

BOOK-ENTRY ONLY

In the opinion of Bond Counsel, assuming compliance with certain covenants in the Bond Resolutions intended to assure compliance with the applicable provisions of the Internal Revenue Code of 1986, as amended, and subject to the exceptions under "Tax Exemption and Related Considerations" herein, interest on the Offered Bonds is excludable from gross income for federal income tax purposes under existing laws, regulations, rulings and judicial decisions. Interest on the Offered Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT"), and is not includable in adjusted current earnings for purposes of corporate AMT. A discussion of the requirements for, the extent of and exceptions to such exclusion is contained under "Tax Exemption and Related Considerations" herein. In the opinion of Bond Counsel, the Offered Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized in their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State of Maryland or by any of its political subdivisions, municipal corporations or public units of any kind under existing law, except that no opinion is expressed as to such exemption from Maryland estate or inheritance taxes.



\$74,050,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT
Residential Revenue Bonds
\$29,050,000 2007 Series M (Non-AMT[†]) (Variable Rate)
\$45,000,000 2009 Series B (Non-AMT[†])

Date of Original Issuance of 2007 Series M Bonds – December 12, 2007
Date of Delivery of 2009 Series B Bonds - October 8, 2009

Due: As shown on inside cover

The 2009 Series B Bonds (the "2009 Series B Bonds") and the 2007 Series M Bonds (the "2007 Series M Bonds" and together with the 2009 Series B Bonds, the "Offered Bonds") are being offered pursuant to this Remarketing Memorandum and Official Statement (this "Official Statement"). The 2007 Series M Bonds were issued, and the 2009 Series B Bonds are issuable, only as fully registered bonds and initially will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Offered Bonds.

Purchases of the 2007 Series M Bonds in the Weekly Mode will be in book-entry form only, in principal amounts of \$100,000 or any integral multiple of \$5,000 in excess thereof. The 2007 Series M Bonds will bear interest from and including the date of remarketing hereunder, and thereafter, except as otherwise described herein, at a rate determined weekly by the Remarketing Agent. The Administration may convert the 2007 Series M Bonds to modes other than a Weekly Mode as described herein. The description of the 2007 Series M Bonds in this Official Statement pertains only to 2007 Series M Bonds in the Weekly Mode and to the Initial Liquidity Facility (as hereinafter defined).

Purchases of the 2009 Series B Bonds will be in book-entry form only, in principal amounts of \$5,000, or any integral multiple thereof.

Interest on the Offered Bonds is payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2010, by the Trustee to DTC. DTC is to remit such payments to participating financial organizations for subsequent disbursement to beneficial owners of the Offered Bonds.

The Offered Bonds are subject to redemption prior to maturity at par, plus interest accrued to the date of redemption, at the times and under the conditions set forth herein. The 2007 Series M Bonds are subject to mandatory tender (with no right to retain) on Mandatory Tender Dates as established by the Administration, as described herein. See "THE OFFERED BONDS" herein. The 2007 Series M Bonds may be tendered for purchase and remarketing upon seven days' notice to the Trustee as described herein.

The Administration will maintain a Liquidity Facility (the "Liquidity Facility") to provide funds for the purchase of 2007 Series M Bonds tendered but not remarketed. The Initial Liquidity Facility will be an Amended and Restated Standby Bond Purchase Agreement among the Administration, the Trustee and KBC Bank N.V., acting through its New York Branch (the "Bank").



The Initial Liquidity Facility will expire on December 11, 2012 but may be extended or replaced as described herein. The Initial Liquidity Facility also may be terminated prior to its stated expiration date under certain circumstances described herein. See "LIQUIDITY FACILITY RELATING TO THE 2007 SERIES M BONDS" herein.

Additional information is contained under the caption "THE OFFERED BONDS". Manufacturers and Traders Trust Company, a New York banking corporation with trust powers and having a corporate trust office in Baltimore, Maryland, is the Trustee.

The Offered Bonds are special obligations of the Community Development Administration (the "Administration"), an agency in the Division of Development Finance of the Maryland Department of Housing and Community Development (the "Department"), payable solely from the revenues and assets of the Administration pledged therefor under the Bond Resolution. The Administration has no taxing power. The Offered Bonds do not constitute a debt of the State of Maryland, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department.

The 2007 Series M Bonds are offered for delivery when, as and if remarketed, and the 2009 Series B Bonds are offered for delivery when, as and if issued, subject to the opinions of Ballard Spahr LLP, Washington, D.C., Bond Counsel, as to the validity of the Offered Bonds and the excludability from gross income of interest thereon for federal income tax purposes. Certain legal matters will be passed upon for the Administration by an Assistant Attorney General of the State of Maryland and Counsel to the Department. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Atlanta, Georgia and for the Bank by its special counsel, Chapman and Cutler LLP, Chicago, Illinois and by its Belgian counsel, Altra Law. It is expected that the Offered Bonds will be available for delivery through the facilities of DTC in New York, New York on or about October 8, 2009.

Merrill Lynch & Co.^{††}

Goldman, Sachs & Co.
Morgan Stanley

Loop Capital Markets, L.L.C.

J.P. Morgan
RBC Capital Markets

This cover page contains certain information for quick reference only. It is not a summary of this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision.

September 22, 2009

[†] Interest is exempt from alternative minimum tax on adjusted current earnings of corporations and from treatment as an item of tax preference for individual and corporate alternative minimum tax. See "TAX EXEMPTION AND RELATED CONSIDERATIONS."

^{††} Remarketing Agent with respect to the 2007 Series M Bonds.

MATURITY SCHEDULE

2007 Series M (Non-AMT) (Variable Rate)

\$29,050,000 Term Bonds due September 1, 2043

Price of 2007 Series M Bonds - 100%

\$45,000,000 2009 Series B Bonds (Non-AMT)

\$12,020,000 Serial Bonds

Due Date (September 1)	Amount	Interest Rate	Price
2010	\$ 900,000	0.650%	100%
2011	905,000	1.000	100%
2012	915,000	1.550	100%
2013	930,000	1.875	100%
2014	950,000	2.150	100%
2015	970,000	2.500	100%
2016	995,000	2.800	100%
2017	1,020,000	3.150	100%
2018	1,055,000	3.350	100%
2019	1,090,000	3.450	100%
2020	1,125,000	3.625	100%
2021	1,165,000	3.800	100%

\$3,830,000 – 4.125% Term Bonds due September 1, 2024 – Price 100%

\$7,590,000 – 4.500% Term Bonds due September 1, 2029 – Price 100%

\$9,530,000 – 4.700% Term Bonds due September 1, 2034 – Price 100%

\$12,030,000 – 4.750% Term Bonds due September 1, 2039 – Price 100%

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Offered Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Administration and by other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the Administration or by the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information and expressions of opinion herein speak only as of the date hereof and are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Administration since the date hereof.

The order and placement of information in this Official Statement, including the appendices, are not an indication of relevance, materiality or relative importance, and this Official Statement, including the appendices, must be read in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provision or section in this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OFFERED BONDS OR OF ANY OTHER BONDS OF THE ADMINISTRATION AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**REMARKETING MEMORANDUM
AND
OFFICIAL STATEMENT**

**of the
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

Relating to

**\$74,050,000
Residential Revenue Bonds
\$29,050,000 2007 Series M (Non-AMT) (Variable Rate)
\$45,000,000 2009 Series B (Non-AMT)**

INTRODUCTION

The purpose of this Remarketing Memorandum and Official Statement (this “Official Statement”), which includes the cover page, the inside cover page (including the maturity schedule) and the Appendices, is to set forth information in connection with the sale by the Community Development Administration (the “Administration”), an agency in the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the government of the State of Maryland (the “State”), of its Residential Revenue Bonds, 2009 Series B (the “2009 Series B Bonds”) and the remarketing by the Administration of its Residential Revenue Bonds, 2007 Series M (the “2007 Series M Bonds” and together with the 2009 Series B Bonds, the “Offered Bonds”).

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The information contained under this caption is qualified by reference to the entire Official Statement. This introduction is only a brief description of the Official Statement and potential investors should review the entire Official Statement, as well as the documents summarized or described herein, in order to make an informed investment decision. All terms not otherwise defined herein shall have the meanings set forth in Appendix C – “DEFINITIONS” or in the Bond Resolutions (as hereinafter defined).

Authorization

The Administration is authorized to issue the 2009 Series B Bonds and cause the remarketing of the 2007 Series M Bonds pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the “Act”), and a Residential Revenue Bond Resolution providing for the issuance of Residential Revenue Bonds adopted by the Administration as of August 1, 1997 and amended and restated as of July 15, 2005 (the “Bond Resolution”), for the benefit of Manufacturers and Traders Trust Company, as trustee (the “Trustee”). The 2009 Series B Bonds will be issued pursuant to a Series Resolution Providing for the Issuance and Sale of Residential Revenue Bonds, 2009 Series B (Non-AMT) that will be adopted by the Administration prior to the issuance of the 2009 Series B Bonds (the “2009 Series B Resolution”). The 2007 Series M Bonds were issued pursuant to a Series Resolution Providing for the Issuance and Sale of Residential Revenue Bonds, 2007 Series M (Variable Rate), that was adopted by the Administration prior to the issuance of the 2007 Series M Bonds, as amended and restated as of September 1, 2009 in connection with the remarketing of the 2007 Series M Bonds (the “2007 Series M Resolution” and, together with the 2009 Series B Resolution, the “Series Resolutions”). The Bond Resolution and the Series Resolutions are collectively called the “Bond Resolutions”.

Bonds Issued Under Bond Resolution

As of April 1, 2009, the Administration had issued 96 prior Series of Bonds (including the 2007 Series M Bonds) under the Bond Resolution. As of April 1, 2009, \$2,232,060,000 in aggregate principal amount comprising 59 Series of Bonds were outstanding under the Bond Resolution. The Administration will have issued its Residential Revenue Bonds 2009 Series A (the “2009 Series A Bonds”) in the principal amount of \$40,000,000 on September 24, 2009. All prior Series of Bonds (including the 2007 Series M Bonds) are collectively referred to herein as the “Prior Bonds”. The Bond Resolution provides for the issuance of Additional Bonds, which will be on a parity with the Prior Bonds and the Offered Bonds, and will be equally and ratably secured under the Bond Resolution. See “SECURITY FOR THE BONDS – Additional Bonds” herein. The Prior Bonds and the Offered Bonds, together with any Additional Bonds issued under the Bond Resolution and secured on a parity basis, are referred to collectively as the “Bonds”. The Bond Resolution also allows the issuance of Subordinate Bonds which will not be on a parity with the Bonds. To date, the Administration has not issued Subordinate Bonds under the Bond Resolution. The Administration may, from time to time, enter into Qualified Hedges which may be secured on a parity basis with the Bonds. See “SECURITY FOR THE BONDS–Interest Rate Swaps” and Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION”.

The Bonds are special obligations of the Administration, payable solely from the revenues and assets of the Administration pledged therefor under the Bond Resolution. The Administration has no taxing power. The Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department.

Purpose of Bond Resolution

The Administration adopted the Bond Resolution pursuant to the Act primarily to finance single family housing loans under the Residential Revenue Bond Program (the “Program”), but has reserved the right to finance and also may issue Bonds to finance other kinds of housing and other types of loans permitted to be financed under the Bond Resolution. In addition to whole single family housing loans, other types of loans and other kinds of housing that may be financed by the Administration under the Bond Resolution include portions of or participations in single family housing loans made, purchased or otherwise financed by the Administration, home improvement loans, housing rehabilitation loans, as well as loans to finance or refinance developments authorized by the Act, including, without limitation, multi-family housing projects, group housing facilities and shared living facilities. To date, the Administration has applied proceeds of Bonds only to finance single family housing loans and participations in single family housing loans and to fund reserves related thereto. See “SECURITY FOR THE BONDS” and Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION”.

The 1980 General Certificate

Between 1980 and the adoption of the Bond Resolution on August 1, 1997, the Administration issued bonds for its single family program under a general certificate providing for the issuance of single family program bonds (“Single Family Program Bonds”), which general certificate was adopted by the Administration as of May 1, 1980, as supplemented (the “1980 General Certificate”). The Administration expects, but is not required, to finance new loans for its single family program in the foreseeable future primarily under the Bond Resolution. The Administration also expects, however, to finance loans under the 1980 General Certificate from time to time in connection with refunding or other economic measures.

As of April 1, 2009, \$87,230,000 in aggregate principal amount of bonds were outstanding under the 1980 General Certificate. Bonds issued under the Bond Resolution are not secured by or payable from the assets of the 1980 General Certificate.

Use of Proceeds of the Bonds

The Bond Resolution authorizes the Administration to issue Bonds to provide funds to finance or refinance any loan, project, facility, undertaking or purpose that the Administration is authorized to undertake, finance or provide financing for pursuant to the Act (“Program Assets”), including, but not limited to, mortgage loans, or portions of or participations in mortgage loans (“Mortgage Loans”), to finance or refinance the purchase of owner-occupied single family residences by persons or families of limited incomes, to refund Bonds or other obligations (including bonds issued by the Administration under resolutions other than the Bond Resolution), to fund reserves, to pay Costs of Issuance or to achieve any other of the Administration’s purposes. In addition to Mortgage Loans, the Bond Resolution permits financing of various types of Loans, including, without limitation, loans to finance various types of housing developments within the State, which include single family residences, multi-family residential rental facilities, and group living facilities (collectively, the “Developments”) which promote sound community development and provide housing for occupancy, in substantial part, by persons or families of limited incomes. The Loans also must meet the requirements set forth in the Bond Resolution. Program Assets may include, without limitation, whole loans (with or without Credit Enhancement), including Mortgage Loans, and mortgage-backed securities.

