 112 | 0 | 360 | FNMA | 360 | 285 | 6.67% | 4,875,000 | 4,479,619 | 4,479,619 | 0 | 97% | Satisfactory | HRB2007B |
| Victoria Estates Const | 9, 11, 15, 22 | Worcester County | Victoria Estates LLC | USDA | 100 | 0 | 0 | RISK SHARE | 480 | 480 | 4.60% | 1,670,000 | 0 | 0 | 0 | 0% | New Const. | HRB2015A |
| Victoria Estates S-T | 11 | Worcester County | Victoria Estates LLC | USDA | 0 | 0 | 0 | MHF | 480 | 480 | 1.125% | 4,010,000 | 2,967,954 | 2,967,954 | 0 | 0% | New Const. | HRB2015A |
| Waverly Gardens Senior Apts. | 15 | Howard County | Waverly Woods Development Corps. | None | 102 | 0 | 0 | RISK SHARE | 480 | 370 | 5.85% | 6,169,000 | 5,700,913 | 5,700,913 | 262,684 | 99% | Above Average | HRB2005A |
| Weinberg Manor Apts | 15 | Baltimore City | Weinberg Manor West, LP | Section 8 | 109 | 108 | 360 | RISK SHARE | 360 | 287 | 6.99% | 3,880,000 | 3,591,121 | 3,591,121 | 55,470 | 98% | Satisfactory | HRB2008D |
| Windsor Gardens Const | 9, 11, 15, 22 | Frederick County | Homes for Frederick LP | Section 8 | 59 | 0 | 0 | RISK SHARE | 480 | 480 | 4.60% | 4,330,000 | 3,600,000 | 3,600,000 | 0 | 0% | New Const. | HRB2015A |
| Windsor Gardens LOC | 9, 11 | Frederick County | Homes for Frederick LP | None | 0 | 0 | 0 | LOC | 24 | 19 | 1.125% | 485,000 | 0 | 0 | 0 | 0% | New Const. | HRB2015A |
| Woodland Springs Const | 9, 11, 15, 22 | Prince George's County | Woodland Springs, LP | Section 8 | 506 | 121 | 0 | RISK SHARE | 480 | 480 | 4.50% | 43,290,000 | 39,968,634 | 39,968,634 | 0 | 0% | New Const. | HRB2015B |
| **Totals:** | (1) | | | | **5,699** | | | | | | | **263,210,375** | **222,739,551** | **222,739,551** | **4,410,120** | | | |

1 Amounts and percentages may not total exactly due to the rounding.

2 Generally, as of December 31, 2015.

3 The Inspection Rating is based on the most recent rating available to the Administration as of December 31, 2015 and reflects the evaluation by the Department's Asset Management Group of the Development's physical condition, management practices and compliance with regulations and loan documents. The projects rated "Pending" are yet to receive their first inspection, while the projects rated "New Const." are in the process of being leased up and would not require inspection. The ratings reported on this schedule reflect inspections as of December 31, 2015.

4 Includes original and all renewal terms. Section 236 contract terms are coterminous with applicable Loan term, except for Lanvale Towers, Lester Morton Court Apartments, Sierra Woods, whose Section 236 subsidies end in March 2021 and January 2017 respectively. For the term of the USDA subsidy there is an allocated dollar amount provided to the Project that is designed to assist the tenants with rental payments. Refer to Appendix G for additional information.

5 Figures may include non-revenue manager-occupied units.

6 The interest rate received by the Administration on the related Guaranteed Securities GNMA loans is 0.25% less than the interest rate shown in the chart because the GNMA Servicer deducts and retains a fee in that amount.

7 For loans enhanced by FNMA, the Reserve for Replacement Accounts are held by the lender.

8 The Administration originally made two loans to this Development; the uninsured loan with outstanding principal of $219,428 was paid off on June 30, 2000.

9 Refer to Table C-2,"Letter of Credit" chart.

10 On June 18, 1997, the Administration and the developer entered into an allonge to the mortgage note which provides that a prior arrearage of $7,667 is due on the maturity date of the note.

11 These developments are in construction or lease-up, therefore occupancy reports and/or inspection ratings may not be available at this time. These loans may have negative arbitrage backed by a standby letter of credit, please see the Official Statement for additional information.

12 In addition to this loan, the Administration loaned the sponsor $538,000, which is invested to support payments due under the Transferred Loan. The additional loan is not subject to the lien of the Bond Resolution. Also, as part of a workout, the Administration reduced the interest rate to 3.7% from 7.8% on May 1, 1998. In August 1999, the Administration received a principal curtailment of $215,000.

13 N/A

14 This development also has a co-first parity mortgage securing mortgage loan made with the proceeds of the Administration's original Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) in the following amount as of June 30, 2014: Chesapeake Commons $1,894,631. The underlying bond has since been redeemed and the loan along with the reserve for replacement account for Chesapeake Commons, reside in the Collateral Reserve Fund in the Administration's Residential Revenue Bonds.

15 Insured under the FHA Risk Sharing program. See Official Statement, Appendix G - "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS - FHA RISK SHARING PROGRAM".

16 The term of this loan and the term of the subsidy are coterminous. When this loan was assumed by new owners, the remaining loan term was 213 months of the original loan term of 480 months. Likewise, the original subsidy term was 480 months; at the time of the assumption the remaining term of the subsidy was also 213 months.

17 These are cash flow loans. The unpaid accrued interest under Hickory Ridge II is capitalized annually and added to the principal. Interest and principal are due in annual installments in an amount equal to the lesser of Surplus Cash or scheduled payments. Oak Grove's first tranche is an amortizing loan. Interest and principal on the second tranche shall be due and payable in consecutive annual installments in an amount equal to the lesser of Surplus Cash or the scheduled payment. These cash flow loans are in second position and the Reserve for Replacements are held by the first lien holder.

18 The interest rate received by the Administration towards Lester Morton Apartments is 0.90% less than the interest rate in the Note which is reported in this chart. The servicer retains 0.90% for servicing and credit enhancement fees. Lester Morton Court Apartments is a FNMA loan.

19 The interest rate received by the Administration is 0.80% less than the interest rate in the Note which is reported in this chart. The servicer retains 0.80% for servicing and credit enhancement fees. New Towne Village is a FNMA loan.

20 N/A

21 The Lanvale Towers/Canal Court Apartments loan in the amount of $16,135,000 was financed by Housing Revenue Bond Series 2005 C in the amount of $13,985,000 and a transfer of surplus funds in the amount of $1,260,000 from Multifamily Housing Revenue Bonds (insured Mortgage Loans) Series 1998 A & B and $890,000 from Multi-Family Housing Revenue Bonds (insured Mortgage Loans) Series 2001 A & B. Please refer to footnote 16 in reference to the Collateral Reserve Fund.

22 These loans are insured under the FHA Risk-Sharing Program, utilizing a 75/25 share structure in which FHA assumes 75% of the potential loss and MHF assumes the remaining 25% share. All other loans designated as holding "RISK SHARE" credit enhancement utilize the 50/50 share structure.

23 The interest rate received by the Administration is 1.04% less than the interest rate in the Note reported in this chart. The servicer retains 1.04% for servicing and credit enhancement fees.

24 The total units for Sierra Woods Apartments are included in Part A. The Project has a total of 160 units, of which 32 units have Section 8 and 158 units have Section 236.

25 Housing Revenue Bonds Series 2013 C refunded Housing Revenue Bonds Series 1999 D (Bolton House) and Housing Revenue Bond Series 2003 C (Pembridge Square Apt) in full on August 26, 2013. The amount of refunded bonds at August 26, 2013 for Housing Revenue Bonds Series 1999 D was $5,285,000 and for Housing Revenue Bonds Series 2003 C was $9,925,000.

26 The Administration has received a commitment from MHF to honor any claim due to defaults. This alternative form of MHF insurance is not part of the MHF Multifamily insurance Programs described in Appendix G.

**Table C-2 as of December 31, 2015**

**HRB Series - Letters of Credit**

**Negative Arbitrage Letters of Credit**

| Series | Project | LOC Bank | LOC # | Amount | Expiration |
|---|---|---|---|---|---|
| HRB2014C | Samuel Chase Apts | Wells Fargo | IS0214387U | $ 133,647.47 | 1/1/2016 |
| HRB2014D | Parkview at Ellicott City I | PNC Bank | 18122773-00-000 | $ 32,494.00 | 1/1/2016 |
| HRB2015A | Victoria Estates | BB&T | 9551223342-00001 | $ 97,667.00 | 5/28/2017 |
| HRB2015A | Cottages @ Riverhouse | BB&T | 9551232945-00001 | $ 95,374.00 | 5/28/2017 |
| HRB2015A | Windsor Gardens | BB&T | 9551238641-00001 | $ 42,693.00 | 5/28/2017 |
| HRB2015B | Woodland Springs | Royal Bank of Canada | 1255/S25853 | $ 325,841.00 | 10/6/2016 |
| HRB2015B | Federalsburg Square | BB&T | 9551241421-00001 | $ 124,974.00 | 10/7/2017 |

**Debt Service Letters of Credit ("LOC BONDS")**

| Series | Project | LOC Bank | LOC # | Amount | Expiration |
|---|---|---|---|---|---|
| HRB2014B | Alcott Place Apts | BB&T | 9551196078-0001 | $ 2,528,006.25 | 6/6/2016 |
| HRB2015A | Windsor Gardens | BB&T | 9551238641-00002 | $ 487,157.00 | 6/6/2017 |
| HRB2015B | Federalsburg Square | BB&T | 9551241421-00002 | $2,945,555.00 | 10/30/2017 |

*(Revised 1/16)*

**Table C-3, Loans and Developments in Default**

As of December 31, 2015, there were no Developments or Group Home loans financed by the Housing Revenue Bond indenture in default. Default is defined as failure to make Mortgage Loan payments equivalent to two full monthly payments of principal and interest.

## APPENDIX D

## OUTSTANDING INDEBTEDNESS OF THE ADMINISTRATION

### Outstanding Housing Revenue Bonds

The following table sets forth certain information relating to Bonds issued by the Administration under the Bond Resolution outstanding as of January 1, 2016.

| | Year of Issue | Final Maturity | Amount Issued | Amount Outstanding | |
|---|---|---|---|---|---|
| Housing Revenue Bonds | | | | | |
| Series 1996 A | 1996 | 7/1/2023 | $ 137,385,000 | $ 2,375,000 | |
| Series 1996 B | 1996 | 7/1/2028 | 2,575,000 | 1,025,000 | |
| Series 2005 A | 2005 | 1/1/2047 | 6,385,000 | 2,295,000 | |
| Series 2006 C | 2006 | 7/1/2036 | 2,120,000 | 1,740,000 | |
| Series 2006 D | 2006 | 7/1/2048 | 8,000,000 | 4,130,000 | |
| Series 2007 B | 2007 | 1/1/2038 | 4,875,000 | 4,480,000 | |
| Series 2007 C | 2007 | 1/1/2043 | 2,310,000 | 1,425,000 | |
| Series 2008 A | 2008 | 7/1/2038 | 5,845,000 | 5,100,000 | |
| Series 2008 B | 2008 | 7/1/2049 | 17,360,000 | 9,765,000 | |
| Series 2008 C | 2008 | 7/1/2048 | 11,380,000 | 6,990,000 | |
| Series 2008 D | 2008 | 7/1/2039 | 5,110,000 | 3,540,000 | |
| Series 2009 A | 2009 | 7/1/2041 | 8,755,000 | 6,495,000 | |
| Series 2012 A | 2012 | 1/1/2054 | 9,340,000 | 9,085,000 | |
| Series 2012 B | 2012 | 7/1/2054 | 5,505,000 | 4,385,000 | |
| Series 2012 D | 2012 | 1/1/2054 | 4,700,000 | 4,570,000 | |
| Series 2013 A | 2013 | 7/1/2054 | 10,925,000 | 10,700,000 | |
| Series 2013 B | 2013 | 1/1/2055 | 11,915,000 | 10,655,000 | |
| Series 2013 C | 2013 | 7/1/2045 | 23,270,000 | 3,740,000 | |
| Series 2013 D | 2013 | 1/1/2055 | 10,790,000 | 5,100,000 | |
| Series 2013 E | 2013 | 7/1/2045 | 41,795,000 | 41,795,000 | (2)(5) |
| Series 2013 F | 2013 | 7/1/2055 | 16,255,000 | 12,305,000 | |
| Series 2014 A | 2014 | 1/1/2055 | 4,805,000 | 4,760,000 | |
| Series 2014 B | 2014 | 7/1/2055 | 3,790,000 | 1,270,000 | |
| Series 2014 C | 2014 | 1/1/2046 | 3,700,000 | 3,700,000 | |
| Series 2014 D | 2014 | 1/1/2056 | 10,060,000 | 10,015,000 | |
| Series 2015 A | 2015 | 1/1/2057 | 13,395,000 | 13,395,000 | |
| Series 2015 B | 2015 | 7/1/2057 | 48,200,000 | 48,200,000 | |
| Total Housing Revenue Bonds | | | $ 430,545,000 | $ 233,035,000 | |

## Other Outstanding Bonds of the Administration

The following table sets forth certain information relating to Bonds issued by the Administration under its other programs and outstanding as of January 1, 2016.

| | Year of Issue | Final Maturity | Amount Issued | Amount Outstanding | |
|---|---|---|---|---|---|
| Multi-Family Mortgage Revenue Bonds | | | | | |
| Series 2010 A (New Issue) | 2010 | 7/1/2030 | $ 8,410,000 | $ 7,055,000 | |
| Series 2009 A-1 (Released Program Bonds) | 2010 | 7/1/2051 | 24,380,000 | 24,380,000 | |
| Series 2010 B (New Issue) | 2010 | 7/1/2045 | 16,730,000 | 15,665,000 | |
| Series 2009 A-2 (Released Program Bonds) | 2010 | 7/1/2051 | 6,610,000 | 6,610,000 | |
| Series 2009 A-3 (Released Program Bonds) | 2010 | 1/1/2044 | 5,410,000 | 5,225,000 | (9) |
| Series 2010 D (New Issue) | 2010 | 1/1/2035 | 6,880,000 | 5,525,000 | |
| Series 2009 A-4 (Released Program Bonds) | 2010 | 7/1/2051 | 10,760,000 | 10,760,000 | |
| Series 2011 A (New Issue) | 2011 | 7/1/2026 | 2,190,000 | 1,705,000 | |
| Series 2009 A-5 (Released Program Bonds) | 2011 | 7/1/2051 | 8,460,000 | 8,460,000 | |
| Series 2011 B (New Issue) | 2011 | 1/1/2028 | 8,680,000 | 3,195,000 | |
| Series 2009 A-6 (Released Program Bonds) | 2011 | 7/1/2051 | 13,230,000 | 13,230,000 | |
| Series 2011 C (New Issue) | 2011 | 7/1/2051 | 16,685,000 | 15,470,000 | |
| Series 2009 A-7 (Released Program Bonds) | 2011 | 7/1/2051 | 23,190,000 | 23,190,000 | |
| Total Multi-Family Mortgage Revenue Bonds | | | $ 151,615,000 | $ 140,470,000 | |

| | Effective Bond Yield | Year of Issue | Final Maturity | Amount Issued | Amount Outstanding | |
|---|---|---|---|---|---|---|
| Residential Revenue Bonds | | | | | | |
| 2006 Series A | 3.983190% | 2006 | 9/1/2017 | $ 12,020,000 | $ 2,760,000 | (1) |
| 2006 Series B | 4.984790% | 2006 | 9/1/2037 | 47,980,000 | 30,430,000 | (1) |
| 2006 Series E | 4.199900% | 2006 | 9/1/2017 | 23,540,000 | 4,995,000 | (1) |
| 2006 Series G | (2) | 2006 | 9/1/2040 | 40,000,000 | 40,000,000 | (1) |
| 2006 Series H | 4.102933% | 2006 | 9/1/2017 | 17,670,000 | 4,120,000 | (1) |
| 2006 Series I | 5.204300% | 2006 | 3/1/2041 | 142,330,000 | 50,670,000 | (1) |
| 2006 Series J | (2) | 2006 | 9/1/2040 | 60,000,000 | 60,000,000 | (1) |
| 2006 Series K | 4.111420% | 2006 | 9/1/2017 | 15,000,000 | 3,515,000 | (1) |
| 2006 Series L | 5.062770% | 2006 | 3/1/2041 | 165,000,000 | 104,070,000 | (1) |
| 2006 Series O | 3.829481% | 2006 | 9/1/2017 | 10,000,000 | 2,320,000 | (1) |
| 2006 Series P | 4.858303% | 2006 | 9/1/2037 | 85,000,000 | 46,650,000 | (1) |
| 2006 Series S | 6.135383% | 2006 | 9/1/2037 | 25,000,000 | 13,530,000 | (3) |
| 2007 Series A | 4.951603% | 2007 | 9/1/2047 | 270,000,000 | 154,320,000 | (1) |
| 2007 Series B | 6.065560% | 2007 | 9/1/2037 | 30,000,000 | 16,655,000 | (3) |
| 2007 Series C | 3.944500% | 2007 | 9/1/2017 | 45,000,000 | 11,305,000 | (1) |
| 2007 Series D | 4.924814% | 2007 | 3/1/2048 | 175,000,000 | 114,585,000 | (1) |
| 2007 Series E | 6.031685% | 2007 | 9/1/2042 | 49,375,000 | 34,980,000 | (4) |
| 2007 Series F | (2) | 2007 | 9/1/2031 | 46,485,000 | 23,545,000 | (8) |
| 2007 Series G | 4.245422% | 2007 | 9/1/2017 | 61,605,000 | 14,435,000 | |
| 2007 Series H | 5.150783% | 2007 | 3/1/2048 | 63,395,000 | 43,680,000 | |
| 2007 Series I | 6.523650% | 2007 | 9/1/2043 | 62,800,000 | 39,635,000 | (4) |
| 2007 Series J | (2) | 2009 | 9/1/2031 | 58,680,000 | 31,085,000 | (6) |
| 2007 Series K | 3.761910% | 2007 | 9/1/2017 | 30,000,000 | 3,685,000 | |
| 2007 Series M | (2) | 2007 | 9/1/2043 | 29,050,000 | 29,050,000 | (7) |
| 2008 Series A | 3.895197% | 2008 | 9/1/2017 | 60,000,000 | 15,415,000 | |
| 2008 Series B | 3.909668% | 2008 | 9/1/2017 | 19,770,000 | 1,075,000 | |
| 2008 Series D | (2) | 2008 | 9/1/2038 | 50,000,000 | 49,890,000 | |
| 2008 Series E | 4.290850% | 2008 | 9/1/2017 | 21,500,000 | 4,155,000 | |
| 2009 Series A | 4.798085% | 2009 | 9/1/2039 | 40,000,000 | 35,235,000 | |
| 2009 Series B | 4.516954% | 2009 | 9/1/2039 | 45,000,000 | 39,430,000 | |
| 2009 Series C | 4.227838% | 2009 | 9/1/2039 | 15,985,000 | 14,005,000 | |