The funds made available from the issuance of the 2009 Series B Bonds will be used to make or purchase Mortgage Loans or participations in Mortgage Loans and to provide funds to be deposited in the Reserve Fund.

The funds made available from the issuance of the 2007 Series M Bonds were used to make or purchase Mortgage Loans or participations in Mortgage Loans.

The 2007 Series M Bonds are being remarketed as tax-exempt bonds in a common plan of finance with the issuance of the 2009 Series B Bonds for federal tax purposes. The Administration is remarketing its taxable Residential Revenue Bonds 2007 Series J (the “2007 Series J Bonds”) as tax-exempt Bonds in conjunction with the issuance of the 2009 Series A Bonds. The Administration currently expects to remarket or refund an additional series of outstanding taxable Bonds as tax-exempt Bonds in conjunction with the issuance of an additional series of tax-exempt Bonds in the approximate aggregate principal amount of \$10,000,000, as further described herein under “SECURITY FOR THE BONDS – Additional Bonds – *Taxable Bonds*” herein.

See “THE OFFERED BONDS — Application of the Offered Bonds Proceeds” and Appendix D — SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION”.

The Administration will use proceeds of the 2009 Series B Bonds to purchase Mortgage Loans or participations in Mortgage Loans. All or a portion of a participation purchased with proceeds of the 2009 Series B Bonds may bear interest at 0% and may be solely in the principal of the Mortgage Loans and not in the interest; and proceeds of the 2009 Series B Bonds may also be used to purchase participations in Mortgage Loans financed in part by other future series of Bonds. The Offered Bonds will be secured as to both principal and interest by the pledge and lien of the Bond Resolution described herein under “SECURITY FOR THE BONDS”.

The Series Resolutions contain Series Program Determinations for the Offered Bonds, which limit the Loans financed to Mortgage Loans on Single Family Residences and require all such Mortgage Loans to be insured by FHA or guaranteed by the United States Department of Veteran Affairs (“VA”), the United States Department of Agriculture, Rural Development (the “USDA/RD”) Guaranteed Rural Housing Loan Program, private mortgage insurance acceptable to the Administration or mortgage insurance provided by the Maryland Housing Fund (“MHF”). In addition, Loans with a loan-to-value ratio of 80% or less may be uninsured if certain requirements of the Administration are met. See Appendix B – “THE PROGRAM,” and Appendix G – “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS”.

The Bond Resolution does not require that Loans be secured by Credit Enhancement. In addition, the Bond Resolution permits the Administration to require Loans to be secured by Credit Enhancement other than FHA mortgage insurance, private mortgage insurance, MHF mortgage insurance, or VA or USDA/RD guarantees. Such Credit Enhancement may include a variety of forms and may be provided by a variety of Credit Enhancers. See the definitions of Credit Enhancement and Credit Enhancer in Appendix C – “DEFINITIONS” and Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION”.

Brief descriptions of the Offered Bonds and the security for the Bonds are included in this Official Statement. Descriptions of the Department and the Administration, the Program, the definitions of certain terms and the summary of certain provisions of the Bond Resolutions are included as Appendices A, B, C and D, respectively. Appendices E and F contain certain information regarding the outstanding indebtedness of the Administration and its redemption requirements for the Bonds from Prepayments of Loans as required by the Code, respectively. A summary of the FHA Mortgage Insurance Program, the VA Home Loan Guaranty Program, the USDA/RD Mortgage Guarantee Program, the private mortgage insurance acceptable to the Administration and the MHF Insurance Program is included as Appendix G. The financial statements of the Program, investments held in the Residential Revenue Bond Funds, information concerning Mortgage Loans financed under the Program, information concerning the prepayment speeds of Mortgage Loans under the Program and the proposed forms of the opinions of Bond Counsel are included as Appendices H, J, K, L, M and N, respectively. The financial statements of the Maryland Housing Fund are included in Appendix I. **The Appendices to this Official Statement constitute a part of this Official Statement and contain information which any potential investor should read in order to make an informed investment decision.**

Information concerning the Offered Bonds, the Administration and the Program and descriptions of certain provisions of the Act, the Offered Bonds and the Bond Resolutions are included in this Official Statement. All summaries herein of any statute, agreement or document are qualified in their entirety by reference to such statute, agreement or document, and all summaries of the Offered Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Bond Resolutions. Copies of the Bond Resolutions and the Act are available for inspection at the offices of the Administration at 100 Community Place, Crownsville, Maryland 21032-2023. Requests to inspect copies of the Bond Resolutions and the Act should be directed to Investor Relations at (410) 514-7326 or by e-mail at cda_bonds@dhcd.state.md.us.

THE OFFERED BONDS

General Description

The Offered Bonds are dated the dates set forth on the cover hereof. Offered Bonds subsequently issued in exchange for or upon the registration or transfer of Offered Bonds will be dated the date of authentication thereof and will bear interest from the later of March 1 or September 1 (each an “Interest Payment Date”) next preceding the date of the authentication thereof, unless the date of such authentication is after a Record Date and on or prior to the next succeeding Interest Payment Date, in which case they will bear interest from such Interest Payment Date; provided, however, that if interest on the Offered Bonds is in default, the Offered Bonds issued in place of Offered Bonds surrendered for transfer or exchange will bear interest from the date to which interest has been paid in full on the Offered Bonds, or made available for payment in full on Outstanding Bonds. The Offered Bonds will be issuable only as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Offered Bonds. Purchases of the 2007 Series M Bonds will be in book-entry form only, in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. Purchases of the 2009 Series B Bonds will be in book-entry form only, in minimum principal amounts of \$5,000 or any integral multiple thereof. The Offered Bonds mature on the dates and in the amounts set forth on the inside cover page of this Official Statement subject to earlier redemption or, with respect to the 2007 Series M Bonds, mandatory tender as hereinafter described.

The 2007 Series M Bonds

General. The 2007 Series M Bonds (other than Bank Bonds) will bear interest from the date of remarketing hereunder, and thereafter, at a rate determined weekly (the “Weekly Rate”) that will take effect on each Thursday (the “Effective Rate Date”) and remain in effect until the day before the next Effective Rate Date (the “Weekly Mode”). Interest on the 2007 Series M Bonds in a Weekly Mode will accrue from their initial date of reoffering hereunder and will be payable in arrears, on the basis of a 365/366-day year for the number of days actually elapsed. Interest shall be payable semiannually on each Interest Payment Date, commencing on March 1, 2010.

The Weekly Rate will be determined by the Remarketing Agent by 11:00 a.m. New York time on the applicable Effective Rate Date (each a “Rate Determination Date”). In no event will the 2007 Series M Bonds (other than Bank Bonds) bear interest at a rate in excess of 12% (the “Maximum Rate”). The Trustee will provide monthly statements to DTC setting forth the Weekly Rates for the prior month within seven Business Days of the end of each calendar month.

The Weekly Rate will be that rate which, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the 2007 Series M Bonds on the Effective Rate Date being 100% of the principal amount thereof. In determining the Weekly Rate for any 2007 Series M Bonds, the Remarketing Agent for the 2007 Series M Bonds will take into account to the extent applicable (1) market interest rates for comparable securities held by tax-exempt open-end municipal bond funds or other institutional or private investors with substantial portfolios (a) with interest rate adjustment periods and demand purchase options substantially identical to the 2007 Series M Bonds, (b) bearing interest at a variable rate intended to maintain par value, and (c) rated by a national credit rating agency in the same category as the 2007 Series M Bonds; (2) other financial market rates and indices that may have a bearing on the Weekly Rate (including, but not limited to, rates borne by commercial paper, Treasury Bills, commercial bank prime rates, certificate of deposit rates, federal fund rates, the London Interbank Offered Rate (LIBOR), The Securities Industry and Financial Markets Association Municipal Swap Index produced by Municipal Market Data concerning tax-exempt variable rates (the “SIFMA Index”), indices maintained by The Bond Buyer, and other publicly available tax-exempt (as applicable) interest rate indices); (3) general financial market conditions; and (4) factors particular to the Administration and the 2007 Series M Bonds.

The determination by the Remarketing Agent of the Weekly Rate to be borne by any 2007 Series M Bonds (other than Bank Bonds) will be conclusive and binding on the holders of the 2007 Series M Bonds. Failure by the Remarketing Agent or the Trustee to give any notice required under the Series Resolution, or any defect in such notice, will not affect the interest rate borne by any 2007 Series M Bonds or the rights of the Bondholders thereof.

If for any reason the position of Remarketing Agent is vacant or the Remarketing Agent fails to establish the interest rate, the 2007 Series M Bonds (other than Bank Bonds) will automatically bear interest in a Weekly Mode with the interest rate reset on a weekly basis at the interest rate set forth in the following table corresponding with the lowest applicable long term or short term rating (without regard to modifiers) then in effect with respect to the 2007 Series M Bonds (provided in no event will the 2007 Series M Bonds bear interest at a rate in excess of the Maximum Rate):

Rating by Fitch (long term/short term)	Rating by Moody's (long term/short term)	Interest Rate
AA/F1 or higher	Aa/VMIG 1 or higher	125% of the SIFMA Index
A/F1	A/VMIG 1	350% of the SIFMA Index
BBB/F2	Baa/VMIG 2	450% of the SIFMA Index
Below BBB/F2	Below Baa/VMIG 2	Maximum Rate

Tender Provisions. Except as otherwise provided herein, so long as the 2007 Series M Bonds are in Weekly Mode, the owners of any 2007 Series M Bonds are entitled to demand purchase of such 2007 Series M Bonds at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase, upon satisfaction of the terms and conditions described herein. See “THE OFFERED BONDS – Optional Tender of the 2007 Series M Bonds”. The 2007 Series M Bonds are also subject to mandatory tender for purchase under certain circumstances. See “THE OFFERED BONDS – Mandatory Tender of the 2007 Series M Bonds”. Merrill Lynch, Pierce, Fenner & Smith Incorporated will act as the initial remarketing agent for the 2007 Series M Bonds (the “Remarketing Agent”). See “THE OFFERED BONDS – Remarketing of the 2007 Series M Bonds”.

The Administration will have in place a liquidity facility (the “Liquidity Facility”) to be in effect prior to the date, if any, when all 2007 Series M Bonds have been converted from a Weekly Mode to another mode not requiring a Liquidity Facility, subject to terms and conditions set forth herein. See “LIQUIDITY FACILITY RELATED TO THE 2007 SERIES M BONDS”. The initial Liquidity Facility with respect to the 2007 Series M Bonds, which is in effect at the time of the remarketing hereunder, is an Amended and Restated Standby Bond Purchase Agreement (the “Initial Liquidity Facility”) among the Administration, the Trustee and KBC Bank N.V., acting through its New York Branch (the “Liquidity Provider”). The Initial Liquidity Facility provides for the purchase by the Bank on the terms and conditions specified therein of tendered 2007 Series M Bonds which cannot be remarketed as provided for in the Bond Resolutions. If the Initial Liquidity Facility is to expire or terminate according to its terms and will not be renewed or replaced with an Alternate Liquidity Facility, the related 2007 Series M Bonds are subject to mandatory tender.

Mode Changes. The Administration may elect (1) to change the intervals at which the interest rate is calculated with respect to all or part of the 2007 Series M Bonds or change the basis for determining interest to an auction procedure (each such change is a “Mode Change” with respect to the 2007 Series M Bonds to which such Mode Change applies, and the date on which each such Mode Change is effective is a “Mode Change Date”), (2) to change all or part of the 2007 Series M Bonds to become variable rate bonds not required to be covered by a Liquidity Facility (each such change an “Unenhanced Variable Rate Bond Change” with respect to the 2007 Series M Bonds to which it applies, and the date of each such change an “Unenhanced Variable Rate Bond Change Date”) or (3) to convert all or part of the 2007 Series M Bonds to bear interest based upon an index or at fixed rates to their maturity (with respect to the 2007 Series M Bonds to which such conversion applies, a “Conversion”, and the date on which such a Conversion is effective a “Conversion Date”). The Administration will provide notice to the Remarketing Agent, the Trustee, the Bank, and the Tender Agent not less than 20 days before the applicable Mode Change Date, Unenhanced Variable Rate Bond Change Date or Conversion Date of a Mode Change, an Unenhanced Variable Rate Bond Change, or a Conversion. The Trustee will provide notice to DTC of a Mode Change, an Unenhanced Variable Rate Bond Change or a Conversion not less than 15 days before the applicable Mode Change Date, Unenhanced Variable Rate Bond Change Date or Conversion Date. On each Mode Change Date, Unenhanced Variable Rate Bond Change Date, or Conversion Date, the 2007 Series M Bonds to which such Mode Change, Unenhanced Variable Rate Bond Change, or Conversion applies will be subject to mandatory tender for purchase.

The description of the 2007 Series M Bonds contained in this Official Statement is intended to provide information to prospective owners of 2007 Series M Bonds while 2007 Series M Bonds are in the Weekly Mode, and is not intended to be relied upon by prospective owners of 2007 Series M Bonds with respect to which a Mode Change Date, an Unenhanced Variable Rate Bond Change Date or a Conversion Date (each as

herein defined) has occurred. A condition of such event and the related remarketing of 2007 Series M Bonds is the delivery of an updated disclosure document.

The 2009 Series B Bonds

The 2009 Series B Bonds will bear interest from the date of delivery until their maturity or earlier redemption at the applicable rates set forth on the inside cover hereof. Interest on the 2009 Series B Bonds will be payable semiannually on each Interest Payment Date, commencing March 1, 2010. If any such dates are not business days, then such payments will be made on the next business day. Interest on the 2009 Series B Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Application of the Offered Bonds Proceeds

2007 Series M Bond Proceeds. The Administration deposited the proceeds of the sale of the 2007 Series M Bonds in the amount of \$30,000,000 into the 2007 Series M Program Account of the Program Fund which provided funds to make or purchase Mortgage Loans. Proceeds of the remarketing of the 2007 Series M Bonds will be applied to pay the principal portion of the purchase price of the 2007 Series M Bonds tendered for purchase on the delivery date. The interest portion of the purchase price will be paid from funds available under the Bond Resolution.

2009 Series B Bond Proceeds. The Administration will deposit, from the proceeds of the sale of the 2009 Series B Bonds, \$44,117,600 into the 2009 Series B Program Account of the Program Fund to provide funds to make or purchase Mortgage Loans or participations in Mortgage Loans and will deposit \$882,400 into the Reserve Fund under the Bond Resolution.

The costs of issuance, including underwriter's compensation, relating to the 2009 Series B Bonds will be funded by the Administration from available moneys not included in the proceeds of the 2009 Series B Bonds.

Redemption Provisions

The Offered Bonds are subject to redemption prior to maturity as follows:

Sinking Fund Redemption.

The 2009 Series B Bonds maturing on September 1, 2024 are subject to mandatory redemption in part by lot on March 1, 2022, and on each September 1 and March 1 thereafter to and including September 1, 2024, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

<u>Year (March 1)</u>	<u>Principal Amount</u>	<u>Year (September 1)</u>	<u>Principal Amount</u>
2022	\$605,000	2022	\$620,000
2023	630,000	2023	645,000
2024	660,000	2024**	670,000

**Final maturity.

The 2009 Series B Bonds maturing on September 1, 2029, are subject to mandatory redemption in part by lot on March 1, 2025, and on each September 1 and March 1 thereafter to and including September 1, 2029, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

<u>Year</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
2025	\$685,000	2025	\$700,000
2026	715,000	2026	735,000
2027	750,000	2027	765,000
2028	785,000	2028	800,000
2029	820,000	2029**	835,000

**Final maturity.

The 2009 Series B Bonds maturing on September 1, 2034 are subject to mandatory redemption in part by lot on March 1, 2030, and on each September 1 and March 1 thereafter to and including September 1, 2034, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

<u>Year</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
2030	\$ 855,000	2030	\$ 880,000
2031	895,000	2031	920,000
2032	940,000	2032	960,000
2033	985,000	2033	1,010,000
2034	1,030,000	2034**	1,055,000

**Final maturity.

The 2009 Series B Bonds maturing on September 1, 2039, are subject to mandatory redemption in part by lot on March 1, 2035, and on each September 1 and March 1 thereafter to and including September 1, 2039, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

<u>Year</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
2035	\$1,080,000	2035	\$1,105,000
2036	1,130,000	2036	1,160,000
2037	1,185,000	2037	1,215,000
2038	1,245,000	2038	1,270,000
2039	1,305,000	2039**	1,335,000

**Final maturity.

Optional Redemption.

While bearing interest in the Weekly Mode, the 2007 Series M Bonds are subject to redemption at the option of the Administration, in whole or in part on any Business Day (including any optional or mandatory tender date), from any money made available for such purpose, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest, if any, to but not including the redemption date.

The 2009 Series B Bonds are subject to redemption at the option of the Administration, in whole or in part at any time, on or after September 1, 2018 at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to but not including the date of redemption.

Special Redemption of Offered Bonds. The Offered Bonds are subject to special redemption, at the option of the Administration, in whole or in part, at any time and at a price equal to the principal amount thereof, plus accrued interest thereon, from:

- (1) Recovery Payments from any Series of Bonds, except as otherwise provided herein under the heading ““Ten Year Rule” Requirements”;
- (2) amounts on deposit in the Program Fund relating to the 2009 Series B Bonds not expended for the purposes of financing Mortgage Loans (see Appendix B – “THE PROGRAM – Existing Portfolio and Available Funds Under the Bond Resolution”); and
- (3) excess Revenues from any Series of Bonds, including, without limitation, amounts resulting from any reduction in the Reserve Fund from any Series of Bonds.

As a result of the special redemption provisions, the Administration can make no assurance that a particular Offered Bond will not be redeemed prior to its maturity. The Administration cannot accurately predict the volume of Recovery Payments, including Prepayments, or other moneys which will be available for the special redemption of Bonds in the future. See “Risks of Redemption as a Result of Nonorigination” and “Risks of Redemption as a Result of Prepayment and Other Excess Revenues” below.

Cross-Call Practices. Unless otherwise (i) provided in a Series Resolution, (ii) required or restricted by the 1986 Code, or (iii) directed by the Administration, excess Revenues and Prepayments of Mortgage Loans financed with proceeds of any Series of Bonds, to the extent transferred to the Redemption Fund, may be applied to the redemption of Bonds of any Series. The Administration generally expects to apply excess Revenues or Prepayments to the redemption of the Series having the highest effective bond yield; provided, however, that the Administration reserves the right to redeem Bonds, including the Offered Bonds, that do not have the highest effective bond yield.

As a result, the Offered Bonds may be redeemed from excess Revenues and Prepayments of Mortgage Loans financed with the proceeds of other Series of Bonds.

“Ten Year Rule” Requirements. The 1986 Code requires that prepayments of mortgages financed with an issue of qualified mortgage bonds must be used to redeem bonds of that issue by the close of the next semiannual period, if the prepayments are received more than ten years after the issuance of the bonds or any prior refunded issue (the “Ten Year Rule”). Appendix F hereto is a table showing the percentage of mortgage prepayments received in any particular period that must, under the Ten Year Rule, be used for redemption of bonds of the issue that financed the mortgages, including the Offered Bonds. The table is based on an allocation of bond proceeds between any “new money” (nonrefunding) portion, which will not be subject to the Ten Year Rule until ten years after the date of issuance, and any portion used, directly or indirectly, to refund one or more prior issues, each of which has its own ten year period which applies to the refunding issue. The Ten Year Rule applies generally to all issues of tax-exempt qualified mortgage bonds issued after December 31, 1988.

Risks of Redemption as a Result of Nonorigination. Subject to a *de minimis* exception, proceeds relating to the 2009 Series B Bonds deposited directly to the 2009 Series B Program Account of the Program Fund to make or purchase Mortgage Loans and not used to finance Mortgage Loans within 42 months of the date of issuance will be used to redeem 2009 Series B Bonds as required by the 1986 Code. See Appendix B – “THE PROGRAM – Existing Portfolio and Available Funds Under the Bond Resolution”.

The Administration currently expects to issue within two months of the issuance of the 2009 Series B Bonds, Additional Bonds, the proceeds of which will be used to make or purchase mortgage loans or

participation in mortgage loans, however, there can be no assurances that such Additional Bonds will be issued.

On October 20, 2003, the Administration made an unused proceeds call from certain Prior Bonds in the amount of \$32,400,000. For more detail, refer to the filing with the National Recognized Municipal Securities Repositories on October 7, 2003 and see the Department's website, www.dhcd.state.md.us, CDA Bonds – Investor Information.

Risks of Redemption as a Result of Prepayments and Other Excess Revenues. All Mortgage Loans permit partial or complete prepayment without penalty. Mortgage Loans also may be terminated prior to their respective final maturities as a result of events such as default, sale (including potentially a sale of all or part of the Mortgage Loan portfolio), condemnation or casualty loss. A number of factors, including general economic conditions, homeowner mobility and mortgage market interest rates, will affect the rate of actual prepayments for a particular portfolio of mortgage loans. Therefore, it is difficult to predict prepayments for the Administration's portfolio from available data about other pools of mortgage loans. For information concerning the prepayment speeds of Mortgage Loans under the Program, see Appendix M – "RESIDENTIAL REVENUE BOND PROGRAM PREPAYMENT SPEED OF MORTGAGE LOAN PORTFOLIO BY BOND ISSUANCE".

It is not possible to predict the amount of excess Revenues that may be generated under the Bond Resolution. Any excess Revenues or Prepayments of Mortgage Loans received under the Bond Resolution and not applied to make or purchase new Mortgage Loans, shall be applied in accordance with the provisions of the Bond Resolutions and federal tax laws, which provisions may permit or require the special redemption of Bonds from such excess Revenues or Prepayments.

General Provisions. If fewer than all of the Offered Bonds of like maturity are to be redeemed and are no longer held in book-entry form, the Administration will determine the particular Offered Bonds or portions thereof to be called for redemption. The Trustee will mail notice of the redemption to the registered owners of any Offered Bonds or portions thereof to be redeemed not less than 15 days (or, in the case of Offered Bonds then registered under DTC's book-entry-only system of registration, 30 days) nor more than 90 days before any date upon which Offered Bonds may be redeemed at their last addresses appearing upon the registration books. Such notice by mail is sufficient and published notice of the call for redemption need not be given. The notice of redemption may be conditional. If conditional, the notice will set forth the conditions precedent to such redemption and if such conditions have not been met prior to the redemption date, such notice will be of no force and effect. Notice otherwise having been provided, the Offered Bonds designated in the notice will become due and payable at the applicable redemption price, plus interest accrued to the redemption date. On and after the redemption date, such Offered Bonds will cease to bear interest and such Offered Bonds will no longer be considered as outstanding under the Bond Resolution.

Optional Tender of the 2007 Series M Bonds

Holders of 2007 Series M Bonds in the Weekly Mode may elect to tender their 2007 Series M Bonds for purchase by providing notice to the Remarketing Agent not later than 5:00 p.m. on any Business Day that is at least seven calendar days before the purchase date, which must be a Business Day and must be set forth in the notice. Such 2007 Series M Bonds will be purchased on the purchase date specified in the notice at a price equal to 100% of the principal amount thereof plus accrued interest (the "Purchase Price"). Such notice of optional tender for purchase of 2007 Series M Bonds by the Bondholders thereof will be irrevocable once such notice is given to the Remarketing Agent.

Mandatory Tender of the 2007 Series M Bonds

The 2007 Series M Bonds or any portion thereof are subject to mandatory tender for purchase (with no right to retain) at the Purchase Price (1) on any Mode Change Date, Unenhanced Variable Rate Bond Change

Date or Conversion Date for such Bonds, (2) upon scheduled expiration or termination by the Administration of the Initial Liquidity Facility or an Alternate Liquidity Facility (defined below) (a “Liquidity Expiration Event”) for such Bonds, on a date not less than 5 days prior to the scheduled expiration or earlier termination of the Liquidity Facility, and (3) upon receipt of a Notice of Termination Date (as described in the Initial Liquidity Facility or a similar notice termination event under an Alternate Liquidity Facility) by the Trustee following the occurrence of certain Events of Default under such Liquidity Facility, on a date not less than five days prior to the date on which the Liquidity Facility will terminate (each a “Mandatory Tender Date”). Upon any such event, the Trustee will deliver a notice of mandatory tender to Bondholders, at least 15 days prior to the Mandatory Tender Date, stating the reason for the mandatory tender, the date of mandatory tender, and that all Bondholders of 2007 Series M Bonds subject to such mandatory tender will be deemed to have tendered their 2007 Series M Bonds upon such date. See also “THE OFFERED BONDS -- Administration Not Responsible to Bondholders for Bank’s Purchase 2007 Series M Bonds”.

This paragraph is applicable only if the book-entry system has been discontinued and replacement bonds have been issued or if DTC has exercised its option to surrender and exchange its 2007 Series M Bond certificates. Any 2007 Series M Bond not tendered and delivered to the Tender Agent on or prior to its Mandatory Tender Date for which there have been irrevocably deposited in trust with the Trustee the Purchase Price equal to the principal amount of such 2007 Series M Bonds plus accrued interest will be deemed to have been tendered and purchased on such Mandatory Tender Date. Bondholders will not be entitled to any payment (including any interest to accrue on or after the Mandatory Tender Date) other than the principal amount of such 2007 Series M Bonds, plus accrued interest to the day preceding the Mandatory Tender Date, and said Bondholders will no longer be entitled to the benefits of the Bond Resolutions, except for the purpose of payment of the Purchase Price. Replacement 2007 Series M Bonds will be issued in place of such untendered 2007 Series M Bonds pursuant to the Bond Resolutions and, after the issuance of the replacement 2007 Series M Bonds, such Bonds will be deemed purchased, canceled, and no longer Outstanding under the Bond Resolutions.