## Other Outstanding Bonds of the Administration

| | Effective Bond Yield | Year of Issue | Final Maturity | Amount Issued | Amount Outstanding | |
|---|---|---|---|---|---|---|
| Residential Revenue Bonds continued | | | | | | |
| 2010 Series A | 4.416792% | 2010 | 3/1/2021 | $ 28,465,000 | $ 22,735,000 | |
| 2011 Series A | 4.494892% | 2011 | 9/1/2041 | 70,825,000 | 50,405,000 | (1) |
| 2011 Series B | (2) | 2011 | 3/1/2036 | 20,000,000 | 20,000,000 | (1) |
| 2012 Series A | 3.123440% | 2012 | 9/1/2025 | 44,450,000 | 27,555,000 | (1)(4) |
| 2012 Series B | (2) | 2012 | 9/1/2033 | 45,000,000 | 45,000,000 | (1)(4) |
| 2014 Series A | 3.739403% | 2014 | 9/1/2032 | 57,515,000 | 56,595,000 | (1) |
| 2014 Series B | 3.095548% | 2014 | 9/1/2044 | 35,565,000 | 28,375,000 | (1) |
| 2014 Series C | 3.369241% | 2014 | 9/1/2044 | 47,960,000 | 46,175,000 | (1) |
| 2014 Series D | 3.245679% | 2014 | 9/1/2036 | 23,885,000 | 22,095,000 | (1) |
| 2014 Series E | 3.395849% | 2014 | 9/1/2040 | 53,205,000 | 49,910,000 | (1)(4) |
| 2014 Series F | (2) | 2014 | 9/1/2044 | 25,000,000 | 24,790,000 | (4) |
| 2015 Series A | 3.379090% | 2015 | 9/1/2045 | 24,235,000 | 24,235,000 | (1) |
| 2015 Series B | 3.565720% | 2015 | 9/1/2041 | 67,190,000 | 67,190,000 | (1)(4) |
| Total Residential Revenue Bonds | | | | $ 2,360,480,000 | $ 1,524,285,000 | |

| | Year of Issue | Final Maturity | Amount Issued | Amount Outstanding | |
|---|---|---|---|---|---|
| Single Family Housing Revenue Bonds | | | | | |
| 2011 Series A (New Issue) | 2011 | 3/1/2027 | $ 40,310,000 | $ 21,640,000 | |
| 2009 Series A-1 (Released Program Bonds) | 2011 | 9/1/2041 | 60,460,000 | 43,650,000 | |
| 2011 Series B (New Issue) | 2011 | 3/1/2027 | 40,000,000 | 22,540,000 | |
| 2009 Series A-2 (Released Program Bonds) | 2011 | 9/1/2041 | 60,000,000 | 43,650,000 | |
| 2011 Series C (New Issue) | 2011 | 3/1/2027 | 22,555,000 | 13,385,000 | |
| 2009 Series A-3 (Released Program Bonds) | 2011 | 9/1/2041 | 33,830,000 | 25,880,000 | |
| 2013 Series A (Pass-Through Program) | 2013 | 7/1/2043 | 55,987,759 | 47,533,213 | (10) |
| Total Single Family Housing Revenue Bonds | | | $ 313,142,759 | $ 218,278,213 | |
| Infrastructure Financing Bonds (MBIA Insured) | | | | | |
| 1997 Series A | 1997 | 6/1/2027 | $ 9,860,000 | $ 275,000 | |
| 1998 Series B | 1998 | 6/1/2028 | 30,320,000 | 410,000 | |
| 1998 Series C | 1998 | 12/1/2020 | 2,845,000 | 105,000 | |
| 1999 Series A | 1999 | 6/1/2029 | 6,985,000 | 545,000 | |
| 2001 Series A | 2001 | 6/1/2031 | 8,460,000 | 85,000 | |
| Total Infrastructure Financing Bonds (MBIA Insured) | | | $ 58,470,000 | $ 1,420,000 | |
| Local Government Infrastructure Bonds (Ambac Insured) | | | | | |
| 2002 Series A | 2002 | 6/1/2032 | $ 11,790,000 | $ 210,000 | |
| 2004 Series A | 2004 | 6/1/2034 | 16,375,000 | 575,000 | |
| 2004 Series B | 2004 | 6/1/2034 | 4,735,000 | 530,000 | |
| 2005 Series A | 2005 | 6/1/2030 | 9,345,000 | 3,435,000 | |
| 2006 Series A | 2006 | 6/1/2026 | 8,940,000 | 2,350,000 | |
| 2007 Series A | 2007 | 6/1/2037 | 11,460,000 | 7,720,000 | |
| 2007 Series B | 2007 | 6/1/2027 | 24,575,000 | 9,525,000 | |
| Total Local Government Infrastructure Bonds (Ambac Insured) | | | $ 87,220,000 | $ 24,345,000 | |

## Other Outstanding Bonds of the Administration

| | Year of Issue | Final Maturity | Amount Issued | Amount Outstanding | |
|---|---|---|---|---|---|
| Local Government Infrastructure Bonds | | | | | |
| 2010 Series A-1 (Senior Obligations) | 2010 | 6/1/2030 | $ 19,395,000 | $ 14,950,000 | |
| 2010 Series A-2 (Subordinate Obligations) | 2010 | 6/1/2030 | 8,515,000 | 6,590,000 | |
| 2012 Series A-1 (Senior Obligations) | 2012 | 6/1/2032 | 9,550,000 | 7,570,000 | |
| 2012 Series A-2 (Subordinate Obligations) | 2012 | 6/1/2032 | 4,420,000 | 3,535,000 | |
| 2012 Series B-1 (Senior Obligations) | 2012 | 6/1/2032 | 14,900,000 | 12,740,000 | |
| 2012 Series B-2 (Subordinate Obligations) | 2012 | 6/1/2032 | 6,855,000 | 5,875,000 | |
| 2013 Series A-1 (Senior Obligations) | 2013 | 6/1/2043 | 14,660,000 | 13,550,000 | |
| 2013 Series A-2 (Subordinate Obligations) | 2013 | 6/1/2043 | 6,720,000 | 6,245,000 | |
| 2014 Series A-1 (Senior Obligations) | 2014 | 6/1/2034 | 27,605,000 | 26,785,000 | |
| 2014 Series A-2 (Subordinate Obligations) | 2014 | 6/1/2034 | 12,720,000 | 12,370,000 | |
| 2015 Series A-1 (Senior Obligations) | 2015 | 6/1/2045 | 13,215,000 | 13,215,000 | |
| 2015 Series A-2 (Subordinate Obligations) | 2015 | 6/1/2045 | 5,650,000 | 5,650,000 | |
| Total Local Government Infrastructure Bonds | | | $ 144,205,000 | $ 129,075,000 | |
| Multifamily Development Revenue Bonds | | | | | |
| Series 1999 A (GNMA-Selborne House Project) | 1999 | 12/20/2040 | $ 2,150,000 | $ 1,850,000 | |
| Series 2001 C (Parklane Apartments Project) | 2001 | 2/15/2034 | 9,800,000 | 9,800,000 | (2) |
| Series 2001 D (Princess Anne Townhouses) | 2001 | 12/15/2033 | 4,350,000 | 2,855,000 | |
| Series 2001 E (Princess Anne Townhouses) | 2001 | 12/15/2033 | 2,875,000 | 2,305,000 | (2) |
| Series 2001 G (Waters Tower Senior Apts.) | 2001 | 12/15/2033 | 4,045,000 | 3,235,000 | (2) |
| Series 2002 B (Broadway Homes Project) | 2002 | 5/1/2020 | 5,045,000 | 1,955,000 | |
| Series 2002 C (Orchard Mews Apartment Project) | 2002 | 5/1/2035 | 5,845,000 | 3,980,000 | |
| Series 2003 A (Barrington Apartments Project) | 2003 | 6/15/2037 | 40,000,000 | 39,905,000 | (2) |
| Series 2005 A (Fort Washington Manor Sr. Housing) | 2005 | 11/15/2038 | 14,000,000 | 12,330,000 | (2) |
| Series 2005 B (Washington Gardens) | 2005 | 2/1/2036 | 5,000,000 | 2,100,000 | |
| Series 2006 A (Barclay Greenmount Apartments) | 2006 | 4/1/2035 | 4,535,000 | 3,300,000 | |
| Series 2006 B (Charles Landing South Apartments) | 2006 | 12/1/2036 | 3,375,000 | 3,375,000 | (2) |
| Series 2007 A (Brunswick House Apartments) | 2007 | 10/1/2037 | 3,000,000 | 1,925,000 | |
| Series 2007 B (Park View at Catonsville) | 2007 | 12/1/2037 | 5,200,000 | 4,750,000 | (2) |
| Series 2008 A (Walker Mews Apartments) | 2008 | 5/1/2048 | 11,700,000 | 11,700,000 | (2) |
| Series 2008 B (Shakespeare Park Apartments) | 2008 | 5/1/2038 | 7,200,000 | 7,200,000 | (2) |
| Series 2008 C (The Residences at Ellicott Gardens) | 2008 | 12/1/2040 | 9,105,000 | 6,175,000 | (2) |
| Series 2008 D (Crusader Arms Apartments) | 2008 | 2/1/2041 | 3,885,000 | 2,660,000 | (2) |
| Series 2008 E (MonteVerde Apartments) | 2008 | 3/1/2041 | 15,200,000 | 15,200,000 | (2) |
| Series 2008 F (Hopkins Village Apartments) | 2008 | 11/1/2038 | 9,100,000 | 9,100,000 | (2) |
| Series 2008 G (Kirkwood House Apartments) | 2008 | 12/1/2038 | 16,000,000 | 16,000,000 | (2) |
| Series 2009 A (Sharp Leadenhall Apartments) | 2009 | 3/1/2041 | 16,950,000 | 16,950,000 | (2) |
| Series 2012 A (Park View at Bladensburg) | 2012 | 12/1/2030 | 3,500,000 | 3,350,000 | |
| Series 2013 G (Glen Manor Apartments) | 2013 | 1/1/2031 | 13,640,000 | 13,640,000 | |
| Series 2014 B-1 (Memorial Apartments) | 2014 | 5/1/2017 | 12,700,000 | 12,700,000 | |
| Series 2014 B-2 (Memorial Apartments) | 2014 | 5/1/2017 | 13,300,000 | 13,300,000 | |
| Series 2014 D (Timbercroft Apartments) | 2014 | 11/1/2016 | 25,000,000 | 25,000,000 | |
| Series 2014 E (Silver Spring Library Residences) | 2014 | 4/1/2017 | 22,000,000 | 22,000,000 | |
| Series 2014 F (Old Towne Manor) | 2014 | 4/1/2016 | 6,000,000 | 6,000,000 | |
| Series 2014 G (Windsor Valley I & II) | 2014 | 7/1/2017 | 16,500,000 | 16,500,000 | |
| Series 2014 I (Marlborough Apartments) | 2014 | 12/15/2031 | 27,590,000 | 27,155,000 | |
| Series 2015 A (Conifer Village at Oakcrest) | 2015 | 6/1/2017 | 13,000,000 | 13,000,000 | |
| Series 2015 B (Madera Apartments) | 2015 | 1/1/2017 | 3,750,000 | 3,750,000 | |
| Series 2015 C (Commons of Avalon) | 2015 | 1/1/2017 | 12,850,000 | 12,850,000 | |
| Series 2015 D (Cumberland Arms Apartments) | 2015 | 9/1/2032 | 6,315,000 | 6,315,000 | |
| Series 2015 E (Basilica Place Apartments) | 2015 | 3/1/2017 | 11,900,000 | 11,900,000 | |
| Series 2015 F (Bernard E. Mason Apartments) | 2015 | 11/1/2017 | 18,020,000 | 18,020,000 | |

## Other Outstanding Bonds of the Administration

| | Year of Issue | Final Maturity | Amount Issued | Amount Outstanding |
|---|---|---|---|---|
| Multifamily Development Revenue Bonds continued | | | | |
| Series 2015 G (Lakeview Tower)..... | 2015 | 6/1/2018 | $ 19,190,000 | $ 19,190,000 |
| Series 2015 H (Bel Park Tower)..... | 2015 | 6/1/2018 | 15,600,000 | 15,600,000 |
| Series 2015 I (Allendale Apartments)..... | 2015 | 5/1/2017 | 13,200,000 | 13,200,000 |
| Series 2015 J (Riverwatch Apartments)..... | 2015 | 4/1/2017 | 11,750,000 | 11,750,000 |
| Series 2015 K (Tabco Towers)..... | 2015 | 12/1/2017 | 21,000,000 | 21,000,000 |
| Series 2015 L (Hollins House)..... | 2015 | 11/1/2017 | 12,000,000 | 12,000,000 |
| Series 2015 N (Wyman House)..... | 2015 | 12/1/2017 | 14,600,000 | 14,600,000 |
| Series 2015 O (The Brentwood)..... | 2015 | 12/1/2017 | 15,935,000 | 15,935,000 |
| Total Multifamily Development Revenue Bonds ..... | | | $ 527,700,000 | $ 507,405,000 |
| Capital Fund Securitization Revenue Bonds | | | | |
| Series 2003 ..... | 2003 | 7/1/2021 | $ 94,295,000 | $ 5,495,000 |
| Total Capital Fund Securitization Revenue Bonds ..... | | | $ 94,295,000 | $ 5,495,000 |
| Local Government Infrastructure Bonds | | | | |
| 2011 Series A (Mayor and City Council of Cumberland Issue) ..... | 2011 | 6/1/2032 | $ 12,275,000 | $ 12,125,000 |
| Total Local Government Infrastructure Bonds ..... | | | $ 12,275,000 | $ 12,125,000 |
| Total Amount of Other Bonds Outstanding ..... | | | $ 3,749,402,759 | $ 2,562,898,213 |
| Total Amount of Housing Revenue Bonds Outstanding (11) ..... | | | $ 430,545,000 | $ 233,035,000 |
| Total Amount of All Bonds Outstanding ..... | | | $ 4,179,947,759 | $ 2,795,933,213 |

(1) Certain prepayments of mortgage loans financed with the proceeds of such series of bonds are to be applied first to the redemption of certain bonds within such series.
(2) These are variable rate bonds that are repriced according to the terms in the respective Official Statement.
(3) These are taxable pass through bonds.
(4) These are taxable bonds with redemption provisions pertaining only to these bonds. For a description of the redemption provisions refer to the Official Statement.
(5) These are taxable bonds.
(6) These bonds were remarketed September 24, 2009 from taxable to tax-exempt. The bonds were originally issued on August 9, 2007 in the amount of $62,200,000. For a description of the redemption provisions refer to the Official
(7) These bonds were remarketed October 8, 2009 from taxable to tax-exempt. The bonds were originally issued on December 12, 2007 in the amount of $30,000,000. For a description of the redemption provisions refer to the Official Statement.
(8) These bonds were remarketed October 27, 2009 from taxable to tax-exempt. The bonds were originally issued on June 20, 2007 in the amount of $50,625,000. For a description of the redemption provisions refer to the Official Statement.
(9) Multi-Family Mortgage Revenue Bonds Series 2009 A-3 are non-parity bonds under this bond resolution. These bonds are special obligations payable solely from the trust estate pledged under the series resolution.
(10) These pass-through bonds are subject to mandatory payment, without premium, on the first day of each month from scheduled principal payments and prepayments. For a description of the principal payment and redemption provisions refer to the Official Statement.
(11) See information under caption "Outstanding Housing Revenue Bonds" above.

**For updated information on issuances and/or redemptions after January 1, 2016, please refer to the website www.dhcd.maryland.gov, Investors.**

# APPENDIX E

# MARYLAND HOUSING FUND

# FINANCIAL STATEMENTS

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

# MARYLAND HOUSING FUND

JUNE 30, 2015 AND 2014

Maryland Housing Fund

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# INDEPENDENT AUDITOR'S REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Maryland Housing Fund (MHF) of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2015 and 2014, 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.

*Auditor's 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 MHF as of June 30, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

As discussed in Note 1, the financial statements present only the Maryland Housing 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 June 30, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Baltimore, Maryland
October 28, 2015

Maryland Housing Fund

STATEMENTS OF NET POSITION

June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Unrestricted current assets | | |
| Deposit with State Treasurer | | |
| Operating account | $ 1,312,494 | $ 1,701,370 |
| Loans and interest receivable, net of allowance for loans and related losses | 182,105 | 181,702 |
| Acquired property | 94,166 | 197,704 |
| Other | 341,548 | 272,868 |
| Total unrestricted current assets | 1,930,313 | 2,353,644 |
| Restricted current assets | | |
| Deposit with State Treasurer | | |
| Reserve accounts | 83,333,605 | 84,663,629 |
| Total restricted current assets | 83,333,605 | 84,663,629 |
| Total current assets | 85,263,918 | 87,017,273 |
| Non-current assets | | |
| Investment held for borrower | 2,027,176 | 1,983,925 |
| Loans and interest receivable, net of allowance for loans and related losses and current portion | 144,877 | 170,449 |
| Total non-current assets | 2,172,053 | 2,154,374 |
| Total assets | $ 87,435,971 | $ 89,171,647 |

(continued)

Maryland Housing Fund

STATEMENTS OF NET POSITION - CONTINUED

June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| LIABILITIES AND NET POSITION | | |
| Current liabilities | | |
| Accounts payable | $ 104,646 | $ 367,490 |
| Accrued compensated absences | 67,779 | 124,017 |
| Accrued workers' compensation | 310 | 465 |
| Mortgage escrow accounts | 293,675 | 289,360 |
| Unearned premiums | 854,157 | 865,019 |
| Allowance for unpaid insurance losses | 2,047,280 | 1,922,759 |
| Total current liabilities | 3,367,847 | 3,569,110 |
| Non-current liabilities | | |
| Accrued compensated absences, net of current portion | 55,390 | 149,872 |
| Accrued workers' compensation, net of current portion | 1,690 | 2,535 |
| Investment held for borrower | 2,027,176 | 1,983,925 |
| Allowance for unpaid insurance losses, net of current portion | 9,854,763 | 10,535,690 |
| Total non-current liabilities | 11,939,019 | 12,672,022 |
| Total liabilities | 15,306,866 | 16,241,132 |
| Net position | | |
| Restricted net position | | |
| Multi-Family Reserve | 44,698,739 | 44,698,739 |
| Single Family Regular Reserve | 16,998,460 | 18,293,869 |
| Revitalization (Pilot) Reserve | 2,185,258 | 2,198,502 |
| General Reserve | 8,593,422 | 8,593,422 |
| Unallocated Reserve | 10,868,580 | 10,879,097 |
| Total restricted net position | 83,344,459 | 84,663,629 |
| Unrestricted accumulated deficit | (11,215,354) | (11,733,114) |
| Total net position | 72,129,105 | 72,930,515 |
| Total liabilities and net position | $ 87,435,971 | $ 89,171,647 |

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF REVENUES AND EXPENSES

Years ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| Operating revenues | | |
| Net premiums | $ 1,465,871 | $ 3,104,944 |
| Interest income on reserves | 868,580 | 879,097 |
| Interest income on loans | 528,628 | 522,653 |
| Other income | 51,916 | 61,157 |
| Total operating revenues | 2,914,995 | 4,567,851 |
| Operating expenses | | |
| General and administrative | 1,796,528 | 3,628,516 |
| Acquired property | 1,323,860 | 1,865,382 |
| Net losses on sales of acquired property | 4,593 | 883,897 |
| Provision (benefit) for insurance and loan losses | (287,673) | (1,843,057) |
| Total operating expenses | 2,837,308 | 4,534,738 |
| Change in net position | $ 77,687 | $ 33,113 |

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF CHANGES IN NET POSITION

Years ended June 30, 2015 and 2014

| | Restricted Net Position | | | | | | |
|---|---|---|---|---|---|---|---|
| | Multi-Family Reserve | Single Family Regular Reserve | Revitalization (Pilot) Reserve | General Reserve | Unallocated Reserve | Unrestricted Accumulated Deficit | Total |
| Balance at June 30, 2013 | $ 44,698,739 | $ 19,250,357 | $ 2,198,502 | $ 8,593,422 | $ 10,769,907 | $ (11,843,618) | $ 73,667,309 |
| Interest income allocated at the discretion of DHCD Secretary | - | - | - | - | 879,097 | (879,097) | - |
| Transfers out | - | - | - | - | (769,907) | - | (769,907) |
| Change in net position | - | (956,488) | - | - | - | 989,601 | 33,113 |
| Balance at June 30, 2014 | 44,698,739 | 18,293,869 | 2,198,502 | 8,593,422 | 10,879,097 | (11,733,114) | 72,930,515 |
| Interest income allocated at the discretion of DHCD Secretary | - | - | - | - | 868,580 | (868,580) | - |
| Transfers out | - | - | - | - | (879,097) | - | (879,097) |
| Change in net position | - | (1,295,409) | (13,244) | - | - | 1,386,340 | 77,687 |
| Balance at June 30, 2015 | $ 44,698,739 | $ 16,998,460 | $ 2,185,258 | $ 8,593,422 | $ 10,868,580 | $ (11,215,354) | $ 72,129,105 |

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF CASH FLOWS

Years ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| Cash flows from operating activities | | |
| Receipts from premiums, net | $ 1,455,009 | $ 3,225,220 |
| Receipts from loans | 285,063 | 163,428 |
| Receipts from mortgage escrows | 113,116 | 147,650 |
| Payments for mortgage escrows | (108,801) | (133,807) |
| Receipts from miscellaneous fees | 51,916 | 17,197 |
| Payments for general and administrative expenses | (2,211,092) | (3,230,856) |
| Sale proceeds from acquired property | 97,406 | 7,221,836 |
| Payments for acquired property | (1,391,000) | (9,179,883) |
| Receipts from interest earned on reserves | 868,580 | 879,097 |
| Transfer to state funded programs | (879,097) | (769,907) |
| Net cash used in operating activities | (1,718,900) | (1,660,025) |
| Net decrease in cash | (1,718,900) | (1,660,025) |
| Deposit with State Treasurer, balance - beginning of year | 86,364,999 | 88,025,024 |
| Deposit with State Treasurer, balance - end of year | $ 84,646,099 | $ 86,364,999 |

(continued)

Maryland Housing Fund

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| Reconciliation of change in net position to net cash used in operating activities: | | |
| Change in net position | $ 77,687 | $ 33,113 |
| Adjustments to reconcile change in net position to net cash used in operating activities | | |
| Transfer to state funded programs | (879,097) | (769,907) |
| Decrease in loans and interest receivable | 25,169 | 25,827 |
| Decrease in acquired property | 103,538 | 1,112,951 |
| (Increase) decrease in investments and other assets | (111,931) | 1,099,638 |
| Decrease in due from DHCD | - | 373,385 |
| Decrease in accounts payable and other accrued liabilities | (366,998) | (1,401,645) |
| Decrease in allowance for unpaid insurance losses | (556,406) | (2,228,109) |
| (Decrease) increase in unearned premiums | (10,862) | 94,722 |
| Net cash used in operating activities | $ (1,718,900) | $ (1,660,025) |

See notes to financial statements

## NOTE 1 - PROGRAM DESCRIPTION

The Maryland Housing Fund (MHF) was established in 1971 by Section 3-201 through 3-208 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, to encourage the flow of private investment capital into multiple-unit and Single Family housing by insuring qualified lending institutions against losses on mortgage loans. MHF is authorized to insure mortgage loans, including mortgage loans for Multi-Family developments financed by public agencies such as the Community Development Administration (CDA), and to provide primary insurance for Single Family mortgage loans. MHF insures against certain monetary losses incurred as a result of nonpayment of principal, interest or other sums agreed to be paid and certain other events of default under the terms of any insured mortgage loan, but does not insure against property losses, including without limitation, title risk, risks of defective construction or casualty, or any other reduction in project value due to insurable risk or force majeure, casualty or title loss. Legislation enacted in 1981 enables MHF to originate mortgage loans to assist in the disposal of property acquired through foreclosure or pursuant to any other payment in settlement of a claim or loss. MHF is a unit within the division of Housing Credit Assurance of the Department of Housing and Community Development (DHCD).

MHF maintains five restricted insurance reserves, which are separate from MHF's operating funds. Four of the reserves cover specific categories of insurance; the Multi-Family Reserve, the Single Family Regular Program Reserve, the Revitalization (PILOT) Reserve, and the General Reserve. The investment earnings on each of the four specific reserves are credited to a fifth reserve, the Unallocated Reserve, which may be used to pay claims on all categories of claims or for any other purpose consistent with the contractual obligations with the Administration's bondholders. In 2008, Legislation was passed under Senate Bill 983 requiring MHF to transfer from the Unallocated Account to DHCD's State Funded Revolving Housing Loan Programs all amounts in excess of $10,000,000 at the end of each fiscal year. These transfers can be found on the Statements of Changes in Net Position as Transfers Out located on page 8 of this document.

The MHF statute provides that any moneys of MHF that DHCD creates as an identifiable insurance reserve may be used only in conformance with the terms and conditions creating that reserve. MHF regulations provide that each reserve is maintained to pay claims arising from its respective category of insurance and may not be subject to claims arising from other categories of insurance except for the Unallocated Reserve.

NOTE 1 - PROGRAM DESCRIPTION (Continued)

MHF's reserve funds are derived from the net proceeds of five issues of State of Maryland (State) general obligation bonds aggregating $39,300,000 and $7,500,000 in proceeds derived from State appropriations. In addition, the funds have earned investment income and paid claims. The unrestricted accumulated deficit reflects MHF's operations since inception less interest income. The reserves are held by the Office of the Treasurer of the State, which credits MHF with income on investment of reserves for the benefit of MHF.

A. The Multi-Family Reserve supports several programs. All existing Multi-Family insurance, other than the program from private lenders, is 100% insurance of projects financed by revenue bonds. These programs include:

- Regular Multi-Family Program fully insures permanent mortgages originated prior to 1997 funded by CDA and the Housing Opportunities Commission of Montgomery County.

- Risk-Share Program insures both construction and permanent mortgages financed with CDA bonds with credit enhancement under the Federal Housing Administration (FHA) Risk Sharing Program. As a Level I participant under the FHA Risk-Sharing Program, upon payment of a claim by FHA, CDA would be responsible for reimbursement to FHA of up to 50% of such claim. As a Level II participant under the FHA Risk-Sharing Program, CDA would be responsible for reimbursement to FHA of up to 25% of such claim. MHF would reimburse CDA for its share of such losses. This is an active multi-family program.

- Special Housing Opportunity Program (SHOP) insures mortgages financed or refinanced for the acquisition, construction or rehabilitation of shared living and related facilities for the special needs population which are owned by and sponsored by nonprofit organizations. This is an active multi-family program.

- Single Family mortgages funded through private lenders and CDA for permanent mortgages in publicly designated renewal or redevelopment areas. Insurance offered provided 100% coverage and is backed by the Multi-Family Reserve Fund. MHF continues to manage the existing portfolio but ceased issuing new insurance in 1997.

NOTE 1 - PROGRAM DESCRIPTION (Continued)

- MHF Demonstration Program - Effective December 9, 2014, MHF and the Administration created a demonstration program (the "MHF Demonstration Program") whereby MHF insures short term loans ("Short Term Loans") financed with proceeds from the sale of short term bonds issued under the Bond Resolution (the "Short Term Bonds"). The MHF Demonstration Program is an additional cost-effective option extended to borrowers for the provision of Credit Enhancement for Short Term Loans financed under the Bond Resolution. Eligibility for the MHF Demonstration Program is limited to projects where the project would need to use more than 25% of its projected tax credit equity to cash collateralize a letter of credit ("LOC") that otherwise would be delivered to secure Short Term Bonds during construction, and the amount of the Short Term Loan (which equals the amount of the cash collateral account that would be required by a LOC provider) is greater than 25% of the projected tax credit equity. No borrower, including all related entities, may have Short Term loans insured under the MHF Demonstration Program at any one time in excess of $5 million. In addition, 25% of the projected amount of tax credit equity to be generated by a project must be contributed to the project at the closing of the Short Term Loan. MHF's obligations under the MHF Demonstration Program are backed only by (i) MHF's Unallocated Reserve and (ii) any excess revenue available under the Bond Resolution. The aggregate amount of outstanding indebtedness to be insured under the MHF Demonstration Program may not exceed $10 million from the MHF Unallocated Reserve plus any excess revenue available under the Bond Resolution at any given time.

B. The Single Family Regular Reserve insures mortgages funded by private Maryland lending institutions and CDA. These programs include:

- Single Family Regular Program consists of mortgages originated prior to 1997. These mortgages may have had primary insurance (MHF is liable for the top 25% of the original mortgage) and/or pool insurance (MHF is liable for the bottom 75% of the original mortgage). Pool insurance coverage was limited to 10% of lendable proceeds for the aggregate of revenue bond issues (stop-loss). Effective August 1, 2010, MHF was released from any obligation to provide the pool insurance on these loans. MHF continues to provide primary insurance on these loans.

NOTE 1 - PROGRAM DESCRIPTION (Continued)

- Mortgage Protection Program consists of 30 and 40 year mortgages originated after 2005, funded through CDA bonds with primary coverage of only the top 35% of the original mortgage and up to six months of mortgage payments (limited to no more than $2,000 per month). These mortgages maintain a fixed rate of interest for the full loan term and allow borrowers to finance a one-time mortgage insurance premium in the mortgage, which will require no additional outlay of cash for closing, while lowering the monthly mortgage payment. MHF no longer issues new insurance under this program.

- Reinsurance Program commenced in 2011 and consists of mortgages that CDA originated between 2005 and 2010 which had only 35% mortgage insurance. Under the program, CDA pays a monthly premium for MHF to insure 50% of any losses incurred by CDA on the uninsured 65% up to $12.5 million. The program terminates on the earliest date of either when MHF has reached $12.5 million in net losses or December 31, 2020. All claims are paid from the Single Family Regular Reserve. The program terminated in May 2014 when MHF had paid $12.5 million in net losses.

C. Revitalization (Pilot) Reserve insures mortgages funded through CDA and private Maryland lenders for 100% of the mortgage balance.

- Pilot Programs stimulates the flow of private mortgage capital into areas which have suffered decreasing home ownership and associated economic and social instability. These mortgages originated prior to 2005.

- Healthy Neighborhood Program provides credit enhancement to a loan program sponsored by a nonprofit corporation, which is intended to stabilize and strengthen property values in targeted areas in the City of Baltimore. MHF guarantees less than 3% of the outstanding loan balance under this program.

D. General Reserve

- Small single family programs provide 35% insurance coverage on CDA single family mortgages as an incentive to refinance or restructure loans for Maryland borrowers with an existing loan. MHF continues to maintain active mortgages but no longer issues new commitments under these programs.

NOTE 1 - PROGRAM DESCRIPTION (Continued)

E. Unallocated Reserve may be allocated and transferred by the Secretary into each of the reserves, restricted by the Secretary as a reserve for the payment of a claim as part of a work-out, applied by MHF as payment of a claim or retained in the Unallocated Reserve pending allocation, transfer or restriction. Investment earnings on each of the five Reserves are credited to the Unallocated Reserve. Legislation enacted in fiscal year 2008 requires MHF to transfer from the Unallocated Reserve, any funds in excess of $10 million annually to the State Funded Housing Loan Programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Relationship with the State

MHF is one of many programs administered by DHCD and the State. Other State agencies, such as the Department of Budget and Management, support DHCD by providing services for DHCD and thus allocate a portion of their expenses to DHCD. MHF has no direct employees and is entirely supported by staff at DHCD to perform all necessary functions of MHF. Thus, MHF's accompanying financial statements are not indicative of MHF as if it were a stand-alone entity. MHF is included in the enterprise funds of the State.

B. Generally Accepted Accounting Principles

MHF reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). Consequently, MHF applies all applicable GASB pronouncements.

C. 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 revenues, expenses, gains and losses during the reporting periods. Actual results could differ from these estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Investments

The investment is a U.S. government treasury zero-coupon bond carried at fair value based on quoted market prices. The investment is classified as long-term based on the maturity date.

E. Loans and Interest Receivable, Net of Allowance for Loans and Related Losses

Loans and interest receivable, net of allowance for loans and related losses, consist of loans made directly by MHF and loans originally made by others and subsequently assigned to MHF under the provisions of the insurance agreements plus interest receivable, net of possible losses.

F. Acquired Property

Property acquired as a result of claims settled is carried at the principal claim cost, less management's estimate of expenses and losses related to the maintenance and sale of the property, which management believes approximates fair value less costs to sell. As of June 30, 2015 and 2014, acquired property consisted of Single Family property of $94,166 and $197,704, respectively.