Remarketing of the 2007 Series M Bonds

On each date on which 2007 Series M Bonds are required to be purchased, the Remarketing Agent for the 2007 Series M Bonds will use its best efforts to sell the 2007 Series M Bonds at a Weekly Rate (or, in the case of purchase upon a Mode Change, an interest rate corresponding to the appropriate mode) that results as nearly as practicable in the price being 100% of the principal amount thereof. In the event the Remarketing Agent is unable to remarket any of the 2007 Series M Bonds so tendered while the Initial Liquidity Facility is in effect, the Bank will purchase the 2007 Series M Bonds in accordance with the Initial Liquidity Facility. The Remarketing Agent will not be required to remarket the 2007 Series M Bonds (1) after the occurrence of an Event of Default under the Bond Resolutions; (2) after the occurrence of a Termination Event under a Liquidity Facility and the Bank’s termination of its commitment to purchase 2007 Series M Bonds thereunder (as described under “LIQUIDITY FACILITY RELATING TO THE 2007 SERIES M BONDS -- Remedies” herein) or (3) if the Bank breaches its obligation to purchase 2007 Series M Bonds tendered and not remarketed. The Administration will enter into a Remarketing Agreement with the Remarketing Agent pursuant to which the Remarketing Agent will undertake the duties of Remarketing Agent, including remarketing of tendered 2007 Series M Bonds and determination of interest rates. The Remarketing Agreement provides that the Remarketing Agent may suspend its activities under certain circumstances. The Remarketing Agent may resign its duties by giving 30 days’ written notice to the Administration; provided, however, if a successor Remarketing Agent has not been appointed by the end of such 30 days, the existing Remarketing Agent shall continue to perform its obligations under the Remarketing Agreement until the earlier of (i) 60 days following the giving of its original written notice of resignation or (ii) the appointment of a successor Remarketing Agent by the Administration. The Administration may remove the Remarketing Agent upon 30 days’ written notice; provided, however, the Administration shall not remove the Remarketing Agent until it has appointed a successor Remarketing Agent.

The Remarketing Agent is Paid by the Administration

The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing 2007 Series M Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the Administration and is paid by the Administration for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Bonds.

The Remarketing Agent Routinely Purchases Bonds for its Own Account

The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account. The Remarketing Agent, in its sole discretion, routinely acquires tendered bonds for its own inventory in order to achieve a successful remarketing of the bonds (i.e., because there otherwise are not enough buyers to purchase the bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase bonds including the 2007 Series M Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2007 Series M Bonds by routinely purchasing and selling 2007 Series M Bonds other than in connection with an optional tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the 2007 Series M Bonds. If the Remarketing Agent purchases 2007 Series M Bonds for its own account, it may offer those 2007 Series M Bonds at a discount to par to some investors. The Remarketing Agent may also sell any 2007 Series M Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2007 Series M Bonds. The purchase of 2007 Series M Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the 2007 Series M Bonds in the market than is actually the case. The practices described above also may reduce the supply of 2007 Series M Bonds that may be tendered in a remarketing.

2007 Series M Bonds May be Offered at Different Prices on any Date

The Remarketing Agent is required to determine on the Rate Determination Date the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the 2007 Series M Bonds at par plus accrued interest, if any, on the date the rate becomes effective (the "Effective Date"). The interest rate will reflect, among other factors, the level of market demand for the 2007 Series M Bonds (including whether the Remarketing Agent is willing to purchase 2007 Series M Bonds for its own account). The Remarketing Agreement requires that the Remarketing Agent use its best efforts to sell tendered bonds at par, plus accrued interest. There may or may not be 2007 Series M Bonds tendered and remarketed on a Rate Determination Date. As an owner of 2007 Series M Bonds the Remarketing Agent may sell 2007 Series M Bonds at varying prices, including at a discount to par, to different investors on a Rate Determination Date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the 2007 Series M Bonds at the remarketing price.

The Ability to Sell the 2007 Series M Bonds other than through Tender Process May Be Limited

While the Remarketing Agent may buy and sell 2007 Series M Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the 2007 Series M Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2007 Series M Bonds other than by tendering through the Tender Agent in accordance with the tender process.

Under certain circumstances, the Bank is not obligated to purchase tendered 2007 Series M Bonds. In addition, the Bank may fail to purchase tendered Bonds even when they are obligated to do so. In both cases, tendered 2007 Series M Bonds would be returned to the holders thereof and bear interest on a weekly basis at the lesser of (1) the rate which, in the determination of the Remarketing Agent, would result as nearly as

practicable in the market value of the 2007 Series M Bonds being 100% of the principal amount thereof or (2) the Maximum Rate. No assurance can be provided that there will be a secondary market for the 2007 Series M Bonds in the event the Bank is not obligated, or fails, to purchase the 2007 Series M Bonds. Bondholders will not have the ability to tender their 2007 Series M Bonds during such period and may be required to hold their 2007 Series M Bonds to their maturity or prior redemption.

Administration Not Responsible to Bondholders for Bank's Failure to Purchase 2007 Series M Bonds

Under the terms and provisions of the Remarketing Agreement and the Initial Liquidity Facility, the Purchase Price of 2007 Series M Bonds will be payable from moneys furnished in connection with the remarketing of the 2007 Series M Bonds or from the Initial Liquidity Facility. Upon the occurrence of a Termination Event (as defined under "LIQUIDITY FACILITY RELATING TO THE 2007 SERIES M BONDS -- Remedies" herein) under the Initial Liquidity Facility, the Bank's obligation to purchase 2007 Series M Bonds under the Initial Liquidity Facility will immediately terminate or be suspended without notice or other action on the part of the Bank. See "LIQUIDITY FACILITY RELATING TO THE 2007 SERIES M BONDS -- Remedies" herein. The Administration is not responsible to Bondholders for any failure by the Bank to purchase 2007 Series M Bonds tendered at the option of the Holder or subject to mandatory tender for purchase pursuant to the Series Resolution when the Bank is required to purchase the 2007 Series M Bonds under the Liquidity Facility.

If the Bank does not purchase any 2007 Series M Bonds tendered or deemed tendered for purchase by the Bondholders thereof and not remarketed, such 2007 Series M Bonds would be returned to the holders thereof and bear interest on a weekly basis at the lesser of (1) the rate which, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the 2007 Series M Bonds being 100% of the principal amount thereof or (2) the Maximum Rate. Bondholders will not have the ability to tender their 2007 Series M Bonds during such period and may be required to hold their 2007 Series M Bonds to their maturity or prior redemption.

DTC and Book-Entry

At the time of delivery of the Offered Bonds, DTC will act as securities depository for the Offered Bonds. The ownership of one fully registered Offered Bond for each maturity of each series, in the aggregate principal amount of such maturity and series, initially will be registered in the name of Cede & Co., as nominee for DTC, or such other name as may be requested by an authorized representative of DTC, and deposited with DTC or its designated custodian. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has S&P's highest rating: AAA. The DTC Rules applicable to its Participants are on file

with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC's records. The ownership interest of each actual purchaser of each Offered Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Offered Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Offered Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

The Trustee will make payments of principal of, redemption premium, if any, and interest on the Offered Bonds to Cede & Co., or such other DTC nominee as may be requested by an authorized representative of DTC. DTC's current practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Administration or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium (if any) and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Administration or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners entitled thereto is the responsibility of Direct and Indirect Participants. DTC, the Trustee and the Administration are not responsible for and make no representations concerning the manner of, or any charges that may be associated with, payments by Direct Participants or Indirect Participants to Beneficial Owners.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Offered Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

DTC, Cede & Co. or such other DTC nominee will not consent or vote with respect to the Offered Bonds, unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an omnibus proxy to the Administration as soon as possible after the record date for any consent or vote. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Offered Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Neither the Administration nor the Trustee will have any responsibility or obligation to the Direct Participants or the Beneficial Owners with respect to (A) the accuracy of any records maintained by DTC or any Participant; (B) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Offered Bonds; (C) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Bond Resolutions to be given to Bondholders; or (D) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

The Administration and the Trustee cannot give any assurances that DTC will distribute payments of principal of, redemption premium, if any, and interest on the Offered Bonds paid to DTC or its nominee, as the registered owner, or any redemption or other notices, to the Direct Participants or that they will do so on a timely basis, that Direct Participants or Indirect Participants will distribute to Beneficial Owners any payments or notices received by them or do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

So long as Cede & Co. is the registered owner of the Offered Bonds, as nominee of DTC, references in this Official Statement to the owners of the Offered Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners and Cede & Co. will be treated as the only Bondholder of Offered Bonds for all purposes under the Bond Resolutions.

The Administration may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to Offered Bonds without the consent of Beneficial Owners or Bondholders.

DTC may discontinue providing its services as a depository with respect to the Offered Bonds at any time by giving reasonable notice to the Administration or Trustee. Under such circumstances, in the event that a successor depository is not obtained bond certificates will be printed and delivered. The Administration may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

Information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Administration believes to be reliable, but the Administration takes no responsibility for the accuracy thereof.

Definitive Bonds

DTC (or a successor securities depository) may discontinue providing its service with respect to the Offered Bonds at any time by giving notice to the Administration and discharging its responsibilities with respect thereto under applicable law. In addition, the Administration, in its sole discretion and without the consent of any other person, may elect not to use or may terminate the services of DTC (or a successor securities depository). Under such circumstances, Offered Bonds in definitive form will be delivered as provided in the Bond Resolutions and registered in accordance with the instructions of the purchasers, and the following requirements of the Bond Resolutions will apply. Interest on the Offered Bonds will be payable by check or draft mailed by the Trustee to the registered owner thereof or, upon the request of a registered owner of Offered Bonds having a principal amount of \$1,000,000 or more, by wire transfer from the Trustee to the registered owner thereof. The principal of and redemption premium, if any, are payable at the corporate trust office of the Trustee upon presentation of the Offered Bonds on or after the date of maturity or redemption. Each exchange or transfer of the Offered Bonds may require the payment by the owner of any tax, fee or other charge imposed by law and a reasonable transfer fee of the Trustee.

LIQUIDITY FACILITY RELATING TO THE 2007 SERIES M BONDS

General Provisions

The following description is a summary of certain provisions of the Initial Liquidity Facility. Such summary does not purport to be a complete description or restatement of the material provisions of the Initial Liquidity Facility. Investors should obtain and review a copy of the Initial Liquidity Facility in order to understand all of the terms of that document.

The Initial Liquidity Facility provides that the Liquidity Provider, shall purchase those 2007 Series M Bonds tendered or deemed tendered from time to time pursuant to an optional or mandatory tender by owners thereof in accordance with the terms of the Bond Resolutions, in each case, to the extent such 2007 Series M Bonds are not remarketed by the Remarketing Agent. The Initial Liquidity Facility will expire on December 11, 2012, unless extended or terminated pursuant to its terms.

Under certain circumstances described below, the obligation of the Liquidity Provider to purchase 2007 Series M Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender may be suspended or terminated. See “LIQUIDITY FACILITY RELATING TO THE 2007 SERIES M BONDS -- Remedies” herein. In such event, sufficient funds may not be available to purchase 2007 Series M Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender. In addition, the Initial Liquidity Facility does not provide security for the payment of principal of or interest on or premium, if any, on the 2007 Series M Bonds.

Purchase of Tendered 2007 Series M Bonds by the Liquidity Provider

The Liquidity Provider will purchase from time to time during the period prior to the expiration or earlier termination of the Initial Liquidity Facility, Eligible Bonds (as defined in the Initial Liquidity Facility), tendered or deemed tendered from time to time during the period from the date of remarketing of the 2007 Series M Bonds hereunder to and including December 11, 2012 (unless earlier terminated pursuant to the terms of the Initial Liquidity Facility) pursuant to an optional or mandatory tender by owners thereof in accordance with the terms and provisions of the Bond Resolutions, in each case, to the extent such 2007 Series M Bonds are not remarketed in accordance with the terms and provisions of the Remarketing Agreement. The price to be paid by the Liquidity Provider for 2007 Series M Bonds will be equal to the aggregate principal amount of each such 2007 Series M Bond, provided that the aggregate principal amount of all 2007 Series M Bonds so purchased shall not exceed the Available Principal Commitment (as defined in the Initial Liquidity Facility), plus the lesser of (i) the Available Interest Commitment (as defined in the Initial Liquidity Facility) and (ii) interest accrued thereon to but excluding the date of such purchase.