G. Allowance for Unpaid Insurance Losses

MHF provides for estimated insurance losses under each insurance plan. The allowance for unpaid insurance losses is increased by provisions charged to current operating expenses and reduced by claim payments. The provision for possible insurance losses is based on management's review of insured properties, considering past loss experience and current economic conditions which may affect the frequency of claims and the recovery of claim costs. Actual results could differ from those estimates.

H. Restricted Net Position

In accordance with accounting guidance issued by the GASB, net position should be reported as restricted when constraints placed on net position 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 funds and accounts whose purpose is to pay possible future claims are restricted as to their use, as is interest earned on these restricted assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Revenues and Expenses

Operating revenues and expenses generally result from mortgage insurance activities in connection with MHF's ongoing operations. The principal operating revenue is mortgage insurance premiums. Operating expenses include expenses relating to claims from defaulted loans and general and administrative expenses. The interest earned on reserve accounts is restricted revenue.

J. Premium Income Recognition

Premium income on all loans are recognized on a straight-line basis over the benefit period covered by the premiums.

K. General and Administrative

MHF is subject to an allocation of intradepartmental support costs of the DHCD, which are included in general and administrative in the Statements of Revenues and Expenses. Such costs could affect MHF's financial position or operating results in a manner that differs from those that might have been obtained if MHF was autonomous. MHF records these costs as invoiced by DHCD for the fiscal year. However, the allocation is subject to review and adjustment subsequent to year-end.

L. Reclassifications

Certain items from the prior year financial statements have been reclassified to conform to the current year presentation.

## NOTE 3 - CASH AND INVESTMENTS

### A. Deposit with State Treasurer

MHF defines cash and cash equivalents as cash and short-term investments that are held on deposit with the State Treasurer. Cash receipts and disbursements of MHF are made through a cash pool maintained by the State Treasurer. None is uninsured and uncollateralized. MHF has on deposit with the State Treasurer both unrestricted and restricted cash and cash equivalents. MHF reports its operating account as unrestricted. MHF reserve accounts are reported as restricted

Additional information can be obtained from the State of Maryland Comprehensive Annual Financial Report.

### B. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MHF adheres to Maryland State Treasurer's policy for managing its exposure to fair value loss arising from increasing interest rates. The Maryland State Treasurer's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than five years from the date of purchase.

### C. 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. MHF's policy for reducing its exposure to credit risk is to comply with Maryland State Treasurer's policy, which requires that the Treasurer's investments in repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments may be made directly in U.S. Treasuries or agency obligations.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. MHF's policy for reducing this risk of loss is to comply with the Maryland State Treasurer's policy, which limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. Otherwise, there is no limit on the amount that may be invested in any one issuer.

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, MHF will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. Investments and collateralized securities are held in trust by the trustee or the trustee agent, kept separate from the assets of the bank and from other trust accounts and are held in MHF's name.

E. Investment Held for Borrower

The investment consists of a U.S. government treasury zero-coupon bond carried at fair value based on quoted market prices. The investment is classified as long-term based on the maturity date.

The following asset reported at fair market value and held by MHF at June 30, 2015 and 2014 is evaluated in accordance with accounting guidance issued by the GASB for interest rate risk, credit risk, concentration of credit risk and custodial credit risk. This investment is held as collateral on a Multi-Family loan and matures on April 15, 2024.

| | 2015 | 2014 |
|---|---|---|
| Investment held for borrower (Obligations of U.S. Government Agencies) | $ 2,027,176 | $ 1,983,925 |

## NOTE 4 - LOANS AND INTEREST RECEIVABLE, NET OF ALLOWANCE FOR LOANS AND RELATED LOSSES

Loans and interest receivable, net of allowance for loans and related losses, consist of loans made directly by MHF and loans originally made by others and subsequently assigned to MHF under the provisions of the insurance agreements plus interest receivable, net of possible losses. Mortgage loans, notes receivable and interest receivable were as follows for the years ended June 30, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Multi-Family | $ 7,626,702 | $ 7,651,872 |
| Single Family | 156,534 | 156,534 |
| Interest receivable on loans | 9,592,577 | 9,323,843 |
| | 17,375,813 | 17,132,249 |
| Allowance for possible losses on Multi-Family loans | (7,299,720) | (7,299,721) |
| Allowance for possible losses on Single Family loans | (156,534) | (156,534) |
| Allowance for possible losses on interest receivable | (9,592,577) | (9,323,843) |
| Total allowance for possible losses | (17,048,831) | (16,780,098) |
| Loans and interest receivable, net of allowance for loans and related losses | $ 326,982 | $ 352,151 |
| Current portion, net of allowance | $ 182,105 | $ 181,702 |
| Non-current portion, net of allowance | 144,877 | 170,449 |
| Loans and interest receivable, net of allowance for loans and related losses | $ 326,982 | $ 352,151 |

## NOTE 4 - LOANS AND INTEREST RECEIVABLE, NET OF ALLOWANCE FOR LOANS AND RELATED LOSSES (Continued)

Changes in the allowance for possible losses on loans and interest receivable were as follows for the years ended June 30, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Balance, beginning of year | $ 16,780,098 | $ 16,395,046 |
| Increase in provision | 268,733 | 385,052 |
| Balance, end of year | $ 17,048,831 | $ 16,780,098 |

## NOTE 5 - UNEARNED PREMIUMS

The unearned premiums for the unexpired terms of all policies in force or written as of June 30, 2015 and 2014, and the changes for the years then ended were as follows:

| | 2015 | | | |
|---|---|---|---|---|
| | Unearned premiums at beginning of year | Premiums written | Premiums earned | Unearned premiums at end of year |
| Multi-Family Programs | | | | |
| Construction and Permanent Mortgages | $ 716,993 | $ 1,201,297 | $ 1,186,581 | $ 731,709 |
| SHOP Loans | 46,923 | 52,869 | 67,562 | 32,230 |
| Total Multi-Family Programs | 763,916 | 1,254,166 | 1,254,143 | 763,939 |
| Single Family Programs | | | | |
| Single Family Regular | | | | |
| Primary | 100,698 | 199,543 | 210,635 | 89,606 |
| Reinsurance | - | - | - | - |
| Revitalization (Pilot) | 175 | 658 | 457 | 376 |
| Community Development Administration under Multi-Family Reserve | 230 | 642 | 636 | 236 |
| General | - | - | - | - |
| Total Single Family Programs | 101,103 | 200,843 | 211,728 | 90,218 |
| Total for the year ended June 30, 2015 | $ 865,019 | $ 1,455,009 | $ 1,465,871 | $ 854,157 |

## NOTE 5 - UNEARNED PREMIUMS (Continued)

| | 2014 | | | |
|---|---|---|---|---|
| | Unearned premiums at beginning of year | Premiums written | Premiums earned | Unearned premiums at end of year |
| Multi-Family Programs | | | | |
| Construction and Permanent Mortgages | $ 587,606 | $ 1,249,549 | $ 1,120,162 | $ 716,993 |
| SHOP Loans | 29,485 | 72,263 | 54,825 | 46,923 |
| Total Multi-Family Programs | 617,091 | 1,321,812 | 1,174,987 | 763,916 |
| Single Family Programs | | | | |
| Single Family Regular | | | | |
| Primary | 151,596 | 211,658 | 262,556 | 100,698 |
| Reinsurance | - | 1,665,200 | 1,665,200 | - |
| Revitalization (Pilot) | 85 | 257 | 167 | 175 |
| Community Development Administration under Multi-Family Reserve | 247 | 739 | 756 | 230 |
| General | 1,278 | - | 1,278 | - |
| Total Single Family Programs | 153,206 | 1,877,854 | 1,929,957 | 101,103 |
| Total for the year ended June 30, 2014 | $ 770,297 | $ 3,199,666 | $ 3,104,944 | $ 865,019 |

## NOTE 6 - NON-CURRENT OBLIGATIONS

Changes in non-current obligations for the years ended June 30, 2015 and 2014 were as follows:

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Amount Due Within One Year |
| Compensated absences | $ 273,889 | $ 92,918 | $ (243,638) | $ 123,169 | $ 67,779 |
| Workers' compensation | 3,000 | - | (1,000) | 2,000 | 310 |
| Investment held for borrower | 1,983,925 | 43,251 | - | 2,027,176 | - |
| Allowance for unpaid insurance losses | 12,458,449 | - | (556,406) | 11,902,043 | 2,047,280 |
| Total for the year ended June 30, 2015 | $ 14,719,263 | $ 136,169 | $ (801,044) | $ 14,054,388 | $ 2,115,369 |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Amount Due Within One Year |
| Compensated absences | $ 337,365 | $ 163,132 | $ (226,608) | $ 273,889 | $ 124,017 |
| Workers' compensation | 3,000 | - | - | 3,000 | 465 |
| Investment held for borrower | 1,904,906 | 79,019 | - | 1,983,925 | - |
| Allowance for unpaid insurance losses | 14,686,558 | - | (2,228,109) | 12,458,449 | 1,922,759 |
| Total for the year ended June 30, 2014 | $ 16,931,829 | $ 242,151 | $ (2,454,717) | $ 14,719,263 | $ 2,047,241 |

## NOTE 7 - ALLOWANCE FOR UNPAID INSURANCE LOSSES

The allowance for unpaid insurance losses is the estimated claims settlement on notices of default that has been received by MHF, as well as loan defaults that have been incurred but have not been reported by the lenders. Although current accounting guidance specifically excludes mortgage guaranty insurance from its guidance relating to the reserves for losses, MHF establishes loss reserves using the general principles contained in the insurance standard.

For insured Multi-Family program properties, MHF establishes loss reserves on a case-by-case basis when insured loans are identified as currently in default based on MHF's expected claim payment, net of estimated recovery. At June 30, 2015, MHF had no Multi-Family loans in default. As a result, MHF provides only limited loss reserves on the Multi-Family portfolio.

For insured Single Family loans, MHF establishes its loss reserves based on past loss experiences and the current real estate market. MHF also reserves for defaults that have been incurred but have not been reported prior to the close of an accounting period, using estimated claim rates and claim sizes for the estimated number of defaults not reported. For Single Family program properties, insured loans which have gone through foreclosure and MHF has not paid a claim, MHF also reserves for losses based on past loss experiences and the current real estate market.

MHF's reserve process is based upon the assumptions of past experience, including the current real estate market and housing values in the locations where MHF has experienced high claim rates. Therefore, the reserves are necessarily based on estimates and the ultimate liability may vary from such estimates. Management regularly reviews the evaluation of the loss reserves utilizing current information and updates the assumptions in the estimation process accordingly. Any resulting adjustments are reflected in the current period's earnings as either a provision for losses or reduction in losses. Management believes that the allowance for unpaid insurance losses at June 30, 2015 was appropriately established on an aggregate basis and was adequate to cover the ultimate net cost of settling reported and unreported claims.

## NOTE 7 - ALLOWANCE FOR UNPAID INSURANCE LOSSES (Continued)

Changes in allowance for unpaid insurance losses were as follows:

| | Multi-Family | Single Family | Total |
|---|---|---|---|
| Balance at June 30, 2013 | $ 6,461,446 | $ 8,225,112 | $ 14,686,558 |
| Increase (decrease) in provision | 673,918 | (2,902,027) | (2,228,109) |
| Balance at June 30, 2014 | 7,135,364 | 5,323,085 | 12,458,449 |
| Increase (decrease) in provision | 385,349 | (941,755) | (556,406) |
| Balance at June 30, 2015 | $ 7,520,713 | $ 4,381,330 | $ 11,902,043 |

## NOTE 8 - COMMITMENTS AND CONTINGENCIES

Multi-Family Mortgages

MHF insured mortgage loans as of June 30, 2015, net of partial claim payments, were as follows:

| | Number | Current Balances |
|---|---|---|
| CDA Construction and Permanent Mortgages | 64 | $ 126,001,837 |
| Loans financed by the Housing Opportunities Commission of Montgomery County | 2 | 3,103,255 |
| CDA SHOP Loans | 152 | 17,292,800 |
| CDA Demonstration Program | 3 | 2,759,098 |
| CDA Single Family Loans under Multi-Family Reserves | 9 | 51,721 |
| | 230 | $ 149,208,711 |

As of June 30, 2015, MHF had commitments of $4,790,773 which had not yet been drawn.

## NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

### Single Family Mortgages

All loans insured by MHF are with approved lenders and are collateralized by a first or second lien against the improved property, which must be located in the State of Maryland. The details of insured loans and commitments to insure loans as of June 30, 2015, were as follows:

| | Insured Mortgages | | | |
|---|---|---|---|---|
| | Original Commitments | | Current Balances | |
| | Number | Amount | Amount | Contingent Liability |
| Primary insurance coverage | | | | |
| Single Family Regular | | | | |
| 25% insured | 1,443 | $ 75,577,511 | $ 35,427,253 | $ 8,856,813 |
| 35% insured | 290 | 60,722,428 | 55,501,520 | 19,425,532 |
| Revitalization (Pilot) Program | | | | |
| 100% insured | 7 | 228,550 | 130,499 | 130,499 |
| 2.5% insured | 180 | 32,809,126 | 28,959,865 | 723,997 |
| General | | | | |
| 35% insured | 27 | 7,257,449 | 6,534,866 | 2,287,203 |
| Total | 1,947 | $ 176,595,064 | $ 126,554,003 | $ 31,424,044 |

As of June 30, 2015, MHF had committed primary insurance coverage on 24 mortgages under the Revitalization Reserve, Healthy Neighborhood Program in the amount of $2,134,154 and is liable for 2.5%.

Effective August 1, 2010, MHF was released from any obligation to provide pool insurance for loans originated prior to 2005.

## NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

Effective January 1, 2011, MHF and CDA entered into a Reinsurance Pool Program for loans that CDA had originated between 2005 and 2010 which had only 35% mortgage insurance. Under the program CDA pays a monthly premium for MHF to insure 50% of any losses incurred by CDA on the uninsured 65% up to $12.5 million. The program terminates on the earliest date of either when MHF has reached $12.5 million in net losses or December 31, 2020. The Reinsurance Program terminated in May 2014 when MHF had paid $12.5 million in net losses.

## NOTE 9 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible 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. MHF's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by MHF 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 MHF. 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 10 - SUBSEQUENT EVENTS

Events that occur after the date of the statement of net position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of MHF through October 28, 2015 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

# MARYLAND HOUSING FUND
# INTERIM FINANCIAL STATEMENTS
## As of December 31, 2015
## (UNAUDITED)

**Maryland Housing Fund**

**STATEMENTS OF NET ASSETS**

**As of December 31, 2015 and June 30, 2015**

**(UNAUDITED)**

| | 12/31/2015 | 6/30/2015 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Unrestricted current assets | | |
| Deposit with State Treasurer | | |
| Operating account | $ 1,242,866 | $ 1,312,494 |
| Investments | 54,355 | - |
| Loans and interest receivable, net of allowance for loans and related losses | 169,955 | 182,105 |
| Acquired property | (162,003) | 94,166 |
| Other | 342,640 | 341,548 |
| Total unrestricted current assets | 1,647,813 | 1,930,313 |
| Restricted current assets | | |
| Deposit with State Treasurer | | |
| Reserve accounts | 82,847,469 | 83,333,605 |
| Reserve account - Reinsurance Program | - | - |
| Total restricted current assets | 82,847,469 | 83,333,605 |
| Total current assets | 84,495,282 | 85,263,918 |
| Non-current assets | | |
| Investment held for borrower | 2,027,176 | 2,027,176 |
| Loans and interest receivable, net of allowance for loans and related losses and current portion | 144,032 | 144,877 |
| Total non-current assets | 2,171,208 | 2,172,053 |
| Total assets | $ 86,666,490 | $ 87,435,971 |

(continued)

**Maryland Housing Fund**

**STATEMENTS OF NET ASSETS - CONTINUED**

**As of December 31, 2015 and June 30, 2015**

**(UNAUDITED)**

| | 12/31/2015 | 6/30/2015 |
|---|---|---|
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable | $ 1,159,715 | $ 104,646 |
| Accrued compensated absences | 67,779 | 67,779 |
| Accrued workers' compensation | 310 | 310 |
| Mortgage escrow accounts | 262,759 | 293,675 |
| Unearned premiums | 1,399,155 | 854,157 |
| Allowance for unpaid insurance losses | 1,342,299 | 2,047,280 |
| Total current liabilities | 4,232,017 | 3,367,847 |
| Non-current liabilities | | |
| Accrued compensated absences, net of current portion | 206,110 | 55,390 |
| Accrued workers' compensation, net of current portion | 1,690 | 1,690 |
| Investment held for borrower | 2,027,175 | 2,027,176 |
| Allowance for unpaid insurance losses, net of current portion | 9,620,254 | 9,854,763 |
| Total non-current liabilities | 11,855,229 | 11,939,019 |
| Total liabilities | 16,087,246 | 15,306,866 |
| Net position | | |
| Restricted for: | | |
| MultiFamily Reserve | 44,698,739 | 44,698,739 |
| Single Family Regular Reserve | 16,998,461 | 16,998,460 |
| Revitalization (Pilot) Reserve | 2,185,258 | 2,185,258 |
| General Reserve | 8,593,422 | 8,593,422 |
| Unallocated Reserve | 10,306,732 | 10,868,580 |
| Total restricted net position | 82,782,612 | 83,344,459 |
| Unrestricted deficit | (12,203,368) | (11,215,354) |
| Total net position | 70,579,244 | 72,129,105 |
| Total liabilities and net position | $ 86,666,490 | $ 87,435,971 |

See notes to financial statements

**Maryland Housing Fund**

**STATEMENTS OF REVENUES AND EXPENSES**

**As of December 31, 2015 and June 30, 2015**

**(UNAUDITED)**

| | 12/31/2015 | 6/30/2015 |
|---|---|---|
| Operating Revenues | | |
| Net premiums | $ 576,995 | $ 1,465,871 |
| Interest income on reserves | 361,087 | 868,580 |
| Interest income on loans | 265,307 | 528,628 |
| Other income | 49,655 | 51,916 |
| Total operating revenues | 1,253,044 | 2,914,995 |
| Operating Expenses | | |
| General and administrative | 1,545,326 | 1,796,526 |
| Acquired property | 703,517 | 1,323,860 |
| Net loss on sales of acquired property | 53,742 | 4,593 |
| (Benefit) provision for insurance and loan losses | (368,258) | (287,673) |
| Total operating expenses | 1,934,327 | 2,837,306 |
| Change in net position | (681,283) | 77,689 |

See notes to financial statements

**Maryland Housing Fund**

**STATEMENTS OF CHANGES IN NET POSITION**

**For the six months ended December 31, 2015 and years ended June 30,2015**

**(Unaudited)**

| | Restricted Net Assets | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Multi-Family Reserve** | **Regular Single Family Reserve** | **Revitalization (Pilot) Reserve** | **General Reserve** | **Unallocated Reserve** | **Unrestricted Accumulated Deficit** | **Total** |
| Balance at June 30, 2014 | **$ 44,698,739** | **$ 18,293,869** | **$ 2,198,502** | **$ 8,593,422** | **$ 10,879,097** | **$ (11,733,114)** | **$ 72,930,516** |
| Interest income allocated at the discretion of DHCD Secretary | | | | | 868,580 | (868,580) | |
| Transfers out | | | | | (879,097) | | (879,097) |
| Change in net Position | | (1,295,409) | (13,244) | | | 1,386,341 | 77,689 |
| Balance at June 30, 2015 | **44,698,739** | **16,998,461** | **2,185,258** | **8,593,422** | **10,868,580** | **(11,215,353)** | **72,129,108** |
| Interest income allocated at the discretion of DHCD Secretary | | | | | 306,732 | (306,732) | |
| Transfers out | | | | | (868,580) | | (868,580) |
| Change in net Position | | | | | | (681,283) | (681,283) |
| Balance at December 31, 2015 | **$ 44,698,739** | **$ 16,998,461** | **$ 2,185,258** | **$ 8,593,422** | **$ 10,306,732** | **$ (12,203,368)** | **$ 70,579,245** |

**Maryland Housing Fund**

**STATEMENTS OF CASH FLOWS**

**As of December 31, 2015 and June 30, 2015**

**(UNAUDITED)**

| | 12/31/2015 | 6/30/2015 |
|---|---|---|
| Cash flows from operating activities | | |
| Receipts from premiums, net | $ 1,118,272 | $ 1,455,009 |
| Receipts from loans | 19,758 | 285,063 |
| Receipts from mortgage escrows | 59,904 | 113,116 |
| Payments for mortgage escrows | (90,821) | (108,801) |
| Receipts from miscellaneous fees | 46,672 | 51,916 |
| Payments for general and administrative expenses | (643,928) | (2,211,092) |
| Sale proceeds from acquired property | 75,712 | 97,406 |
| Payments for acquired property | (702,204) | (1,391,000) |
| Receipts from interest earned on reserves | 306,732 | 868,580 |
| Transfer to state funded programs | (868,580) | (879,097) |
| Net cash (used in) provided by operating activities | (678,483) | (1,718,900) |
| Net (decrease) increase in cash | (678,483) | (1,718,900) |
| Deposit with State Treasurer, balance - beginning of period | 84,768,818 | 84,646,099 |
| Deposit with State Treasurer, balance - end of period | $ 84,090,335 | $ 82,927,199 |

| | | |
|---|---|---|
| Reconciliation of change in net assets to net cash (used in) provided by operating activities: | | |
| Change in net assets | $ (681,283) | $ 77,689 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities | | |
| Transfer to state funded programs | (868,580) | (879,097) |
| Decrease (Increase) in loans and interest receivable | 12,997 | 25,169 |
| Decrease in acquired property | 126,622 | 103,538 |
| Decrease (Increase) in investments and other assets | (88,781) | (111,931) |
| Decrease (Increase) in accounts payable and other accrued liabilities | 902,348 | (366,998) |
| (Decrease) increase in allowance for unpaid insurance losses | (626,803) | (556,406) |
| Decrease (Increase) in unearned premiums | 544,999 | (10,862) |
| Net cash (used in) provided by operating activities | $ (1,505,356) | $ (1,718,898) |

# APPENDIX G

# MORTGAGE INSURANCE AND GUARANTY PROGRAMS

# APPENDIX G

## MORTGAGE INSURANCE AND GUARANTY PROGRAMS

## FHA MORTGAGE INSURANCE PROGRAM, VA HOME LOAN GUARANTY PROGRAM, USDA/RD MORTGAGE GUARANTY PROGRAM, PRIVATE MORTGAGE INSURANCE PROGRAM AND THE MHF INSURANCE PROGRAM

### Introduction

**The Administration has prepared the following description of the FHA Mortgage Insurance Program, the VA Home Loan Guaranty Program, the USDA/RD Mortgage Guaranty Program, and private mortgage insurance. This description is only a brief outline and does not purport to summarize or describe all of the provisions of these programs, and the Administration does not warrant or represent the accuracy or completeness of such description. For a more complete description of the terms of this program, reference is made to the provisions of the insurance and guaranty contracts embodied in the regulations of FHA, VA and USDA/RD, respectively, and of the regulations, master insurance contracts and other such applicable information for those programs and for applicable private mortgage insurance.** Credit Enhancement for Mortgage Loans made or purchased by the Administration with the proceeds is limited by the Bond Resolutions to insurance under the FHA Mortgage Insurance Program, the VA Home Loan Guaranty Program, the USDA/RD Guarantee Program, and private mortgage insurance (described below). In addition, Mortgage Loans may be insured by the Maryland Housing Fund. See THE MHF INSURANCE PROGRAM below. Moreover, Mortgage Loans with a loan-to-value ratio of 80% or less are not required to have a credit enhancement as described above. If a Mortgage Loan without credit enhancement is supported by secondary financing, then such financing must be acceptable to the Administration. The secondary financing may include, for example, certain grants or loans from governmental or non-profit entities; any loans must be non-amortizing or amortize at an interest rate below the market rate. However, the Bond Resolution does not require that a Mortgage Loan financed in the future be secured by Credit Enhancement. Credit Enhancement of all or a portion of a Mortgage Loan, if any, will be provided in accordance with the provisions therefor set forth in the Series Resolution authorizing a particular Series of Bonds. Credit Enhancement of Mortgage Loans includes (but is not limited to) any credit enhancement, insurance, guaranty, risk-sharing arrangement or any other form of credit support for a Mortgage Loan (or any portion thereof) as provided in any Series Resolution or Supplemental Resolution and it is possible that insurance benefits under other federal, State or private programs in which the Administration may participate could have different terms.

### FHA Mortgage Insurance Program

Section 221 and Section 203 of the National Housing Act, as amended (the "Housing Act"), authorize the FHA to insure mortgage loans of up to 40 years for the purchase of one to four family dwelling units, or 30 years if the mortgage is not approved for insurance prior to construction. Section 234 of the Housing Act authorizes the FHA to insure mortgage loans of up to 35 years for the purchase of one-family dwelling units in multi-family condominium projects. The regulations promulgated to implement the Housing Act provide for insurance of mortgage loans for up to 30 years.

Mortgage Loans shall bear interest at a rate agreed upon by the mortgagee and Borrower. Mortgage Loans under any of the foregoing programs must be in conformity with the maximum mortgage loan amount limitations and minimum downpayment requirements specified in the Housing Act and the

regulations promulgated thereunder. In addition, the Borrower must establish to the satisfaction of FHA that his or her income is adequate to meet the periodic payments required on the mortgage loan.

FHA permits the fully insured Mortgage Loan amount to include not only the up-front mortgage insurance premium, but, under certain circumstances, certain closing costs and other costs as well. Furthermore, through the FHA Section 203(k) Program, FHA will insure certain loans for up to 110 percent of the expected after-rehabilitation value of the property, plus permitted closing costs.

Under the terms of the foregoing program, the mortgagee, upon a default by the Borrower, is required to take certain actions, and is subject to certain limitations, before the mortgagee is entitled to initiate foreclosure proceedings or to claim insurance benefits. The mortgagee is subject to certain requirements and limitations, including the following: (1) the mortgagee must give notice of default to the Borrower and make reasonable efforts to conduct a face-to-face interview with the Borrower; (2) the mortgagee is required to undertake a pre-foreclosure review to ensure compliance with applicable requirements; and (3) the mortgagee may not commence foreclosure until at least three full monthly installments are in default. In addition, various types of forbearance may be required, including a reduction in mortgage payments, recasting the mortgage to reduce payments, temporary mortgage assistance payments, or pre-foreclosure sale. The mortgage also is subject to reinstatement until completion of foreclosure proceedings. The Housing Act gives discretionary authority to the Secretary of the United States Department of Housing and Urban Development ("HUD") to settle claims for insurance benefits for insured mortgages either in cash or debentures; claim payments currently are being made in cash. HUD debentures bear interest at the rate in effect as of the time of origination of the mortgage loan or when the mortgage loan is endorsed, whichever rate is higher.

Insurance benefits are paid on foreclosure and conveyance of title. The amount of benefits paid by FHA on conveyed properties, except in certain circumstances as described below, is equal to the unpaid principal amount of the mortgage loan plus certain tax, insurance and other payments made by the mortgagee, a percentage of any foreclosure expenses incurred by the mortgagee, which percentage shall be determined in accordance with such terms as HUD shall prescribe, and reasonable expenses incurred by the mortgagee for the preservation, protection and operation of the properties prior to conveyance, as well as interest from date of default at a rate equivalent to the debenture interest rate (which may be less than the interest rate of the insured mortgage loan), less certain amounts received or retained by the mortgagee in respect of the mortgaged property.

When any property to be conveyed to the FHA has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition to payment of an insurance claim, that such property be repaired by the mortgagee prior to such conveyance.

**VA Home Loan Guaranty Program**

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse) to obtain a loan guarantee by the VA covering mortgage financing of the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no mortgage loan limits, requires no down payment from the purchaser and permits the guarantee of mortgage loans with terms of up to 30 years and 32 days. VA will guarantee up to 50 percent of a home loan up to $45,000. For loans between $45,000 and $144,000, the minimum guaranty amount is $22,500; and the maximum guaranty is up to 40 percent of the loan, up to $36,000, subject to the amount of entitlement a veteran has available. For loans of more than $144,000 the maximum guaranty is the lesser of 25 percent of the loan or the dollar amount that is equal to 25 percent of the Federal Home Loan Mortgage Corporation conforming loan limitation determined under Section 505(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454(a)(2)) for a single-family residence, as adjusted

## THE MHF INSURANCE PROGRAM

The following describes the mortgage insurance programs administered by the Maryland Housing Fund ("MHF") pursuant to Section 3-201 through 3-208 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the "MHF Statute"), and is qualified in its entirety by reference to such statute and the regulations thereunder (the "MHF Regulations").

MHF was created in 1971 as a special insurance fund of the State of Maryland and is a governmental unit in the Division of Credit Assurance of the Department (the "Division"). MHF is authorized to insure mortgage loans, including mortgage loans for multifamily developments financed by public agencies such as the Administration ("Multifamily loans") and to provide primary insurance for single family mortgage loans ("Single Family loans"). MHF insures against certain monetary losses incurred as a result of nonpayment of principal, interest or other sums agreed to be paid and certain other events of default under the terms of any insured mortgage loan but does not insure against property losses, including without limitation, title risk, risks of defective construction or casualty, or any other reduction in project value due to insurable risk or force majeure, casualty or title loss.

In early 1997, the Department suspended all insurance activity of MHF (except for pool insurance for certain Single Family loans), partly as a result of concerns expressed by Moody's Investors Service ("Moody's") during the 1996 and 1997 rating review. The Department responded to Moody's concerns and has consulted with Moody's regarding the implementation of certain of MHF's insurance programs. MHF continues to service active insured loans originated prior to 1997 and is operating the insurance programs described below.

### Multifamily Loan Programs

MHF insures mortgage loans under a group home loan program known as "SHOP" (Special Housing Opportunities Program) that finance or refinance the acquisition, construction or rehabilitation of shared living and related facilities for the special needs population, which are owned by and sponsored by nonprofit organizations. This is an active program with loans funded through the Administration and insured by MHF.

The Administration is a participant in the Federal Housing and Administration's ("FHA") Risk-Sharing Program (the "FHA Risk-Sharing Program") for multifamily loans. As a Level I participant under the FHA Risk-Sharing Program, upon payment of a claim by FHA, the Administration would be responsible for reimbursement to FHA of up to 50% of such claim. As a Level II participant under the FHA Risk-Sharing Program, the Administration would be responsible for reimbursement to FHA of up to 25% of such claim. The Administration expects that MHF would reimburse the Administration for its share of such losses, pursuant to a commitment letter issued by MHF to the Administration in connection with each Loan. Between 1997 and 2004, the Administration participated in the FHA Risk-Sharing Program only in connection with the refinancing of Loans then insured by MHF where the Administration was able to decrease the dollar amount of MHF's insurance exposure with respect to such loans. In 2004, the Department expanded its MHF insurance program for new Loans funded through the Administration with credit enhancement under the FHA Risk-Sharing Program.

MHF has also provided mortgage insurance for short term loans made by the Administration pursuant to the Tax Credit Bridge Loan Insurance program. For a project which qualifies for federal low income housing tax credits, MHF provided limited insurance for bridge loans made by the Administration until equity capital contributions were made by the tax credit investor. The Tax Credit Bridge Loan Insurance program is governed by Sections 3-203 and 3-206 of the MHF Statute and COMAR 05.06.02 of the MHF Regulations.

Effective December 9, 2014, MHF and the Administration created a demonstration program (the "MHF Demonstration Program") whereby MHF insures short term loans ("Short Term Loans") financed with proceeds from the sale of short term bonds issued under the Bond Resolution (the "Short Term Bonds"). The MHF Demonstration Program is an additional cost-effective option extended to borrowers for the provision of Credit Enhancement for Short Term Loans financed under the Bond Resolution. Eligibility for the MHF Demonstration Program is limited to projects where the project would need to use more than 25% of its projected tax credit equity to cash collateralize a letter of credit ("LOC") that otherwise would be delivered to secure Short Term Bonds during construction, and the amount of the Short Term Loan (which equals the amount of the cash collateral account that would be required by a LOC provider) is greater than 25% of the projected tax credit equity. No borrower, including all related entities, may have Short Term loans insured under the MHF Demonstration Program at any one time in excess of $5 million. In addition, 25% of the projected amount of tax credit equity to be generated by a project must be contributed to the project at the closing of the Short Term Loan. MHF's obligations under the MHF Demonstration Program are backed only by (i) MHF's Unallocated Reserve and (ii) any excess revenue available under the Bond Resolution. The aggregate amount of outstanding indebtedness to be insured under the MHF Demonstration Program may not exceed $10 million from the MHF Unallocated Reserve plus any excess revenue available under the Bond Resolution at any given time. Prior to formal implementation of the MHF Demonstration Program, two short term loans were underwritten using the MHF Demonstration Program criteria, and those short term loans have been transferred into the MHF Demonstration Program.

**Single Family Loan Programs**

In June 2005, the Department opened a program of MHF to insure 30-year and 40-year amortizing Single Family loans being purchased by the Administration. Because market conditions caused unexpected high demand for this insurance, the Department suspended the program as of November 10, 2008.

In June 2006 the Department authorized the expenditure of up to $1 million of the Revitalization Reserve to provide credit enhancement to a loan program that is sponsored by a nonprofit corporation, which is intended to stabilize and strengthen property values in targeted areas of the City of Baltimore. The ability to enroll new loans under that agreement terminated March 31, 2012; however, MHF will continue its coverage of active loans enrolled in the loan pool for up to ten years after the date a loan is enrolled in the pool. The Department negotiated a new agreement dated January 12, 2012, authorizing the expenditure of up to an additional $800,000 of the Revitalization Reserve to provide credit enhancement for a second loan pool. The credit enhancement will last for a period of ten years after the date the loan is enrolled in the pool. All loans to be credit enhanced must be enrolled in the pool by January 2018.

In 2008, MHF committed $10 million of the Unallocated Reserve to provide credit enhancement for certain single family refinancing loans made by private lenders under the Department's Home Owners' Preserving Equity ("HOPE") initiative. The General Reserve was officially established by regulation in November 2008 to insure a broad range of programs, including the HOPE initiative. MHF transferred $10 million of the Unallocated Reserve to the General Reserve on November 3, 2008 to insure loans under the HOPE initiative and other Department programs.