Events of Default

The occurrence of any of the following events shall constitute an Event of Default under the Initial Liquidity Facility. Reference is made to the Initial Liquidity Facility for a complete listing of all Events of Default:

(a) Any principal of, or interest on, any 2007 Series M Bond or Liquidity Provider Bond (as defined in the Initial Liquidity Facility) (other than as a result of acceleration of the payment of any Liquidity Provider Bond pursuant to the Initial Liquidity Facility) or certain other amounts owed to the Liquidity Provider pursuant to the Initial Liquidity Facility shall not be paid when due; or

(b) the Administration shall fail to pay any other amount (other than amounts specified in paragraph (a) above) owing under the Initial Liquidity Facility within five (5) days after the same shall become due; or

(c) any representation or warranty made by or on behalf of the Administration in the Initial Liquidity Facility or in any Related Document (as defined in the Initial Liquidity Facility) or in any certificate or statement delivered thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(d) the Administration shall fail to observe or perform any term, covenant or agreement of the Administration contained (or incorporated by reference) in the Initial Liquidity Facility and such failure shall continue for thirty days or more after written notice thereof requesting that such default be remedied has been given to it by the Liquidity Provider; provided that the Administration's failure to observe or perform certain covenants set forth in the Initial Liquidity Facility shall constitute an event of default under the Initial Liquidity Facility immediately and without regard to any grace period; or

(e) (i) The Administration shall commence any case, proceeding or other action (A) under any existing or future Debtor Relief Laws (as defined in the Initial Liquidity Facility) of any jurisdiction, domestic or foreign, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its Debts (as defined in the Initial Liquidity Facility), or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Administration shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Administration any case, proceeding or other action of a nature referred to in clause (i) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against the Administration, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) the Administration shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the Administration shall generally not, or shall be unable to, or so admit in writing its inability to, pay its Debts; or

(f) any Event of Default under the Bond Resolutions or any "event of default" which is not cured within any applicable cure period under any of the Related Documents shall occur which, if not cured, would give rise to remedies available thereunder; or

(g) (i) any provision of the Initial Liquidity Facility, the 2007 Series M Bonds, the Bond Resolution or the 2007 Series M Resolution related to the payment of principal or interest on 2007 Series M Bonds or Liquidity Provider Bonds or the pledge of and Lien (as defined in the Initial Liquidity Facility) on the Pledged Property (as defined in the Initial Liquidity Facility) and all amounts held in any Fund (as defined in the Bond Resolution) under the Bond Resolutions shall at any time for any reason cease to be valid and binding or fully enforceable on the Administration as determined by any court or Governmental Agency (as defined in the Initial Liquidity Facility) having appropriate jurisdiction in a final non-appealable judgment, or (ii) the validity or enforceability of any provision of the Initial Liquidity Facility, the 2007 Series M Bonds, the Bond Resolution or the 2007 Series M Resolution related to the payment of principal or interest on 2007 Series M Bonds or Liquidity Provider Bonds or the pledge of and Lien on the Pledged Property and all amounts held in any Fund under the Bond Resolutions shall be contested by the Administration or any Governmental Agency having appropriate jurisdiction over the Administration shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or decree which contests the validity or enforceability of any material provision of the Initial Liquidity Facility, the 2007 Series M Bonds, the Bond Resolution or the 2007 Series M Resolution related to the payment of principal or interest on 2007 Series M Bonds or Liquidity Provider Bonds or the pledge of and Lien on the Pledged Property, or the Administration shall deny that it has any or further liability or obligation under any such document or (iii) any material provision of the Initial Liquidity Facility, the 2007 Series M Bonds, the Bond Resolution or the 2007 Series M Resolution, other than a provision described in clause (i) of this subsection (g), shall at any time for any reason

cease to be valid and binding on the Administration, or shall be declared in a final non appealable judgment by any court having jurisdiction over the Administration to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the Administration; or

(h) each of the long-term ratings assigned to any bonded indebtedness of the Administration secured by any of the Pledged Property shall fall below “Baa3” (or its equivalent) by Moody’s or “BBB-” (or its equivalent) by Fitch or each of Moody’s and Fitch shall withdraw or suspend the rating on any bonded indebtedness of the Administration secured by any of the Pledged Property (but excluding any withdrawal or suspension of any such ratings if such rating agency stipulates in writing that the rating action is being taken for non-credit related reasons); or

(i) the Administration shall (i) fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any bonded indebtedness of the Administration secured by any of the Pledged Property senior to or on a parity with the Lien on the Pledged Property securing the payment of principal and interest on the 2007 Series M Bonds and the Liquidity Provider Bonds or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument providing for the creation of or concerning such indebtedness, or pursuant to the provisions of any such resolution, indenture, contract or instrument, the maturity of any such indebtedness, as a result of the occurrence of a payment default of any nature, may be accelerated, or may be required to be prepaid prior to the stated maturity thereof, or (ii) fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any general obligation bonded indebtedness of the Administration with an outstanding principal amount of \$1,000,000 or more, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument providing for the creation or concerning such general obligation bonded indebtedness, or any other default under any resolution, indenture, contract or instrument providing for the creation of or concerning such general obligation bonded indebtedness, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such resolution, indenture, contract or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such general obligation bonded indebtedness; or pursuant to the provisions of any such resolution, indenture, contract or instrument the maturity of any general obligation bonded indebtedness in a principal amount in excess of \$1,000,000 shall have been or may be accelerated or shall have been or may be required to be prepaid prior to the stated maturity thereof; or

(j) a final judgment or order for the payment of money in excess of \$10,000,000 payable from the Revenues (as defined in the Initial Liquidity Facility) shall have been rendered against the Administration and such judgment or order shall not have been satisfied, stayed or bonded pending appeal within a period of sixty (60) days from the date on which it was first so rendered; or

(k) the Administration shall impose, or any Governmental Authority having appropriate jurisdiction over the Administration shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or a decree which results in, a debt moratorium, debt restructuring, debt adjustment or comparable restriction on the repayment when due and payable or the principal of or interest on any bonded indebtedness of the Administration secured by any of the Pledged Property.

Remedies. The following are remedies available to the Liquidity Provider under the Initial Liquidity Facility upon the occurrence of certain of the above described Events of Default. Reference is made to the Initial Liquidity Facility for a complete listing of all consequences of Events of Default.

(a) Upon the occurrence of any Event of Default set forth in paragraph (a), (e), (g)(i), (h), (i)(i), (j) or (k) in “Events of Default” above (each a “Termination Event”), the Available Commitment (as defined in the Initial Liquidity Facility) and the obligation of the Liquidity Provider to purchase 2007 Series M Bonds shall immediately terminate without notice or demand to any Person, and thereafter the Liquidity Provider shall be under no obligation to purchase 2007 Series M Bonds. Promptly upon such Event of Default, the

Liquidity Provider shall give written notice of the same to the Administration, the Tender Agent and the Remarketing Agent; provided, that the Liquidity Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and of its obligations to purchase 2007 Series M Bonds pursuant to the Initial Liquidity Facility. The Administration shall cause the Tender Agent to notify all Bondowners (as defined in the Bond Resolution) of the termination of the Available Commitment and the termination of the obligation of the Liquidity Provider to purchase the 2007 Series M Bonds.

(b) In the case of the occurrence of any other Event of Default (other than any Termination Event), the Liquidity Provider may give written notice of such Event of Default and termination of the Initial Liquidity Facility (a “Notice of Termination Date”) to the Trustee, the Tender Agent, the Administration, and the Remarketing Agent, requesting a Default Tender (as defined in the Initial Liquidity Facility). The obligation of the Liquidity Provider to purchase 2007 Series M Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Administration and on such date the Available Commitment shall terminate and the Liquidity Provider shall be under no obligation under the Initial Liquidity Facility to purchase 2007 Series M Bonds.

(c) Upon the occurrence of an Event of Default under paragraph (g)(ii) under “Events of Default” above, the obligations of the Liquidity Provider under the Initial Liquidity Facility shall be suspended from the time of the occurrence of such Event of Default, and in the event any provision of the Initial Liquidity Facility, the Bond Resolution and the 2007 Series M Resolution related to the Administration’s ability to pay principal or interest on the 2007 Series M Bonds or Liquidity Provider Bonds or the pledge of and Lien on the Pledged Property and all amounts held in any Fund under the Bond Resolutions is declared to be null and void in a final non-appealable judgment, or it is determined that the Administration has no liability under the Initial Liquidity Facility, the 2007 Series M Bonds, the Bond Resolution or the 2007 Series M Resolution, in either case by a court or other Governmental Agency or authority with competent jurisdiction, then the obligations of the Liquidity Provider under the Initial Liquidity Facility will terminate in accordance with paragraph (a) in this “Remedies” section; provided, however, that if such provisions are upheld in their entirety, then the Liquidity Provider’s obligations under the Initial Liquidity Facility shall be automatically reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless the Initial Liquidity Facility shall have otherwise expired or been terminated in accordance with its terms) as if there had been no such suspension. If the Event of Default which gave rise to the suspension of the obligations of the Liquidity Provider under the Initial Liquidity Facility has not been cured or does not cease to exist prior to the three (3) year anniversary of such occurrence, the obligations of the Liquidity Provider under the Initial Liquidity Facility shall be terminated upon written notice from the Liquidity Provider, to the Administration, and thereafter the Liquidity Provider shall have no further obligations under the Initial Liquidity Facility.

(d) Upon the occurrence of a Default (as defined in the Initial Liquidity Facility) described in paragraph (e)(ii)(y) or (e)(iii) under “Events of Default” above, the obligation of the Liquidity Provider to purchase 2007 Series M Bonds under the Initial Liquidity Facility shall be immediately suspended until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is so terminated, the obligations of the Liquidity Provider to purchase 2007 Series M Bonds under the Initial Liquidity Facility shall be reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless the obligations of the Liquidity Provider to purchase 2007 Series M Bonds under the Initial Liquidity Facility shall have otherwise terminated in accordance with the terms thereof) as if there had been no such suspension.

(e) Upon the occurrence of any Event of Default, the Liquidity Provider may declare all accrued and unpaid amounts payable to it under the Initial Liquidity Facility immediately due and payable (other than payments of principal of and interest on Liquidity Provider Bonds, acceleration rights with respect to which are governed by the Bond Resolutions), and the Liquidity Provider shall have all remedies provided at law or equity, including, without limitation, specific performance; provided, however, the Liquidity Provider agrees

to purchase 2007 Series M Bonds on the terms and conditions of the Initial Liquidity Facility notwithstanding the occurrence of an Event of Default which does not terminate or suspend its obligation to purchase 2007 Series M Bonds under paragraphs (a), (b), (c) or (d) in this “Remedies” section.

(f) The remedies provided in paragraphs (a), (b), (c) and (d) of this “Remedies” section shall only be exclusive with respect to such Events of Default to the extent they are obtained by the Liquidity Provider. If, for any reason whatsoever the Liquidity Provider is not able to obtain all such remedies, then the Liquidity Provider reserves the right and shall have the right to pursue any other available remedies, whether provided by law, equity or under the Initial Liquidity Facility. No failure by the Liquidity Provider to exercise, and no delay in exercising, any right, remedy, power or privilege under the Initial Liquidity Facility shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege under the Initial Liquidity Facility preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

THE BANK

KBC Bank N.V., New York Branch (“KBC NYB”) is an unincorporated branch of KBC Bank N.V., a naamloze vennootschap (public company of limited liability) organized under the laws of Belgium, whose principal office is located in Brussels, Belgium. KBC Bank N.V. conducts operations through additional offices and agencies in the United States and around the world. Created on June 4, 1998 through the combination of two predecessor Belgian banks, Kredietbank N.V. and CERA Bank C.V., KBC Bank N.V. is subject to regulation by the Belgium Banking Commission and to Belgian banking and accounting law. KBC Bank N.V. maintains its records and prepares its financial statements in accordance with accounting principles generally accepted in Belgium. Such records and financial statements are maintained and prepared in Euro currency (EUR).

One of the largest commercial banks in Belgium, KBC Bank N.V. operates as a universal bank, engaged in commercial and investment banking, and offers comprehensive financial services. In contrast with the two other major Belgian banks, KBC Bank N.V.’s branches in Belgium are located exclusively in Flanders and Brussels. KBC Bank N.V. is indirectly represented through CBC Banque S.A., a majority-owned subsidiary with branches in the Walloon region and Brussels.

KBC NYB was originally established in 1977 as a New York Branch of Kredietbank N.V., and has been relicensed by the Banking Department of the State of New York as a New York Branch of KBC Bank N.V. to provide a full range of services in New York. In addition to handling foreign exchange transactions, KBC NYB is active in international payment transactions and the clearing of commercial payments and professional transactions in U.S. Dollars. KBC NYB is also involved in providing financial services, particularly credit, for European (including Belgian) companies operating in the United States, as well as for United States corporations.

Selected Consolidated Financial Data of KBC Bank N.V.

Year Ended <u>December 31, 2008</u> (EUR Millions)	
Total Assets	EUR 355,317
Amounts Owed to Customers	196,733
Loans and Advances to Customers	157,296
Total Equity	14,210
Net Income	-2,484

Conversion Rate: As of December 31, 2008, EUR 0.7185 = US\$1.00

KBC NYB will provide, upon written request and without charge, a copy of KBC Bank N.V.'s Annual Report for the year ended December 31, 2008. Written requests should be directed to: KBC Bank N.V., New York Branch, 1177 Avenue of the Americas, New York, New York 10036, Attention: Controller.

The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of KBC Bank N.V. since December 31, 2008 or that information contained or referred to herein under the heading "THE BANK" is current as of any time subsequent to such date. See also "SECURITY FOR THE BONDS – Liquidity Facilities – *Recent Developments*" herein for a description of recent actions with respect to the credit ratings of the Bank.