**Additional Information**

For fiscal year 2003, the Maryland Department of Legislative Services asked MHF and the Administration whether there were funds available for transfer to the State. After being advised by Moody's that a transfer, in and of itself, would not have an adverse effect on the rating of the Administration's outstanding parity debt, including the Bonds, MHF transferred $10 million from the Unallocated Reserve to the State. There was no transfer in 2004, 2005, 2006, or 2007. Legislation was enacted during the 2008 session (SB 983) requiring another $10 million to be transferred, and

beginning in fiscal year 2010, any amount in the Unallocated Reserve at the end of any fiscal year that exceeds an amount necessary to provide backing for insurance issued by MHF by more than $10 million, be transferred to the Department's revolving housing loan funds. During the fiscal years ending June 30, 2009, 2010, 2011, 2012, 2013, 2014 and 2015, MHF transferred $3.6 million, $2.2 million, $2.7 million, $2.1 million, $1.1 million, $0.77 million and $0.87 million respectively. For more information, see "Management's Presentation of the MHF Program" below.

## MANAGEMENT'S PRESENTATION OF THE MHF PROGRAM

The following information is management's presentation of the MHF Program.

### Financial Statements and Information

The financial statements of MHF for the fiscal years ended June 30, 2015 and June 30, 2014 have been audited by CohnReznick LLP. As indicated in the report of the auditors, such financial statements have been prepared in conformity with accounting principles and the audits conducted in accordance with auditing standards generally accepted in the United States. The financial statements of MHF are reported on a consolidated basis combining results of operations for all of the MHF Programs.

### Income and Reserves

MHF's income from insurance premiums is used to pay expenses.

MHF maintains five insurance reserves, which are separate from MHF's operating funds. Four of the reserves cover specific categories of insurance: the Multifamily Reserve, the Single Family Regular Program Reserve, the Revitalization Reserve, and the General Reserve. The investment earnings on each of the four specific reserves are credited to a fifth reserve, the Unallocated Reserve, which may be used to pay claims on all categories of insurance or may be transferred into any other reserve, or may be restricted for claims under a particular category. The Unallocated Reserve is available for any category of claims or for any other purpose consistent with contractual obligations with the Administration's bondholders. Prior to 2011, MHF had maintained a sixth reserve for the Home and Energy Loan Program. The reserve balance of $500,000 was transferred into the Unallocated Reserve as the last loan insured under the program was paid off in fiscal year 2009.

The MHF Statute provides that any moneys of MHF that the Department creates as an identifiable insurance reserve may be used only in conformance with the terms and conditions creating that reserve. MHF Regulations provide that each reserve is maintained to pay claims arising from its respective category of insurance and may not be subject to claims arising from other categories of insurance except for the Unallocated Reserve. All reserves are held by the Office of the Treasurer of the State, which credits MHF with interest income based on the total reserve balance for the benefit of MHF.

MHF does not insure the Bonds, and the assets of MHF are not available to the Administration or the Trustee to satisfy obligations to holders of the Bonds. The obligation of MHF is limited to the payment of mortgage insurance claims as described herein. An insurance claim against MHF is payable from and limited to the applicable MHF reserve and does not constitute a general obligation of MHF, the Department, or the State.

**Statements of Net Assets Discussion**

During the fiscal year ending June 30, 2015, the overall equity decreased from $72,930,515 at June 30, 2014 to $72,129,105. The net decrease of $801,410 is primarily due to actual and anticipated insurance losses on acquired single family properties, and general administration costs allocated to MHF. During the six-month period ending December 31, 2015, the overall equity decreased from $72,129,105 at June 30, 2015 to $70,579,244 at December 31, 2015. The net decrease of $ 1,549,861 is primarily due to insurance claim payments for losses of the short sales and third party sales of single family properties, and general administration costs allocated to MHF.

The Unrestricted Accumulated Deficit is a part of the overall equity. The Unrestricted Accumulated Deficit, which decreases when claims are paid from the insurance reserves, represents the cumulative net income (loss) of MHF since its inception less any investment income earned on the insurance reserves. When MHF's insurance reserves are greater than its net position, there will be an accumulated deficit in the net position section of the MHF Statement of Net Assets.

In fiscal year 2015, MHF paid claims directly from the reserve funds resulting in a decrease to the Unrestricted Accumulated Deficit from $11,733,114 to $11,215,354. During the six-month period ending December 31, 2015, the Unrestricted Accumulated Deficit increased from 11,215,354 to $12,203,368. The net increase of $988,014 is due to the transfer of funds in the Unallocated Account to the Department's revolving loan funds pursuant to 2008 SB 983.

**Discussion of Changes in Net Position**

During the fiscal year ending June 30, 2015, MHF reported a Change in Net Position of $77,687. The net increase of $214,060 is due primarily to decrease in allowance for insurance losses from single family properties, net losses of sales of acquired single family properties and general administration expenses.

During the six-month period ending December 31, 2015, MHF reported a Change in Net Position of (681,283). The net change is due primarily to a reduction in premiums needed to pay the administrative expenses.

As described below in "Single Family Information – Certain Additional Expected Single Family Claims" and "Multifamily Information – Certain Additional Expected Multifamily Claims," the Administration has notified MHF of defaults under insured mortgages that were expected to result in additional claims to MHF. Payment of these claims is not reflected in MHF's Statement of Net Assets; however, MHF included provisions for these claims in its allowance for unpaid insurance losses.

**Discussion of Operating Cash Account**

**Selected Activity in MHF's Operating Cash Account**

The following table is management's presentation of selected activity in MHF's operating cash account as of December 31, 2015.

| | Single Family | Multifamily | Total |
|---|---|---|---|
| Premiums Collected[1] | $ 58,213 | $ 1,060,059 | $ 1,118,272 |
| Operating Expenses Paid[2] | (383,590) | (260,338) | (643,928) |
| Premiums Net of Operating Expenses | (325,377) | 799,721 | 474,344 |
| Claims[3] | (702,204) | - | (702,204) |
| Recoveries[4] | 75,712 | 19,758 | 95,470 |
| Net Claim Activity | (626,492) | 19,758 | (606,734) |
| Other[5] | - | 15,755 | 15,755 |
| **Net Cash from Selected Activity** | **($ 951,869)** | **$ 835,234** | **($ 116,635)** |

**Notes:**

[1] Premiums collected as stated in the Statement of Cash Flows.

[2] Operating expenses include salaries and benefits, general administrative and intradepartmental expenses.

[3] Amount includes principal, interest, and supplemental expenses incurred on claims and carrying costs on acquired properties.

[4] Includes proceeds collected on the sale of loans or acquired properties.

[5] Amount includes changes in other assets and liabilities such as mortgage receivables, notes payables, and escrows.

During the fiscal year ending June 30, 2015, the net cash activity in MHF's operating cash was ($2,316,912) for Single Family and $608,527 for Multifamily. The change in Single Family is due to decrease in recoveries. The change in Multifamily is due to increase in recoveries.

During the six-month period ending December 31, 2015, the net cash activity in MHF's operating cash was ($951,869) for Single Family and $759,523for Multi-Family. The change in Single Family is due to fewer premiums received and claims paid. The change in Multi-Family is due to premiums received.

**Liquidity**

MHF's primary uses of funds are to pay its operating expenses (direct and indirect) and to satisfy Multifamily and Single Family claims under its insurance policies resulting from a loan default (payment or physical) by an insured borrower. In general, MHF's insurance policies require MHF to pay claims to the lender, which includes the total principal outstanding, interest in arrears (through foreclosure), and other expenses associated with a failed real estate loan (e.g., foreclosure costs, negative escrows, etc.). MHF generally acquires a loan or property with the payment of the claim. The proceeds of the sale of this asset are deducted from the original claim to derive the net loss (or net gain) associated with the defaulted loan claim.

In addition to the proceeds from the sale of assets acquired through the payment of claims, MHF's primary revenue sources result from mortgage insurance premiums paid by the borrowers and the investment earnings on insurance reserves. These assets, together with the corpus of the reserves held by MHF, are available to pay insurance claims and related expenses. The available reserves are leveraged against insurance commitments outstanding. Calculations for the leverage ratios are shown in "Discussion of Leverage Ratios" below.

To manage MHF's resources effectively from both a business and liquidity sense, the management of MHF has developed several claim paying strategies. For Multifamily defaulted loans, MHF may pay a debt service claim after a borrower has missed a total of six monthly payments. These claim payments represent any unpaid principal and interest due from the regular scheduled payment. While making these monthly payments, MHF, working with the Administration, attempts to work out the loan in order to minimize its loss. When the final workout of the loan is completed, MHF either pays a partial claim or pays the full claim. A workout may be accomplished through (a) refinancing of the loan after re-underwriting the debt to enable the project to meet debt service from net operating income or (b) payment of claims and resale of the asset to minimize the total size of the claim.

For Single Family defaulted loans, MHF generally requires the lender to foreclose on the loan and secure the property before it pays the claim. This affords MHF the ability to begin marketing the property for re-sale at the same time it has paid out the cash. MHF attempts to resell Single Family properties in a manner that provides for recoveries as soon as possible while minimizing holding costs. While MHF strives to sell its Real Estate Owned (REO) to homebuyers, its desire to conduct quick turnaround sales does necessitate the selling of a significant portion of the REO to investors and non-profit organizations. Selling to investors generally increases the overall net loss on the claim to MHF.

**Discussion of Leverage Ratios**

MHF operates its Single Family insurance in accordance with an insurance agreement with the Administration dated as of August 1, 2010 (the "2010 Single Family Insurance Agreement"). Claims under the 2010 Single Family Insurance Agreement may be paid from the Single Family Regular Program Reserve.

The 2010 Single Family Insurance Agreement amended and restated an insurance agreement dated as of May 14, 1980 (the "1980 Single Family Insurance Agreement") and an insurance agreement dated as of June 20, 2005. Under the 1980 Single Family Insurance Agreement, pool insurance was provided for single family mortgages financed under a bond resolution for which no bonds remain outstanding. As of August 1, 2010, under the 2010 Single Family Insurance Agreement, MHF was released from the obligation to provide pool insurance under the 1980 Single Family Insurance Agreement.

Under the 2010 Single Family Insurance Agreement, MHF has contracted with the Administration that, except as necessary to pay claims or advances on claims, MHF will not permit the ratio of the aggregate dollar amount of the Single Family insurance to assets in the Single Family Reserve (as may be reduced as described below) to exceed 25 to 1, and that no new insurance payable from the Single Family Reserve shall be issued or committed to, if upon such issuance or commitment and subsequent issuance, that ratio would be exceeded.

Due to MHF having never insured loans that were securitized by Fannie Mae, on April 4, 2014 MHF notified Fannie Mae of its intent to cease seeking certification as a Fannie Mae qualified insurer and requested that Fannie Mae

remove MHF from its list of eligible mortgage insurance providers. The Administration and MHF have entered into the First Amendment to Insurance Agreement Between the Maryland Housing Fund and the Community Development Administration, dated as of April 30, 2014, which eliminates the obligation of MHF to take all actions necessary for the qualification of Single Family Regular Program insurance as mortgage insurance from a qualified insurer within the meaning of Section 3.02(6)(2) of the Fannie Mae Charter Act.

**Selected Information about the Single Family Regular Reserve Ratio*s***

| | 06/30/14 | 06/30/15 | 12/31/2015 |
|---|---|---|---|
| Single Family Regular Program Reserve[(1)(2)] | $ 18,293,869 | $ 16,998,461 | $ 16,998,461 |
| Amount Available for Calculation of "Ratio of Insurance to Available Reserve[(3)] | 18,293,869 | 16,998,461 | 16,998,461 |
| Primary Insurance coverage in force[(4)] | | | |
| Insurance Agreement prior to 2005 | 9,981,763 | 9,045,862 | 7,900,945 |
| Insurance Agreement post 2005 | 22,156,824 | 19,732,726 | 18,767,905 |
| Pool Insurance coverage in force[(5)] | - | - | - |
| Ratio of Mortgage Loans to the Regular Reserve[(6)] | 1.76 to 1 | 1.69 to 1 | 1.57 to 1 |

**Notes:**

(1) The Single Family Program does not include amounts, if any, which have been restricted for possible additional insurance coverage in the Unallocated Reserve. As of December 31, 2015, MHF had committed no additional primary insurance coverage.

(2) Fund balances for MHF reserves are calculated in the same manner as in the financial statements of MHF and include investment income earned and allocated by the Secretary to the Single Family Regular Program Reserve.

(3) In order to determine the leverage ratios, if the Unrestricted Accumulated Deficit exceeds the Unallocated Reserve, the Single Family Regular Reserve or the Multi-Family Reserve may be reduced in a manner determined by MHF to be appropriate. As of December 31, 2015, there was no reduction in the Single Family Reserve to cover the accumulated deficit.

(4) The primary insurance coverage is 25% of the allowable claim for loans insured prior to 2005 under the Single Family Insurance Agreement ($31,603,781 at December 31, 2015). The primary insurance coverage is 35% of the allowable claim for loans insured under the 2005 Single Family Insurance Agreement ($53,622,586 at December 31, 2015).

(5) In 2010, MHF provided pool coverage for certain loans done by the Administration prior to 1997. Effective August 1, 2010 the Administration released MHF from any obligation to provide pool insurance for MHF Pool-Insured Loans.

(6) The ratio in the table is computed based on the maximum amount of risk rather than the aggregate amount of mortgage loans insured, where the maximum amount of risk is calculated by taking (i) the aggregate amount of pool insurance coverage required for the Administration; and then adding to that product (ii) the maximum amount of risk on loans insured under the Single Family Regular Program (see 4 above), and then dividing the sum of those two amounts by (iii) the amount of the Single Family Regular Program Reserve. As of June 30, 2011, MHF fully allowed for the $12.5 million for the Reinsurance Program by reducing the amount from the Single Family Regular Reserve Program. Therefore, the aggregate amount of reinsurance coverage is not included in the ratio.

MHF operates its multifamily insurance in accordance with an amended and restated insurance agreement dated February 12, 2006, with the Administration (the “Insurance Agreement”).

Under the Insurance Agreement, MHF has contracted with the Administration that, except as necessary to pay claims or advances on claims, MHF will not permit the ratio of Multifamily insurance to assets in the Multifamily Reserve

(as may be reduced as described below) to exceed 10 to 1, and that no new insurance payable from the Multifamily Reserve shall be issued or committed to if upon such issuance or commitment and subsequent issuance the ratio would exceed 10 to 1. (Under the terms of the Insurance Agreement, loans insured by MHF that are reinsured without contingent liability on the part of MHF are not taken into account in determining MHF's compliance with the maximum 10 to 1 ratio of amounts insured to assets in the Multifamily Reserve).

**Selected Information about the Multifamily Reserve Ratios**

| | 06/30/14 | 06/30/15 | 12/31/2015 |
|---|---|---|---|
| Total Multifamily Reserve[1] | $ 44,698,739 | $ 44,698,739 | $ 44,698,739 |
| Amount Available for Calculation of "Ratio of Insurance to Available Reserve"[2] | 43,844,723 | 43,483,386 | 44,698,739 |
| Insurance Outstanding | | | |
| Multifamily mortgage insurance in force | 154,650,410 | 149,156,990 | 157,489,331 |
| Ratio of Insurance to Available Reserve | 3.53 to 1 | 3.43 to 1 | 3.46 to 1 |

**Notes:**

[1] The Multi-Family Reserve does not include amounts, if any, which have been restricted for possible additional insurance coverage in the Unallocated Reserve. As of December 31, 2015, MHF had committed to additional mortgages in the amount of $3,672,240.

[2] In order to determine the leverage ratios, if the Unrestricted Accumulated Deficit exceeds the Unallocated Reserve, the Single Family Regular Reserve or the Multi-Family Reserve may be reduced in a manner determined by MHF to be appropriate. As of December 31, 2015, there was no reduction in the Multi-Family Reserve to cover the accumulated deficit.

The total amount of the Multifamily Reserve is available to pay multifamily insurance claims. In addition, to the extent available, MHF could elect to pay all or part of any multifamily claim from the Unallocated Reserve or from operating funds. MHF maintains other reserves that are not available to pay such claims (e.g., the Single Family Regular, Revitalization, and General Reserves).

## SINGLE FAMILY INFORMATION

### Additional Single Family Claims Potential

Under its Single Family Regular insurance program, MHF is not obligated to pay claims on Single Family insurance until after the insured lender has completed foreclosure, evicted the occupants of the properties (if necessary) and restored the property to a condition satisfactory to MHF. As a result, at any time there are a number of mortgages that have been foreclosed and which are likely to result in payment of claims but which have not yet reached the point where MHF recognizes them as liabilities in its financial statements. The total principal amount of such potential claims was $1,342,299 as of December 31, 2015. On a quarterly basis, MHF includes its projection of net losses with respect to these potential claims in its financial statements as part of the allowance for Single Family insurance losses. Although these amounts are not payable from the Multifamily Reserve, they are potentially payable from other resources of MHF, including operating cash, the Unallocated Reserve and the Single Family Reserve.

### Discussion of Single Family Operations

MHF has taken steps to address the potential Single Family claims. A part of this focus is applying more active loss mitigation strategies to Single Family loans to prevent them from going to foreclosure, including forbearance and extended repayment plans. In addition, operational reviews of the loan servicers are ongoing. The reviews are intended to insure that loss mitigation strategies are being pursued in applicable cases.

MHF is also managing its sales of units acquired through foreclosure or similar action to improve overall returns by employing a private sector real estate broker to perform repairs, listings and sales of all REO units.

### Single Family Claims Experience

The following chart sets forth information about claims on mortgage loans insured under the Single Family Regular Program Reserve and the Revitalization Reserve. This data includes net claim activity for properties sold during fiscal years ending June 30, 2014, June 30, 2015 and December 31, 2015. The data for all of these reporting periods are subject to adjustment due to additional expenses paid and proceeds received after December 31, 2015.

**Single Family Claims Experience**

| | 06/30/2014 | 06/30/15 | 12/31/15 |
|---|---|---|---|
| Recoveries on Sales of Properties Acquired Through Claims During the Fiscal Year | $ 6,912,931 | $ 97,406 | $ 75,712 |
| Claims Paid on Acquired Properties Sold During the Fiscal Year | | | |
| Principal | (10,690,616) | 151,299 | - |
| Interest | - | - | - |
| Expenses and Carrying Costs | - | - | - |
| Total Claims Paid | $ 10,690,616 | $ 151,299 | $ - |
| Net Loss on Acquired Properties Sold During the Fiscal Year | $ (3,777,685) | $ (53,893) | $ 75,712 |

**2010 Single Family Insurance Agreement**

The 2010 Single Family Insurance Agreement provides as follows:

(1) MHF will not decrease the amount of funds in the Single Family Regular Program Reserve as increased from time to time for any reason except to pay claims and advances against claims arising under the Program and for expenditures with respect to properties acquired by MHF as a result of payment of such claims.
(2) Except as necessary to pay claims and advances on claims and except for expenditures with respect to properties acquired by MHF as a result of payment of such claims, MHF will not exceed a certain leverage ratio. See "Management's Presentation of the MHF Program – Discussion of Leverage Ratios."
(3) MHF and the Administration agree that MHF is released from any obligation to continue to provide pool insurance for loans originally covered by pool insurance under the 1980 Single Family Insurance Agreement.

**Terms of Single Family Insurance Coverage**

MHF insures mortgage loans on one-to-four family structures under its Single Family Regular Program, which includes the Primary Insurance Program and the Pool Insurance Program.

*Pool Insurance*. Effective August 1, 2010, MHF was released from any obligation to provide pool insurance for loans originally covered by pool insurance under the 1980 Single Family Insurance Agreement.

*Payment of Claims*, MHF pays all claims in cash and may settle under one of four options:

(1) Loan Assignment – MHF takes an assignment of the mortgage and pays the claim (but not including expenses of foreclosure and acquisition of title);
(2) Fixed Percentage Settlement – claim settlement under this option is applicable when MHF provides for payment based on a declared percentage of the outstanding loan amount before foreclosure sale, and MHF, under this method, also waives any interest in the subject property;
(3) Lender Acquisition Settlement – the lender acquires title at foreclosure (or by deed in lieu of foreclosure) and transfers title to MHF, and MHF pays the amount of the claim up to the percentage specified in the insurance policy; and

(4) Third Party Acquisition – when the property is sold to a third party (at foreclosure, by the lender after taking a deed in lieu of foreclosure, or by the borrower after the commencement of foreclosure proceedings, with the approval of MHF, MHF pays the lesser of the percentage specified in the primary policy before crediting net sales proceeds or the full claim after crediting net proceeds of sale.

For claims paid under the Lender Acquisition Settlement method, MHF requires the Administration to take all steps required after default in order to deliver the property to MHF in a condition satisfactory to MHF. These steps may include foreclosure, eviction of the occupants if necessary, and cleaning of the property. As a result, a substantial period of time may elapse between the time an insured loan goes into default and payment of a claim. MHF Regulations regarding Single Family mortgage insurance do not require MHF to pay interest on a claim from the time an insured lender acquires title to the property, or from the date MHF agrees to take a Loan Assignment or make a Fixed Percentage Settlement, to the time the claim is paid. Claims are not paid after the title to the property has been conveyed, which is at least 60 days after foreclosure and could be longer.

MHF will review cases that involve claims of more than nine months of delinquent interest on a case by case basis to ascertain the cause for the delayed claim and determine the amount of interest, if any, in excess of nine months to be paid. Interest will be paid in excess of nine months where circumstances beyond the control of the insured lender caused the delay in making the claim, such as the filing of bankruptcy by the mortgagor.

## MULTIFAMILY INFORMATION

### Multifamily Insurance in Force and Available Reserves

The following table sets forth information about outstanding insurance on mortgage loans under MHF's Multifamily program as of December 31, 2015. The amounts shown are net of debt service claim payments. The amounts shown do not include insurance on mortgage loans insured by MHF and reinsured by FHLMC. See "The FHLMC Reinsurance Agreement" below. The reinsured mortgage loans had an aggregate principal balance at December 31, 2015 of $602,769.

In addition to the loans listed below, as of December 31, 2015, six Single Family loans financed with the proceeds of Housing Revenue Bonds of the Administration, with outstanding principal balances in the aggregate amount of $32,864 are insured under the Multifamily Reserves.

**Outstanding Multifamily Insurance as of December 31, 2015**

| Lender | Units | No. of Loans | Original Insured Principal Amount | Current Balances |
|---|---|---|---|---|
| CDA permanent financing on large multi-family projects [1] | 6,453 | 65 | 160,789,255 | 132,998,037 |
| CDA Demonstration Program [2] | | 3 | 6,230,000 | 4,481,852 |
| CDA Single-Family loans under Multi-Family Reserves | 9 | 9 | 276,200 | 43,609 |
| CDA Special Housing Opportunity Program (SHOP) [3] | 497 | 153 | 27,471,668 | 16,993,057 |
| Montgomery County Housing Opportunities Commission (HOC) [4] | 168 | 2 | 3,016,385 | 3,016,385 |
| **TOTAL** | **7,127** | **232** | **$ 197,783,508** | **$ 157,532,941** |

[1] Loans financed with proceeds of the Administration's Housing Revenue Bonds and the Administration's Multi-Family Residential Revenue Bonds (Insured Mortgage Loans). The loans provided permanent financing for construction and permanent for developments located in 12 counties and the City of Baltimore. The 61 projects (not including SHOP) contain 6,453 units that are assisted under the Section 8 Program.

[2] On December 9, 2014, CDA and MHF created a new Demonstration Program whereby MHF insures short term loans. By utilizing MHF for this purpose, borrowers may avoid the need to obtain costly letters of credit.

[3] Loans financed with proceeds of the Administration's Special Housing Opportunities Program.

[4] Insurance issued to the Housing Opportunities Commission of Montgomery County ("HOC") to insure loans financed with proceeds of bonds issued by HOC. The mortgage loans provided financing for developments containing 168 units. The mortgage loans were initially endorsed for insurance between 1980 and 1996.

Charts detailing the multifamily loans insured by MHF and financed by the Administration may be found in the Administration's filings in accordance with Rule 15c2-12 of the Securities and Exchange Commission with the Electronic Municipal Market Access ("EMMA") for Housing Revenue Bonds and for Multifamily Housing Revenue Bonds (Insured Mortgage Loans).

**Certain Additional Expected Multifamily Claims**

MHF Regulations provide that after a multifamily mortgage loan insured by MHF has been in default for six months, the Administration or any other public agency that is an insured lender may require that the mortgage loan be assigned to MHF and an insurance claim paid by MHF to the Administration or such public agency. MHF currently has no loans in financial default.

**Discussion of Multifamily Operations**

*Portfolio Risk Rating*. Since June 1997, the Department has developed and implemented a rating system for the MHF-insured Multifamily portfolio. The Division evaluates each insured project each quarter and assigns the loan a rating of “A,” “B,” or “C.” Factors considered in evaluating projects include the project type, the vacancy level, net operating income and debt service coverage ratio, whether the mortgage is delinquent, the age of the loan and the age of the project, whether there is significant deferred maintenance, adequacy of funds held in reserve for replacements in relation to age and condition of project, rating by the Division in its annual management review, and stability of the market surrounding the property.

“A” Projects are those projects that require no more than standard attention because no factors indicate the prospect of default.

“B” Projects are those projects which are not in default but require more oversight and monitoring and present the possibility for default if existing conditions deteriorate further.

“C” Projects are those projects that are in financial or physical default.

**MHF’s Risk Rating of the Multifamily Projects as of December 31, 2015**

| | Current Principal Balances | Percentage of Total Principal | Number of Loans | Number of Projects |
|---|---|---|---|---|
| "A" Loans:[1] | 296,006,170 | 93.10% | 60 | 55 |
| "B" Loans: | 21,922,247 | 6.90% | 10 | 9 |
| Portfolio Totals: | $317,928,418 | 100.00% | 70 | 64 |

**Notes:**

[1] Included in the 'A' Loans, in the “Current Principal Balance” column, is $16,993,057for 153 group home loans, which are not reflected in the 'Number of Loans' or 'Number of Projects' columns.

*Portfolio Management*. The Division is evaluating each of the loans in the “B” category to develop a plan for stabilizing the loans and reducing its potential for default. Strategies may include loan modification, use of additional resources, adjustments to funding of reserves for replacement going forward, and replacement of management agents. As of December 31, 2015, there were no loans in the “C” category.

**Multifamily Claims Experience**

The following chart describes claims paid by MHF on loans insured under the Multifamily Reserve as of December 31, 2015.

In the column entitled “Claims Net of Cash Recoveries,” the figures show the result as of December 31, 2015. Workouts are in progress. See the individual footnotes below for further information.

## MULTIFAMILY CLAIMS PAID BY MHF
## As of December 31, 2015

| Development/Claim Status | Principal | Interest & Carrying Costs | Total | Recoveries | Claims Net of Cash Recoveries | Date Claim Paid |
|---|---|---|---|---|---|---|
| Closed Claims | | | | | | |
| Single Family Mortgage Loans[1] | $ 309,392 | $ - | $ 309,392 | $ 346,620 | $ 37,228 | Various |
| Beethoven Apartments | 40,000 | - | 40,000 | 40,000 | - | |
| Douglynne Woods & Rhoda's Legacy | 566,658 | - | 566,658 | 566,658 | - | 04/1982 |
| Bond Street[2] | 543,940 | 71,711 | 615,651 | 408,859 | (206,792) | 08/1989 |
| Belleview-Manchester[3] | 288,333 | - | 288,333 | - | (288,333) | 10/1990 |
| Strathdale Manor Apartments[4] | 10,700,000 | 2,376,830 | 13,076,830 | - | (13,076,830) | 05/1994 |
| Walker Mill[5] | 3,346,441 | 1,229,080 | 4,575,521 | 2,314,817 | (2,260,704) | 01/1997 |
| Edmondale[6] | 457,739 | 24,206 | 481,945 | - | 481,945 | 04/1997 |
| Town Properties[7] | 819,111 | 12,493 | 831,604 | 582,989 | (248,615) | 07/1997 |
| Loch Raven[8] | 12,103,623 | 1,065,472 | 13,169,095 | 9,080,444 | (4,088,651) | 02/1998 |
| Village Home Apartments[9] | 954,202 | 55,182 | 1,009,384 | 649,523 | (359,861) | 12/1998 |
| Regent Apartments[10] | 1,227,455 | 72,446 | 1,299,901 | 860,603 | (439,298) | 01/1999 |
| Maple Avenue[11] | 3,053,892 | 211,540 | 3,265,432 | 1,748,397 | (1,517,035) | 06/1999 |
| Westfield Apartments[12] | 4,401,438 | 390,924 | 4,792,362 | 2,910,539 | (1,881,823) | 11/1999 |
| Westfield Gardens[13] | 496,757 | 1,735 | 498,492 | 279,435 | (219,057) | 11/1999 |
| Apartments at the Greens[14] | 6,337,284 | 21,927 | 6,359,211 | 6,010,026 | (349,185) | 11/1999 |
| Stewarttown[15] | 2,543,590 | - | 2,543,590 | 2,150,000 | (393,590) | 12/1999 |
| Telephone Apartments[16] | 1,030,275 | 33,569 | 1,063,844 | 773,833 | (290,011) | 01/2001 |
| Robinwood Townhomes[17] | 2,451,741 | 218,057 | 2,669,798 | 2,630,807 | (38,991) | 11/2001 |
| North Avenue Terraces[18] | 1,155,285 | 48,762 | 1,204,047 | 750,000 | (454,047) | 07/2002 |
| SHOP Loans[19] | 772,987 | 78,925 | 851,912 | 725,068 | (126,844) | 03/2001 |
| Bell Haven Apartments[20] | 5,856,640 | 2,449,128 | 8,305,768 | 5,842,157 | (2,463,611) | 03/1996 |
| Quail Run/Bay Street Properties[21] | 1,182,578 | 37,677 | 1,220,255 | 1,186,575 | (33,680) | 03/2003 |
| Tomall Apartments[22] | 152,885 | 994 | 153,879 | 75,000 | (78,879) | 06/2004 |
| Market Mews[23] | 1,700,014 | 1,565,862 | 3,265,876 | 2,168,828 | (1,097,048) | 12/1985 |
| Eastdale[24] | 3,302,667 | 320,060 | 3,622,727 | 3,622,727 | - | 11/1999 |
| Villages of Laurel[25] | 5,036,854 | 607,133 | 5,643,987 | 5,643,987 | - | 11/1999 |
| Hollins Townhouses[26] | 2,445,475 | 1,073,289 | 3,518,764 | 2,052,599 | (1,466,165) | 10/1990 |
| Claims where debt is outstanding | | | | | | |
| Renaissance Plaza[27] | $6,907,349 | $4,680,554 | $11,587,903 | $5,071,731 | ($6,516,168) | 02/1991 |
| Mount Pleasant[28] | $3,506,595 | $601,296 | $4,107,891 | $4,066,175 | (41,716) | 02/1996 |
| Claims where REO is held | | | | | | |
| Lease-Purchase[29] | $1,534,088 | $ 82,619 | $ 1,616,707 | $901,933 | $ (714,774 ) | 05/1996 |

**Notes:**

(1) Claims on eight Single Family loans insured under the Multi-Family Reserve before 1980.

(2) Bond Street Deed of Trust Note in the original principal amount of $543,940.

(3) Belleview-Manchester was a Construction Loan under Administration's HELP Program; secured by a second mortgage. First insured lender bought property at the foreclosure sale.

(4) Strathdale Manor Apartments Deed of Trust Note in the original principal amount of $14,285,000. Claim amount paid by MHF included $10,700,000 of original principal on the Note and $145,139 in interest. MHF paid $2,205,204 of operating deficits for the project. The proceeds of a letter of credit in the amount of $3,585,000 provided by Maryland National Bank were used to cover the rest of the original principal portion of the Note. As required by an intercreditor agreement between MHF and Maryland National Bank, MHF filed for foreclosure on August 4, 1994, and after prolonged negotiations with Baltimore City, the project developer, and other developers interested in further renovating the project proved unsuccessful, the property was sold to Baltimore City at foreclosure on April 15, 1997. The property was sold for an amount that was insufficient to provide any recovery to MHF.

(5) Walker Mill Deed of Trust Note in the original principal amount of $4,400,000, as modified by an allonge dated November 5, 1987, reducing the principal amount of the Note to $3,400,000. The Deed of Trust Note was sold and assigned to an unrelated third party purchaser on February 6, 1997.

(6) Edmondale Deed of Trust Note was in the original principal amount of $508,000.

(7) Town Properties Deed of Trust Note in the original principal amount of $884,984. The property was sold to an unrelated third party at foreclosure on August 7, 1997.

(8) Loch Raven Deed of Trust in the original principal amounts, as amended into two, Deed of Trust Notes: of $9,765,000 and $2,785,000, respectively. In return, the Administration accepted a demand note from MHF in the principal amount of $11,782,615, the amount of the outstanding indebtedness net of the non-refundable deposit for the sale of the Deed of Trust Notes bearing interest at 8.25%. The Deed of Trust Notes were sold and assigned to an affiliate of the borrower on February 3, 1998. MHF received net sale proceeds in the amount of $8,900,000, which were combined with additional claim payments totaling $2,890,216 to repay the claim note and accrued interest. The net loss on the transaction was paid from the Unallocated Reserve.

(9) Village Home Apartments Deed of Trust Note in the original principal amount of $986,856, dated September 30, 1993. The property was sold for $640,000. The Administration accepted a claim note from MHF for $1,009,109. MHF paid $318,664 plus $50,720 paid previously as pre-claim payments and $275 per diem interest and then signed over the proceeds to repay the claim note in December 1999.

(10) Regent Apartments Deed of Trust Note in the original principal amount of $1,255,000 dated September 16, 1994. The property was sold for $860,603. The Administration accepted a claim note from MHF for $1,299,265. MHF paid $383,187 plus $55,475 paid previously as pre-claim payments and $636 per diem interest and then signed over the proceeds to repay the claim note in January 1999.