SECURITY FOR THE BONDS

Provisions of Bond Resolution

Pursuant to the Bond Resolution, the security for the Bonds is a pledge of and lien on:

- (1) proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of Outstanding Bonds);
- (2) the Administration's right, title and interest in and to all Program Assets financed from such proceeds;
- (3) Revenues;
- (4) all money, investments and other assets held in the funds and accounts established by or pursuant to the Bond Resolution and the earnings thereon, except for any money, investments, assets or income held in the Rebate Fund or in any fund or account created by a Series Resolution or a Supplemental Resolution which provides that such fund or account shall not be subject to the lien of the Bond Resolution; and
- (5) any and all other property of every description and nature from time to time hereafter by delivery or by writing of any kind conveyed, pledged, assigned or transferred to the Trustee as and for additional security under the Bond Resolution by the Administration or by anyone on its behalf or with its written consent.

The pledge and security interest are subject to (i) the power of the Administration to direct the withdrawal of amounts from such funds and accounts free and clear of such pledge and security interest upon the conditions provided in the Bond Resolution subject to the filing of a Cash Flow Certificate, (ii) other specific limitations set forth in the Bond Resolution and (iii) with respect to one or more Series of Bonds, the power of the Administration to grant a lien on the same property and rights (or any portion thereof) on a parity with or subordinate to the lien granted to the Trustee for the benefit of the owners of the Bonds (provided, however, any funds, assets or other property pledged to or for the benefit of the Credit Enhancer or Credit Facility Provider shall be available to the Credit Enhancer or Credit Facility Provider only after it has made payment under the Credit Enhancement or Credit Facility, as appropriate) and to exclude all moneys deposited

into any fund or account with respect thereto from the pledge to the Trustee securing payment of the Bonds or to limit such pledge. Moneys necessary to pay arbitrage rebate, if any, to the United States are administered outside of, and are not subject to the lien of, the Bond Resolution. For a description of the provisions of the Bond Resolution for releasing of moneys or other assets from the lien of the Bond Resolution, see “SECURITY FOR THE BONDS – Cash Flow Statements and Certificates”.

The pledge made and security interests granted by the Bond Resolution and the covenants and agreements therein set forth are for the equal benefit, protection and security of holders of all Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bond over any other except as expressly provided or permitted herein. Subordinate Bonds need not be of equal rank with other Bonds and shall be entitled to the preferences and priorities provided in the Series Resolution authorizing the issuance of Subordinate Bonds. See “SECURITY FOR THE BONDS”. The Administration may, from time to time, enter into Qualified Hedges which may be secured on a parity basis with the Bonds. See “SECURITY FOR THE BONDS - Interest Rate Swaps” and Appendix D - “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION”.

The Bonds are special obligations of the Administration payable solely from the revenues and assets of the Administration pledged therefor under the Bond Resolution. The Administration has no taxing power. The Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department.

Program Assets

Loans. The Mortgage Loans expected to be financed with the proceeds of the 2009 Series B Bonds may be either whole Mortgage Loans or participations in Mortgage Loans. Mortgage Loans (including participations in Mortgage Loans) financed by the Administration with proceeds of the 2009 Series B Bonds will be pledged as Program Assets under the Bond Resolution. Mortgage Loans or participations in Mortgage Loans allocated to the 2007 Series M Bonds will continue to be pledged as Program Assets under the Bond Resolution. The Trustee will retain all right, title and interest in each such Mortgage Loan or participation interest for the equal and ratable security of the Bonds.

Pursuant to a Mortgage Participation Agreement, dated December 1, 1998, as amended (the “Mortgage Participation Agreement”), among the Administration, Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank), as fiscal agent thereunder (the “Fiscal Agent”), as Trustee under the Bond Resolution and as trustee under the 1980 General Certificate, the Administration may combine amounts available from the Program Fund under the 1980 General Certificate with amounts available from the Program Fund under the Bond Resolution to purchase Mortgage Loans which are held in trust by the Fiscal Agent. The Administration has applied certain proceeds of Prior Bonds and may apply proceeds of other Series of Bonds under the Bond Resolution designated by the Administration to purchase participations in such Mortgage Loans that are also funded from amounts available from the Program Fund under the 1980 General Certificate. Each participation interest purchased with proceeds of a Series of Bonds and pledged as a Program Asset under the Bond Resolution will consist of a participation interest in a Mortgage Loan held by the Fiscal Agent pursuant to the Mortgage Participation Agreement, and the Trustee will retain all right, title and interest in a pro rata portion of the payments, the mortgage and interests arising thereunder for the equal and ratable security of the Bonds. Payments of principal on all such Mortgage Loans, including Prepayments or recoveries from foreclosure of defaulted Mortgage Loans, will be divided between the Trustee and the trustee under the 1980 General Certificate, pursuant to the Mortgage Participation Agreement, on a pro rata basis in conformance with the contributions of proceeds from the Series of Bonds designated by the Administration and amounts available from the Program Fund under the 1980 General Certificate which are used to make Mortgage Loans for this purpose. Each Mortgage Loan under the Bond Resolution is expected to have an original term of 30 years, with equal monthly payments of principal and interest. In the past, the Administration has offered loans with a term of 40 years and, in addition, has offered fixed-rate loan products

with a five-year interest-only payment period followed by a 30-year period of principal and interest payments; and a seven-year period of interest-only payments followed by a 33-year period of principal and interest payments. The Administration is currently not offering the products set forth in the foregoing sentence, but may in its discretion offer such products in the future. Each such Mortgage Loan is expected to bear interest at fixed annual rates to be established from time to time by the Administration, with as little as 0% of the interest allocable to participation interests purchased with amounts available from the Program Fund under the 1980 General Certificate and up to 100% of the interest allocable to participation interests purchased with proceeds of the Bonds. The interest rate of such Mortgage Loans resulting from blending the interest rates attributable to the participation interests purchased from amounts available from the Program Fund under the 1980 General Certificate with the interest rates attributable to the participation interests purchased from the proceeds of the Bonds will comply with the requirements of the Code.

In addition to participation interests in Mortgage Loans purchased with amounts available from the Program Fund under the 1980 General Certificate and from the Program Fund under the Bond Resolutions, as described above, the Administration has and may create participation interests in Mortgage Loans from proceeds of various Prior Bonds or future Series of Bonds.

Each of the Loans financed with the proceeds of Prior Bonds issued under the Bond Resolution have been Mortgage Loans. Loans have been and may be insured by FHA or private mortgage insurance, acceptable to the Administration, the MHF, or guaranteed by VA or USDA/RD. The Administration is currently not financing Loans that are insured by private mortgage insurance, but may do so in the future. Loans with a loan-to-value ratio of 80% or less may be uninsured if certain requirements of the Administration are met. See Appendix G – “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS – The MHF Insurance Program”. Proceeds of mortgage insurance or a guarantee paid upon default of Mortgage Loans held by the Fiscal Agent under the Mortgage Participation Agreement will be apportioned on a pro rata basis in conformance with the participation interests held in each Mortgage Loan. The Bond Resolution does not require that a Loan financed in the future be secured by Credit Enhancement. Credit Enhancement of all or a portion of a Loan, if any, will be provided in accordance with the applicable provisions set forth in the Series Resolution authorizing a particular Series of Bonds. Credit Enhancement of Loans includes (but is not limited to) any credit enhancement, insurance, guaranty, risk-sharing arrangement or any other form of credit support for a Loan (or any portion thereof) as provided in any Series Resolution or Supplemental Resolution.

Each of the Mortgage Loans financed with the proceeds of the Prior Bonds and each of the Mortgage Loans expected to be financed with the proceeds of the 2009 Series B Bonds will be secured by a first lien mortgage. However, the Bond Resolution does not require that a Loan financed in the future be secured by a Mortgage constituting a mortgage lien on a Development, or that the lien of any Mortgage be a first lien. Any of the Loan requirements may be varied pursuant to Credit Enhancement of such Loan or, if the Loan is not Credit Enhanced, as required or permitted by the Administration.

Pursuant to the Bond Resolution, the Administration may, in its discretion: (i) sell any Loan not in default, (ii) release any Loan from the lien of the Bond Resolution, or (iii) materially modify, amend or alter any security for, or any terms or provisions, of any Loan or Mortgage. Before selling or otherwise transferring a Loan not in default (other than transfer of a Program Asset to a provider of Credit Enhancement or a Credit Facility provided that payment is made under the terms of the Credit Enhancement or Credit Facility), the Administration is required to file with the Trustee a Cash Flow Certificate taking such sale, release, cancellation, modification, amendment or alteration into account. The Administration may materially modify, amend, alter, release or cancel any terms or provisions of any Credit Enhancement.

Generally, the ability of the Administration to pay debt service on the Bonds depends upon the receipt of sufficient Revenues, principally comprising principal and interest payments on Loans, and earnings on investment of moneys in funds and accounts under the Bond Resolution. The Reserve Fund has been established to provide for the payment of debt service on the Bonds if Revenues for that purpose are at any time insufficient. If, however, Borrowers fail to satisfy their respective Loan obligations, and the proceeds of

Credit Enhancement, if any, are insufficient, sufficient moneys may not be available to pay principal of and interest on the Bonds. The failure of a Borrower to make timely payment on its Loan or the occurrence of an event of default with respect to a Program Asset does not constitute a default with respect to any other Program Asset. Similarly, the occurrence of an Event of Default under the Bond Resolution does not, of itself, constitute an event of default with respect to any Program Asset. Under such circumstances, neither the Administration nor the Trustee has the right to accelerate payment of any Program Asset not in default. The Offered Bonds are not secured by or payable from the assets and revenues of the 1980 General Certificate.

Developments. In addition to financing Loans, Bonds may be issued under the Bond Resolution to provide funds for the making, purchasing or otherwise financing or refinancing of Developments, including any project, facility, undertaking or purpose that the Administration is authorized to undertake, finance or provide financing for pursuant to the Act as now or hereafter in effect, including, without limitation, Single Family Residences, multi-family housing, group housing, shared living facilities, home improvements, housing rehabilitation and any undertaking or project, or portion thereof, which is defined as a “community development project,” a “public purpose project,” an “energy conservation project,” a “home improvement project,” an “infrastructure project” or a “special housing facility” by the Act.

Reserve Fund

The Reserve Requirement, as of any date of calculation, is the aggregate of the amounts specified as the Reserve Requirement for each Series of Bonds in the applicable Series Resolution. During fiscal year 1997, the Administration adopted the provisions of GASB 31, which require that the financial statements of the Administration reflect investments at fair value. Accordingly, the balance of the Reserve Fund reported at March 31, 2009, includes investments at fair value. As of March 31, 2009, the available balance in the Reserve Fund was \$49,846,156, of which \$38,791,040 was cash equivalents. The fair value of investments was \$11,055,116, of which \$9,484,723 was the book value of investments and \$1,570,393 was the increase in fair value of investments. See Appendix J – “INVESTMENTS HELD IN THE RESIDENTIAL REVENUE BOND FUNDS” herein. The amount currently on deposit in the Reserve Fund is at least equal to the aggregate Reserve Requirement established in the Series Resolutions which is 2% of the sum of: (i) the aggregate lendable proceeds on deposit in the Program Fund relating to the 2009 Series B Bonds and all Prior Bonds, and (ii) the aggregate principal amount of the Mortgage Loans then outstanding made or purchased from amounts described in clause (i) above.

If moneys in the Revenue Fund are insufficient to provide for the payment when due of any Principal Installment, interest on the Bonds or any Sinking Fund Installment with respect to the Bonds, the Trustee shall withdraw from the Reserve Fund and pay into the Revenue Fund the amount of such deficiency. If any such withdrawal results in the balance in the Reserve Fund falling below the amount of the Reserve Requirement, any such deficiency shall be replenished from amounts available in the Revenue Fund following payment of Principal Installments, Sinking Fund Installments, redemption premium (if any) and interest on the Bonds. The failure of the Administration to maintain the Reserve Requirement will not, in and of itself, constitute an Event of Default under the Bond Resolution.

The Trustee may, at the direction of an Authorized Officer, withdraw any amount in the Reserve Fund in excess of the Reserve Requirement, and any amount anticipated to be withdrawn in connection with the purchase or redemption of Bonds, and credit such amount to the Revenue Fund. The Reserve Fund and the Reserve Requirement may be funded with moneys or Cash Equivalents, in accordance with the requirements of the Bond Resolution and any Supplemental Resolution, or as determined to be deposited therein by the Administration. If, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility or Credit Enhancement are to be used to pay the Principal Installments of and interest on Bonds, then amounts in the Reserve Fund that would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider or Credit Enhancer for the amounts so obtained, all in accordance with such Supplemental Resolution.

Collateral Reserve Fund

The Administration has established a Collateral Reserve Fund under the Bond Resolution to provide additional pledged collateral as it deems appropriate. The Bond Resolution does not require the funding of the Collateral Reserve Fund, except as determined by the Administration. Any moneys, Cash Equivalents (e.g., letters of credit, insurance policies, sureties, guaranties or other security arrangements), Program Assets, Non-Conforming Loans (i.e., Loans which do not comply with the mortgage eligibility requirements of the Code) or other assets on deposit in the Collateral Reserve Fund are pledged as security for the Bonds, but may be transferred to any other Fund or Account or withdrawn, free and clear of the lien of the Bond Resolution, by the Administration upon receipt by the Trustee of an Administrative Request and, with respect to amounts deposited pursuant to prior Series Resolutions, a Cash Flow Certificate.