(11) Maple Avenue Deed of Trust Note in the original principal amount of $3,150,000 dated March 12, 1992. The property was sold for $1,700,000 less settlement charges. The Administration accepted a claim note from MHF for $2,953,878. MHF paid $1,288,286 plus $310,294 paid previously as pre-claim payments, $1,259 per diem interest, signed over the proceeds, and, with $10,000 received directly by the Administration, repaid the claim note in June 1999.

(12) Westfield Apartments Deed of Trust Note in the original principal amount of $4,600,000 dated April 12, 1983. The property was sold for $2,910,539. MHF paid a partial claim in the amount of $1,433,520 that includes $390,924 of accrued interest plus $448,303 paid previously as pre-claim payments.

(13) Westfield Gardens Deed of Trust Notes in the original principal amounts of $498,908 and $28,150 dated September 21, 1983. The property was sold for $279, 435. MHF paid a partial claim in the amount of $180,318, which included $1,735 of accrued interest, plus $38,739 paid previously as pre-claim payments.

(14) Apartments at the Greens Deed of Trust Notes in the original principal amounts of $6,348,627 and $341,850 dated April 21, 1983. The property was sold for $6,010,026. MHF paid a partial claim in the amount of $302,222, which included $21,927 of accrued interest, plus $46,963 paid previously as pre-claim payments.

(15) Stewarttown Deed of Trust Note in the original principal amount of $3,136,100 dated July 18, 1975. The property was sold for $2,150,000. MHF paid a partial claim payment in the amount of $393,590.

(16) In May 1993, MHF paid a partial claim on a project called Telephone Apartments, in the amount of $291,487 for which a promissory note has been received. On February 8, 2001, MHF sold the Deed of Trust Note. The proceeds of the sale exceeded the claim paid to the Administration by MHF by $1,477. The partial claim of $291,487 will not be repaid. MHF had an allowance for loan loss for the full amount of this note.

(17) Robinwood Townhomes Deed of Trust Note was in the original principal amount of $2,641,750. MHF paid a claim in full in the amount of $2,653,883 on November 9, 2001. MHF foreclosed on this property on November 15, 2001. MHF sold the property for the purchase amount of $2,410,000. The Circuit Court of Baltimore City ratified the sale on January 10, 2002. On June 24, 2002, MHF collected $2,330,331 in net sales proceeds.

(18) In July 2002, MHF issued a claim note to the Administration and accepted assignment of an insured Deed of Trust and Deed of Trust Note in the original principal amount of $1,350,000 that financed a project known as North Avenue Terrace. MHF sold the Deed of Trust Note and received sales proceeds in the amount of $750,000 on July 25, 2002. MHF paid the claim note in full with payment to the Administration in the amount of $1,145,826 on July 30, 2002.

(19) Nine Deed of Trust Notes in the original principal amounts of $833,650 for the various SHOP loans. MHF paid full claim payments on the nine loans in the amounts of $824,224. In March 2001, MHF accepted five loan assignments in the original principal amount of $502,950. MHF paid full claims on the five loans for $491,062 and received full recovery on the first and fourth loans by virtue of third party sales at foreclosure on June 7, 2001. MHF realized losses on the sale of the second and third loans of approximately $27,000 and $22,000, respectively. MHF realized a loss of approximately $40,000 on the fifth loan by virtue of third party purchasing on June 7, 2001. In August 2001, MHF accepted one assignment in the principal amount of $108,000. MHF paid a full claim on the loan for $106,372 and realized full recovery at a third party foreclosure sale on August 16, 2001. In October 2001, MHF accepted another three assignments in the original principal amount of $222,700. MHF paid full claims on the three loans for $226,790 and received full recovery on one loan at the third party foreclosure sale on June 13, 2002. MHF realized losses of approximately $18,000 and $16,000 on the two loans at the third party foreclosure sale on June 13, 2002. The court ratified the foreclosure sales on July 26, 2002.

(20) In June 1996, MHF accepted assignment of a Deed of Trust and Deed of Trust Note, for a project named Belle Haven, in the original amount of $6,186,990. MHF paid a claim in full for the project in the amount of $7,995,330 on June 26, 1996. MHF received partial recovery of this amount upon disposition of the underlying collateral. The property was brought-in by MHF with a bid of $5,100,000 at foreclosure auction held on July 25, 2000. The Circuit Court of Prince George's Count ratified the foreclosure sale on January 25, 2001. A contract for the sale of the property was executed on February 7, 2001, and sold on August 30, 2001, in the amount of $5,100,000. MHF received net proceeds from the sale in the amount of $4,844,394 and a Note in the remaining amount of $210,000 payable by February 1, 2004. The purchaser made payments on the MHF Note totaling $232, 981, including the final payment in the amount of $130,772, which was received on May 21, 2003.

(21) In March 2003, MHF accepted assignment of an insured Deed of Trust and Deed of Trust Note in the original principal amount of $1,276,037 that financed a project know as Quail Run Apartments (Bay Street Properties). MHF paid the claim note in full on March 13, 2003 with a payment to the Administration in the amount of $1,058,783. The property was sold at foreclosure auction on June 27, 2003 for $1,160,000. Settlement of the transaction occurred on November 5, 2003. On December 2, 2003, the Circuit Court for Worcester County ratified the auditor's report of the transaction. On December 4, 2003, after payment of the auctioneer's commission and advertising expenses, sales proceeds in the amount of $1,174,575 were collected with additional interest received.

(22) On September 19, 1984, the Administration made a loan in the principal amount of $250,000 to Ronald H. Thomas in connection with a project called Tomall Apartments . MHF paid the claim note in full on June 28, 2004 with a payment to the Administration in the amount of $153,879. On June 30, 2004, MHF collected $75,000, which represents a partial recovery. The property was sold to a new owner who plans to rehabilitate the project.

(23) Market Mews Deed of Trust Note is in the original principal amount of $1,700,000. MHF paid all amounts in arrears totaling $151,733. The Administration accepted a promissory note from MHF in the total principal amount of $1,693,568, with interest at the annual rate of 7%, which had a maturity date of December 31, 1995. MHF paid the claim note in full as of February 22, 1995. To date, MHF has paid principal and interest on the claim note and operating deficits in the total amount of $3,265,876. MHF foreclosed on this development in an uncontested foreclosure proceeding held on July 14, 1995. The original collateral for the loan consisted of 31 scattered site units of which all units were sold.

(24) Eastdale Deed of Trust was in the original amount of $3,401,000. The loan was refunded with $2,450,000 in new bond proceeds. MHF made a partial claim payment in the amount of $746,513 and pre-claim payments in the amount of $426,214. MHF received cash of $54,324 and a Cash Flow Note in the amount of $1,118,403, equal to the net claim paid. The MHF Note is secured by a second deed of trust lien on the land and improvements on which the project is located. To date the project has made net payments on the MHF Note of $490,510. In July 2010, the loan was paid off and MHF received payment in the amount of $627,893.

[25] Villages of Laurel Deed of Trust Note, is in the original amount of $5,140,000. The loan was refunded with $3,173,200 in new bond proceeds. MHF made a partial claim payment in the amount of $1,645,098 and pre-claim payments in the amount of $825,689. MHF received cash of $54,023 and a Cash Flow Note in the amount of $2,416,765, equal to the net claim paid. The MHF Note is secured by a second deed of trust lien on the land and improvements on which the project is located. To date the project has made net payments on the MHF Note of $686,059. In March 2011, the loan was paid off and MHF received payment in the amount of $1,730,706.

[26] Hollins Townhouses Deed of Trust Note in the original principal amount of $2,300,000. MHF paid all amounts in arrears totaling $176,025, and the Administration accepted a promissory note from MHF in the total principal amount of $2,427,094, with interest at the annual rate of 7%, which had a maturity date of December 31, 1995. MHF paid the claim note in full as of February 22, 1995. To date, MHF has paid principal and interest on the claim note and operating deficits in full as of February 22, 1995. To date, MHF has paid principal and interest on the claim note and operating deficits in the total amount of $3,518,764. MHF foreclosed on this development in an uncontested foreclosure proceeding held on July 14, 1995. The original collateral for the loan consisted of 48 scattered site units of which the last unit was sold in April 2011.

[27] Renaissance Plaza Deed of Trust Note in the original principal amount of $7,000,000. MHF paid all amounts in arrears totaling $428,052 in February 1991. In connection with the default, MHF also paid additional principal of $6,880,050; interest totaling $1,498,664, and operating deficits in the amount of $2,781,137. The Renaissance Plaza project, which consists of three buildings, has been sold pursuant to the orders of a judicial receivership. Closing on the sale of one building occurred on December 30, 1993. MHF received two notes in payment of the purchase price: a first lien mortgage in the amount of $2,722,544 at 6.22% interest, $365,000 of which is an amortizing loan, the balance to be paid out of cash flow, if any from the properties; and a second lien gap note in the amount of $512,404 at 0% interest until maturity. The gap note was paid in full at the closing of financing for rehabilitation of the building on February 18, 1994. The closing of the other two buildings occurred on December 14, 1994. MHF received three notes in payment of the purchase price for the two buildings: a first lien mortgage in the amount of $2,600,000 at 7.4% interest to begin amortizing on January 1, 1997; a second lien mortgage in the amount of $4,450,000 at 8.23% interest to be paid out of cash flow, if any, from the properties; and a third lien gap note in the amount of $500,000 at 0% interest until maturity (April 13, 1995), and a default rate of 7.4% interest. The gap note was paid in full at the closing of financing for rehabilitation of the two buildings on February 14, 1995. The $2,600,000 deed of trust note was sold at par and assigned to the Administration on September 24, 1996, in connection with an issuance of bonds by the Administration.

[28] In February 1996, MHF accepted assignment of a Deed of Trust and Deed of Trust Note in the original principal amount of $3,900,000 for a project called Mount Pleasant. MHF paid a claim for the project in the amount of $4,107,891 on February 15, 1996. The property was sold to new ownership who planned to rehabilitate the project using a combination of new equity funds and State and City of Baltimore financing in combination with proceeds of the Administration's Multi-Family 1995 December Bond Issue in the amount of $2,550,000. New Administration and MHF loan documents were executed in conjunction with a loan closing in July 1996. MHF received a Deed of Trust Note in the amount of $1,087,259 of which $293,770 is an amortizing 0% interest loan, and the balance is a cash flow loan with interest accruing at 2% per annum. MHF received partial recovery of $2,450,000 at the time of closing and $1,066,720 in September 1996. Reserves for construction contingencies and various operating expenses, in the amount of $460,305, were funded from the recovery proceeds. In June 1998, a construction reserve held by MHF in the amount of $198,000 and cost certification savings received from the Administration in the amount of $100,513 were applied to reduce the outstanding principal balance of the Deed of Trust note held by MHF.

[29] In May 1996, MHF accepted assignment of a Deed of Trust and Deed of Trust Note in the original amount of $2,000,000, which financed a project known as Lease Purchase. MHF paid a claim for the project in the amount of $1,587,498 on May 15, 1996. MHF received partial recovery of this amount upon disposition of the underlying collateral. MHF accepted a deed of assignment on this project on July 12, 1996. Thirty-six of the original 40 units have been sold and the majority of the remaining units are occupied by tenants, some of whom are candidates to purchase their properties.

## Actuarial Study

The Insurance Agreement amended in 2006 no longer requires periodic actuarial studies.

## FHLMC Reinsurance Agreement

On December 28, 1994, MHF, the Department, the Administration, and the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") entered into a Reinsurance Agreement (the "Reinsurance Agreement"). The purpose of the Reinsurance Agreement was to cede to and fully reinsure with FHLMC,

MHF's mortgage insurance obligations with respect to certain loans insured by MHF. Under the Reinsurance Agreement, FHLMC has agreed to fully reinsure, without any contingent liability for MHF, 17 loans insured by MHF having an original unpaid principal balance of $70,346,036 and, as of December 31, 2015, an aggregate unpaid principal balance of $602,769. Nine of these loans were financed originally with the Administration's Multifamily Housing Revenue Bonds (Insured Mortgage Loans) and acquired with proceeds of the Administration's Housing Revenue Bonds Series 1996 A Bonds, and are identified in APPENDIX D – "DESCRIPTION OF LOANS AND DEVELOPMENTS" in the Official Statement for the Administration's Housing Revenue Bonds, Series 1999 D. The remainder of these loans was financed with the proceeds of the Administration's Multifamily Housing Revenue Bonds (Insured Mortgage Loans).

All of the units in each of the developments financed with loans reinsured by FHLMC are subject to Section 8 housing assistance payments. The contracts relating to these payments have been assigned to FHLMC as collateral security. However, FHLMC cannot exercise any remedies with respect to the housing assistance payment contracts unless and until it has paid any insurance claim with respect to a reinsured loan.

FHLMC may, under the terms of the Reinsurance Agreement, require that the Administration foreclose without assignment to FHLMC upon any reinsured loan in the event of a breach of certain warranties regarding the absence of environmental hazards.

On September 7, 2008, the Director of the Federal Housing Finance Agency ("FHFA") appointed FHFA as conservator of Freddie Mac in accordance with the Federal Housing Finance Reform Act of 2008 (the "Reform Act") and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. On September 7, 2008, in connection with the appointment of FHFA as conservator, Freddie Mac and the U.S. Department of the Treasury ("Treasury") entered into a Senior Preferred Stock Purchase Agreement. Also, pursuant to its authority under the Reform Act, Treasury announced that it has established the Government Sponsored Enterprise Credit Facility (a lending facility to ensure credit availability to Freddie Mac, Fannie Mae, and the Federal Home Loan Banks that will provide secured funding on an as needed basis under terms and conditions established by the Treasury Secretary to protect taxpayers) and a program under which Treasury will purchase Government Sponsored Enterprise (including Freddie Mac) mortgage-backed securities (MBS) in the open market. The announcements by FHFA and Treasury and descriptions of these programs are available at their respective websites: http://www.OFHEO.gov and http://www.Treasury.gov.

Freddie Mac registered its common stock with the U.S. Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, effective July 18, 2008. As a result, Freddie Mac files annual, quarterly, and current reports, proxy statements and other information with the SEC. Prior to July 18, 2008, Freddie Mac prepared an annual Information Statement (containing annual financial disclosures and audited consolidated financial statements) and Information Statement Supplements (containing periodic updates to the annual Information Statement).

**Staff**

The Director of MHF is appointed by the Secretary of the Department and serves at the pleasure of the Secretary, with such authority as the Secretary determines to delegate to the Director. The Director also serves as the Director of the Division of Credit Assurance of Department.

Financial operations for MHF have been centralized and are now within the Division of Finance and Administration for the Department.

Certain senior staff members of the Division of Credit Assurance, the Division of Finance and Administration, and MHF are as follows:

| **Name** | **Position** |
|---|---|
| Allen W. Cartwright, Jr. | Director, Division of Credit Assurance and MHF |
| Segei V. Kuzmenchuk | Chief Financial Officer |
| Ruth Putnam | Director, Division of Finance and Administration |

*Allen W. Cartwright, Jr.* joined the staff of the Division of Credit Assurance as the Deputy Director of MHF in March 2006. Mr. Cartwright also serves as Director, Single Family Operations. Mr. Cartwright previously served as MHF Manager of Finance from 1988 through 1991. Prior to rejoining the Division of Credit Assurance in 2006, Mr. Cartwright was the Chief of Mission Support and then Chief of Customer Care for the Washington Suburban Sanitary Commission from April 2000 through November 2005. Mr. Cartwright also served as the Director of Finance and then the Assistant Secretary of Finance and Administration for the Maryland Department of Natural Resources from May 1991 through April 2000. He has worked as a finance manager for the Federal Home Loan Mortgage Corporation (Freddie Mac), MCI and DuPont. He is a Certified Public Accountant and earned his Bachelor of Science in Commerce from the McIntire School of Commerce at the University of Virginia.

*Sergei V. Kuzmenchuk joined* the Department as its Chief Financial Officer in June of 2015 after serving as Chief Financial Officer at the District of Columbia Housing Finance Agency (the "DCHFA") since October 2008. Prior to joining the DCHFA, he served as the Department's Deputy Director of Finance for the Administration from August 2000 until January 2006, and Director of Finance for the Administration from January 2006 until October of 2008. Prior to his work at the Department and DCHFA, Mr. Kuzmenchuk worked in various financial management and international trade and banking capacities, both domestically and overseas. Mr. Kuzmenchuk earned his Master of Business Administration degree in Accounting in 2002 from the Joseph A. Sellinger, S.J., School of Business and Management, Loyola University, and in 1995 earned a Master of Public Management degree in Public Sector Financial Management from the School of Public Policy, University of Maryland, College Park. In 1993, Mr. Kuzmenchuk received his Bachelor of Arts and Master of Arts degrees in English and French Interpretation from the Minsk State Linguistic University, Minsk, Belarus.

*Ruth Putnam* was named Director of Finance and Administration in 2015. She has been with the Department since 1990 when she joined the Department in the Budget Office. Over the past 26 years she held numerous positions within the Department from Budget Director, Director of Fiscal Planning, Director of Insurance and Accounting, Deputy Director and now Director. Prior to joining the Department, she worked as Manager of Investor Relations in a private corporation. She holds a Bachelor of Arts in Finance from the University of Maryland and has started the Masters of Public Policy Program at the University of Baltimore.

**Additional Information**

For additional information, please contact Investor Relations at (301) 429-7897 or cdabonds_mailbox.DHCD@maryland.gov.