Moneys, Cash Equivalents, Program Assets, Non-Conforming Loans and other assets may be deposited into the Collateral Reserve Fund in accordance with the requirements of a Series Resolution or a Supplemental Resolution. Such Series Resolution or Supplemental Resolution may establish terms, conditions and provisions relating to the funding of the Collateral Reserve Fund, disbursement of moneys or Cash Equivalents and the sale, disposition or release of Non-Conforming Loans from the Collateral Reserve Fund as well as the maintenance of such assets required to be held in such fund with respect to either a Series of Bonds or generally. As of March 31, 2009, the Collateral Reserve Fund held Mortgage Loans with an outstanding principal balance of \$3,539,059 and Investment Obligations in the amount of \$9,668,878. See Appendix J – “INVESTMENTS HELD IN THE RESIDENTIAL REVENUE BOND FUNDS” herein.

In February of 2004, the Administration made a contribution of \$45,000,000 to a new account called the Warehouse Loan Fund, established under the Collateral Reserve Fund of the Bond Resolution, for purchasing loans until a subsequent issuance is closed. Program Funds from a new issuance may be used to purchase loans from the Warehouse Loan Fund and return proceeds to the Warehouse Loan Fund. The Administration may apply certain amounts deposited into the Program Fund from proceeds of the 2009 Series B Bonds to purchase Mortgage Loans from the Warehouse Loan Fund. For information on the status of the Warehouse Loan Fund, see Appendix B – “THE PROGRAM – Existing Portfolio and Available Funds Under the Bond Resolution – Status of Available Funds” and Appendix J – “INVESTMENTS HELD IN THE RESIDENTIAL REVENUE BOND FUNDS” herein.

Subsequent to March 31, 2009, the Administration has deposited into the Collateral Reserve Fund as Additional Pledged Property under the Bond Resolution: (i) on May 15, 2009, \$45,000,000; and (ii) on August 18, 2009, \$7,570,014.96 of cash and investments and Loans with a principal balance as of March 31, 2009 of \$51,638,720.46. Amounts on deposit in the Collateral Reserve Fund may be withdrawn by the Administration at any time.

Cash Flow Statements and Certificates

The Administration is required to file with the Trustee a current Cash Flow Statement whenever any Series of Bonds is issued, unless such filing is not required by a Rating Agency, provided that the Administration shall file with the Trustee a current Cash Flow Statement at least annually.

A Cash Flow Statement shall consist of a certification and calculation made by or for the Administration and signed by an Authorized Officer giving effect to the action proposed to be taken and demonstrating that:

- (i) Revenues;
- (ii) interest and other income estimated by the Administration to be derived from the investment or deposit of money available for payment of the Parity Obligations in any fund or account created by or pursuant to the Bond Resolution (which estimate shall be based upon the investments or deposits in any fund

or account at the rate of return thereon or, in the case of future investments or investments or deposits expected to be made at the time of such certificate, at an assumed rate or reinvestment rate reasonably determined by the Administration);

- (iii) any fees charged by the Administration and any other available revenues; and
- (iv) any other moneys or funds pledged to the payment of the Parity Obligations,

will be sufficient, in the judgment of an Authorized Officer of the Administration, to pay the principal of and interest on all Outstanding Bonds and other Parity Obligations described in the calculation in the current and in each succeeding Bond Year. A Cash Flow Statement shall include all Outstanding Bonds and other Parity Obligations, together with one or more Series of Bonds to be issued by the Administration, all as may be required by the Bond Resolution, and may exclude any or all Subordinate Contract Obligations. To the extent specified in a Supplemental Resolution, a fund or account established in said Supplemental Resolution shall not be taken into account when preparing a Cash Flow Statement.

In addition, the Cash Flow Statement shall demonstrate that: (1) the amount of moneys and Investment Obligations held in any Fund or Account pledged to the payment of the Bonds (valued at their cost to the Administration, as adjusted by amortization of the discount or premium paid upon purchase of such obligations ratably to their respective maturities), together with accrued but unpaid interest thereon, (2) the outstanding principal balance of Loans, together with accrued but unpaid interest thereon, and (3) any other assets, valued at their realizable value, pledged for the payment of the Bonds and other Parity Obligations, will equal or exceed the aggregate principal amount of and accrued but unpaid interest on Outstanding Bonds and other Parity Obligations; provided that in the event a Series Resolution specifies that, for purposes of the requirements of this paragraph, the Loans financed by such Series of Bonds shall be valued at other than their outstanding principal balance, then, with respect to such Loans, such other value shall be used in the calculations required by this paragraph.

The Administration is required to file with the Trustee a current Cash Flow Certificate:

- (i) upon purchase or redemption of Bonds of a Series in a manner other than (A) as contemplated in the most recent Cash Flow Statement filed by the Administration with the Trustee, or (B) on a basis whereby the Bonds of each maturity of such Series are purchased or redeemed in the proportion that the amount Outstanding of such maturity bears to the total amount of all Outstanding Bonds of such Series, with respect to purchases or redemptions to be made from Recovery Payments or excess Revenues;
- (ii) prior to withdrawing moneys from the Revenue Fund for payment to the Administration free and clear of the pledge and lien of the Bond Resolution, in an amount in excess of the amounts determined to be available for such purpose in the most recent Cash Flow Statement filed with the Trustee;
- (iii) prior to selling or otherwise transferring any Loan not in default, except with respect to the sale or release of Non-Conforming Loans and Loans secured by a Credit Facility or a Credit Enhancement that continues in effect after such release provided that payment is made under the Credit Enhancement or Credit Facility.

A Cash Flow Certificate shall consist of a statement of an Authorized Officer of the Administration to the effect of one of the following: (1) the proposed action is consistent with the assumptions set forth in the most recent Cash Flow Statement; or (2) after giving effect to the proposed action, in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding, the amounts described in clauses (i) through (iv) in the description of the Cash Flow Statement above will be sufficient, in the judgment of an Authorized Officer of the Administration, to pay the principal of and interest on all Outstanding Bonds described in the calculation, except that to the extent specified in a Supplemental Resolution, a fund or account established in said Supplemental Resolution shall not be taken into account in connection with such Cash Flow

Certificate; or (3) the proposed action will not in and of itself materially adversely affect the amounts described in clauses (i) through (iv) in the description of the Cash Flow Statement above, except with respect to such funds or accounts that may be specified in such Supplemental Resolution to not be taken into account in connection with such Cash Flow Certificate. The Administration, at its option, may file a Cash Flow Statement in lieu of a Cash Flow Certificate in any instance when it is required to file a Cash Flow Certificate.

Cash Flow Statements and Cash Flow Certificates shall be based upon the Administration's reasonable expectations, and shall be based upon assumptions consistent with those used in the most recent Cash Flow Statement or such other assumptions as shall not adversely affect any of the Rating Agencies' ratings on the Bonds. Such assumptions and information are subject to change which may materially affect the conclusions expressed in the statement or certificate. Accordingly, Bondholders should be aware that the existence of a Cash Flow Statement or Cash Flow Certificate does not assure that the conclusions expressed therein will accurately reflect future revenues or events.

Investment of Funds

Pending application to the purposes of each fund or account, moneys held in the various funds and accounts under the Bond Resolution will be invested in Investment Obligations. See Appendix C – "DEFINITIONS – Investment Obligations" and Appendix B – "THE PROGRAM – Existing Portfolio and Available Funds Under the Bond Resolution". As of March 31, 2009, the proceeds of Prior Bonds held in the Program Fund, the Revenue Fund, the Reserve Fund and the Collateral Reserve Fund were invested in the Investment Obligations set forth in Appendix J – "INVESTMENTS HELD IN THE RESIDENTIAL REVENUE BOND FUNDS".

In general, it is the Administration's policy to invest funds held in the Revenue Fund, the Reserve Fund, the Program Fund and the Collateral Reserve Fund in U.S. Treasury securities, collateralized investment contracts, accounts with financial institutions, and securities of other institutions created by the U.S. Government. In addition, the Administration expects to use all funds currently held in the Program Fund and the Collateral Reserve Fund to finance Mortgage Loans.

The Trustee may purchase Investment Obligations that do not meet the ratings requirements described in the definition of Investment Obligations, so long as the purchase of such Investment Obligations does not, as of the date of such purchase, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any Rating Agency then rating the Bonds. If the rating of any Investment Obligation purchased by the Trustee changes adversely subsequent to the date of purchase, the Trustee is not required to sell such Investment Obligations. If a Rating Agency were to downgrade or withdraw the rating on any Investment Obligations previously purchased by the Trustee, the rating on the Bonds could be negatively affected. See "RATINGS" herein.

Credit Facilities

Under the Bond Resolution, payment of the principal or redemption or purchase price of and interest on each Series of Bonds issued thereunder may be, but is not required to be, secured by a Credit Facility. In connection with obtaining any such credit or liquidity facility, the Administration may under the Bond Resolution pledge to the provider thereof its interests in the Loans and the accounts created under the Bond Resolution and applicable Series Resolution relating to such Loans. To date, Bonds issued under the Bond Resolution have not been secured by a Credit Facility.

A Credit Facility may be: (i) an unconditional and irrevocable letter of credit in a form and drawn on a bank or banks acceptable to the Administration, so long as the providing of such letter of credit does not, as of the date it is provided, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any of the Rating Agencies, (ii) cash, (iii) a certified or bank check, (iv) Investment Obligations, or (v) any other credit facility similar to the above in purpose and

effect, including, but not limited to, a guaranty, standby loan or purchase commitment, insurance policy, surety bond or financial security bond or any combination thereof, which, in any case secures all or a portion of one or more Series of Bonds.

Credit Enhancement

Forms of credit enhancement may include mortgage insurance provided through the FHA mortgage insurance programs, private mortgage insurance, the VA and the USDA/RD guarantee programs, private mortgage insurance policies and the Maryland Housing Fund (“MHF”) mortgage insurance program. The Administration is currently not financing Loans that are insured by private mortgage insurance, but may do so in the future. Other forms of credit enhancement also may include letters of credit, insurance policies, sureties, guarantees or any other security arrangement upon which the Administration or the Trustee may draw to provide credit support for Program Assets under the Bond Resolutions. All Loans with a loan-to-value ratio exceeding 80% and expected to be financed with the proceeds of the 2009 Series B Bonds will be secured by Credit Enhancement in the form of FHA mortgage insurance, private mortgage insurance, a VA or USDA/RD guarantee, or MHF insurance. Any secondary financing in connection with a Loan not covered by Credit Enhancement described in the preceding sentence 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. In the future, Loans may be, but are not required to be, secured by Credit Enhancement. See “SECURITY FOR THE BONDS”.

Liquidity Facilities

The Administration currently has outstanding eleven (11) series of variable rate Bonds in an aggregate principal amount of \$388,205,000. Each such Series of variable rate Bonds currently bears interest at a variable rate of interest determined weekly and are subject to tender at the option of the holders of such Bonds and to mandatory tender in accordance with the terms of the Bond Resolutions. Such Bonds may be converted to a different interest rate setting mode, following a mandatory tender of such Bonds as provided in the Bond Resolutions. The Administration has obtained a Liquidity Facility to provide funds for the purchase of Bonds of such series that have been tendered for purchase and not remarketed subject to the terms contained in the Liquidity Facility. The Administration has covenanted in each Series Resolution with respect to each such series of Bonds to maintain a Liquidity Facility with respect to each such series of variable rate Bonds prior to the date, if any, when all such variable rate Bonds of such series are converted to another interest rate mode not requiring a Liquidity Facility under the Series Resolution.

The series of variable rate Bonds currently outstanding and information relating to Liquidity Facilities currently in place with respect to such Bonds are as follows:

Bond Issue	Date of Initial Issuance	Outstanding Principal (as of April 1, 2009)	Liquidity Facility Provider	Liquidity Facility Expiration Date
2003 Series C	11/9/2003	\$20,000,000	State Street ¹	11/16/2011
2004 Series C	5/13/2004	20,000,000	State Street ¹	11/16/2011
2004 Series F	8/12/2004	20,000,000	State Street ¹	11/16/2011
2004 Series I	11/10/2004	20,000,000	State Street ¹	11/16/2011
2005 Series C	3/30/2005	20,000,000	State Street ¹	11/16/2011
2006 Series G	5/24/2006	40,000,000	State Street ¹	5/24/2011
2006 Series J	7/13/2006	60,000,000	State Street ¹	5/24/2011
2007 Series F	6/20/2007	48,240,000	KBC ²	6/19/2012
2007 Series J	8/9/2007	60,415,000	KBC ²	8/8/2012
2007 Series M	12/12/2007	29,550,000	KBC ²	12/11/2012
2008 Series D	9/4/2008	50,000,000	KBC ²	9/3/2010

(1) State Street Bank and Trust Company

(2) KBC Bank N.V., acting through its New York Branch

Recent Developments. In October 2008, during volatile market conditions resulting from the illiquidity of financial markets generally, certain Series of Bonds were tendered for purchase by the holders of such Bonds and, following unsuccessful efforts to remarket such Bonds, were subsequently purchased with proceeds of drawings on the respective Liquidity Facilities relating to such Bonds. The Administration has successfully remarketed all such Bonds held by the Liquidity Facility providers. The Bonds have, at all times since the date of their issuance, including on the dates of their tender, maintained their existing short term and long term ratings.

On March 18, 2009 KBC was downgraded by S&P to “A/A-1” from “A+/A-1”. On May 14, 2009, S&P affirmed the ratings. On May 18, 2009, Moody’s affirmed its ratings of KBC, currently “Aa3/P1”. Fitch ratings of KBC are “A/F1”. S&P does not provide ratings for any Series of the Administration’s variable rate Bonds.

General Bond Reserve Fund

As an additional source of funds for the payment of principal of and interest on the bonds and notes issued or to be issued by the Administration, including the Offered Bonds, the Administration has established the General Bond Reserve Fund (the “General Bond Reserve Fund”) pursuant to an Indenture of Trust by and between the Administration and Manufacturers and Traders Trust Company, Baltimore, Maryland, as successor trustee, originally adopted as of June 29, 1984, and amended and restated as of November 18, 2003 between the Administration and Manufacturers and Traders Trust Company as trustee. Amounts on deposit in the General Bond Reserve Fund, to the extent available, may be used to pay the principal of and interest on bonds and notes of the Administration in the event that revenues and assets specifically pledged to such bonds and notes are not sufficient for the payment of principal of and interest on such notes or bonds. In addition, the Administration uses moneys in the General Bond Reserve Fund to cover costs of operation of the Administration. 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.

Balances. During fiscal year 1997, the Administration adopted the provisions of GASB 31, an accounting standard adopted by the Government Accounting Standards Board. GASB 31 requires the financial statements of the Administration to reflect investments at fair value. Accordingly, the balance of the General Bond Reserve Fund as reported at March 31, 2009, includes investments at fair market value. As of March 31, 2009, the available balance in the General Bond Reserve Fund was \$35,037,719, of which \$27,258,626 was cash equivalents. The fair value of investments was \$7,779,165, of which \$7,655,145 was the book value of investments and \$124,020 was the increase in fair value of the investments.

On May 19, 1997, the Director of the Administration adopted a determination, approved by the Secretary, stating the Administration’s intent to use funds from the General Bond Reserve Fund to compensate for any deficiency in funds available to meet the Administration’s obligations to the holders of its Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) if MHF becomes unable to or otherwise fails to pay a claim due to the Administration (the “Determination”). The Determination states 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 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 30 for unaudited amounts, and no later than September 30, 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 the General Bond Reserve Fund (other than liens established in connection with the payment of principal of or interest on any of the Administration’s bonds from the General Bond Reserve Fund).

Special Restrictions. As of March 31, 2009, the Administration has restricted the following amounts in the General Bond Reserve Fund for the following purposes:

- (1) approximately \$626,000 in order to provide a reserve fund for mortgage insurance for single family program mortgage loans, and
- (2) \$714,103 as required for participation in the HUD Risk-Sharing Program.

Unless a default has occurred with respect to payment of any principal (or, if applicable, any redemption premium) of the Bonds or other bonds issued by the Administration, the Administration may, subject to any limitations set forth in the preceding paragraph, withdraw amounts in the General Bond Reserve Fund or may pledge amounts in the General Bond Reserve Fund to specific obligations at any time for any purposes under the Act. Upon the occurrence of an event of default with respect to any bonds secured by the General Bond Reserve Fund, the trustee for the defaulted bonds may file a claim against the General Bond Reserve Fund in an amount equal to the amount in default, and upon filing such a claim will have a lien on the General Bond Reserve Fund in the amount of such claim. In the event of multiple defaults, claims against the General Bond Reserve Fund are given priority based upon time of receipt by the General Bond Reserve Fund trustee. There can be no assurance that moneys will be available in the General Bond Reserve Fund for the payment of principal of or interest on the Bonds. The Trustee is also the trustee for the General Bond Reserve Fund.

The Administration reserves the right to exclude the General Bond Reserve Fund as a potential source of security for Additional Bonds issued under the Bond Resolution.

Additional Bonds

General. The Administration, from time to time, may issue Additional Bonds that are on a parity with and shall be entitled to the same benefits and security under the Bond Resolution as all other Bonds previously issued under the Bond Resolution, including the Offered Bonds and except Subordinate Bonds (described below). A series of Additional Bonds shall be authorized and issued under and secured by the Bond Resolution pursuant to the authorization contained in a resolution of the Administration relating to such series of Additional Bonds (a “Series Resolution”). A series of Additional Bonds may be issued to finance or refinance Program Assets, including, but not limited to, Mortgage Loans, to refund Bonds or other obligations (including bonds issued by the Administration under resolutions other than the Bond Resolution), to fund reserves, to pay Costs of Issuance or to achieve any other of the Administration’s purposes. Each Series Resolution authorizing the issuance of such series of Additional Bonds shall set forth the details of such Additional Bonds as well as any determinations by the Administration relating to Program Assets to be financed with the proceeds of such Additional Bonds. See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Issuance of the Bonds” herein.

Before a series of Additional Bonds shall be authenticated and delivered by the Trustee, the Administration shall cause to be on file with the Trustee, among certain items specified in the Bond Resolution, (i) an opinion of Bond Counsel concerning the security for such Bonds and the due adoption and valid and binding nature of the Bond Resolution and the Series Resolution, and (ii) a Cash Flow Statement, accompanied by a Certificate of the Administration to the effect that the Administration has been advised by each rating agency then maintaining a rating on the Bonds that the existing rating of Bonds then outstanding (other than Subordinate Bonds and any Series of Bonds which has a rating based on a credit facility) will not be reduced as a result of the issuance of the series of Additional Bonds (published rating criteria by such rating agency constituting evidence of such advice). See “SECURITY FOR THE BONDS – Cash Flow Statements and Certificates” herein.

Subordinated Bonds. The Administration, from time to time, may issue Additional Bonds to be secured by the Bond Resolution and a Series Resolution relating to such series of Additional Bonds, on a subordinated basis (“Subordinated Bonds”), subject to the conditions provided in the Bond Resolution and the

related Series Resolution. A series of Subordinated Bonds may be payable from Revenues derived from the Bond Resolution, but only after payment of all other amounts payable from Revenues with respect to Bonds which are not Subordinated Bonds having a higher priority to payment from such Revenues. To date, the Administration has not issued Subordinate Bonds under the Bond Resolution. See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Authorization of Subordinate Bonds; Conditions Precedent to Delivery” herein.

Taxable Bonds. The Administration has issued seven Series of taxable bonds in an aggregate principal amount of \$310,000,000. Taxable bonds issued under the Resolution are equally and ratably secured on a parity basis with the Bonds. Taxable bond proceeds may be used to: (a) make or purchase Mortgage Loans, (b) purchase certain Loans meeting the eligibility requirements for the Administration’s tax-exempt loans except for the first-time homebuyer requirement in a non-targeted area, (c) purchase Loans that refinance loans with an adjustable rate or an increased payment, or loans otherwise not affordable to borrowers (“Refinance Loans”), where the borrower meets income limit requirements for the tax-exempt program and where the appraised value of the property does not exceed the purchase limits for the tax-exempt program, and (d) purchase certain other Loans that the Administration wishes to finance.

The 2007 Series M Bonds, being reoffered hereunder as tax-exempt Bonds were, prior to this reoffering, issued as taxable Bonds. In addition, the Administration has delivered a notice of mandatory tender to the holders of the 2007 Series J Bonds requiring the mandatory tender of the 2007 Series J Bonds on September 23, 2009. Such 2007 Series J Bonds are expected to be reoffered as tax-exempt Bonds on September 24, 2009. The Administration also expects to either redeem or cause the mandatory tender of the Administration’s Residential Revenue Bonds 2007 Series F (Federally Taxable), however, there can be no assurances that the 2007 Series F Bonds will be redeemed or caused to be mandatorily tendered.

Interest Rate Swaps

The Administration has entered into three master swap agreements, one with Bear Stearns Financial Products, Inc. (“BSFP”) (the “BSFP Master Swap Agreement”), one with UBS AG (“UBS AG”) (the “UBS AG Master Swap Agreement”), and one with Merrill Lynch Derivative Products AG (“MLDP”) (the “MLDP Master Swap Agreement” and, together with the BSFP Master Swap Agreement and the UBS AG Master Swap Agreement, the “Master Swap Agreements”). Under the Master Swap Agreements the Administration has entered into the interest rate swaps described below in order to attain a synthetic fixed rate with respect to the variable rate Bonds associated with such interest rate swaps. The summary below sets forth the major terms of these interest rate swap transactions as of March 31, 2009.

Interest Rate Swaps (In Thousands)							
Swap Provider	Series of Bonds	Initial Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid by Administration	Variable Rate Received by Administration ⁽¹⁾	Termination Date
BSFP	2004 Series I	\$20,000	\$20,000	09/01/05	3.8525%	64% of LIBOR plus .29%	09/01/35 ⁽²⁾⁽⁷⁾
UBS AG	2006 Series G	\$40,000	\$40,000	05/24/06	4.403 %	64% of LIBOR plus .29%	09/01/40 ⁽³⁾
BSFP	2006 Series J	\$40,000	\$40,000	07/13/06	4.403%	64% of LIBOR plus .29%	09/01/40 ⁽³⁾⁽⁷⁾
BSFP	2006 Series J	\$20,000	\$20,000	07/13/06	4.455%	64% of LIBOR plus .29%	09/01/40 ⁽³⁾⁽⁷⁾
MLDP	2007 Series F	\$50,625	\$48,240	06/20/07	5.2425%	LIBOR	03/01/26 ⁽⁴⁾⁽⁶⁾⁽⁹⁾⁽¹²⁾
MLDP	2007 Series J	\$62,200	\$60,415	08/09/07	5.702%	LIBOR	09/01/25 ⁽⁴⁾⁽⁶⁾⁽⁹⁾⁽¹⁰⁾
UBS AG	2007 Series M	\$30,000	\$29,550	12/12/07	5.215%	LIBOR	09/01/43 ⁽⁵⁾⁽⁶⁾⁽¹¹⁾
MLDP	2008 Series D	\$50,000	\$50,000	09/04/08	3.6880%	64% of LIBOR plus .31%	09/01/38 ⁽⁸⁾⁽⁹⁾

- (1) "LIBOR" means the 1 month London Interbank Offered Rate.
- (2) The Administration has the option to terminate this interest rate swap transaction in whole or in part without any Termination Payment on September 1, 2014 and on each March 1 and September 1 thereafter. If the option is exercised in part, the applicable Notional Amounts shall be reduced pro rata.
- (3) The Administration has the option to terminate this interest rate swap transaction in whole or in part without any Termination Payment on March 1, 2016 and on each September 1 and March 1 thereafter. If the option is exercised in part, the applicable Notional Amounts shall be reduced pro rata.
- (4) The Administration has the option to terminate this interest rate swap transaction in whole or in part without any Termination Payment on March 1, 2017 and on each September 1 and March 1 thereafter. If the option is exercised in part, the applicable Notional Amounts shall be reduced pro rata.
- (5) The Administration has the option to terminate a portion of this interest rate swap transaction without any Termination Payment up to the Maximum Optional Early Termination Amounts on each March 1 and September 1 thereafter until September 1, 2017. The Administration has exercised its option to partially terminate the notional amount of this interest rate swap in the amount of \$2,060,000 effective September 1, 2009. The Administration has the option to terminate this interest rate swap transaction in whole or in part without any Termination Payment on September 1, 2017 and on each March 1 and September 1 thereafter; if the option is exercised in part, the Notional Amount shall be reduced pro rata.
- (6) The outstanding notional amount reflects the amount that amortized as of March 1, 2009.
- (7) On May 14, 2009, all swap agreements with Bear Stearns Financial Products Inc. were assigned to JPMorgan Chase Bank, N.A. All terms and conditions of the contracts remain in force.
- (8) The Administration has the option to terminate this interest rate swap transaction in whole or in part without any Termination Payment on September 1, 2018 and on each March 1 and September 1 thereafter. If the option is exercised in part, the applicable Notional Amount shall be reduced pro rata.
- (9) On January 1, 2009, Bank of America Corporation acquired Merrill Lynch & Co., Inc. Notwithstanding this acquisition, MLDP remains in existence and continues as a swap provider on this swap agreement.
- (10) In connection with the remarketing of the 2007 Series J Bonds as tax-exempt bonds, as of September 1, 2009, the parties have (a) amended the variable rate payable to the Administration under this interest rate transaction to be 64% of LIBOR plus .22% and (b) amended the fixed rate paid by the Administration to be 4.835%.
- (11) On September 22, 2009, the Administration entered into an interest rate swap agreement with The Bank of New York Mellon (the "BNYM Swap Agreement"), effective October 8, 2009, in connection with the remarketing of the 2007 Series M Bonds. The BNYM Swap Agreement, which replaces the existing interest rate swap agreement with UBS AG, is in an initial notional amount of \$26,990,000, terminates on September 1, 2043, and provides for a variable rate payable to the Administration of 64% of LIBOR plus .22% and a fixed rate paid by the Administration of 4.335%. The Administration has the option to terminate a portion of this interest rate swap transaction without any Termination Payment on each March 1 and September 1, from and including March 1, 2010 up to and including March 1, 2043.
- (12) The parties anticipate amending the variable rate payable to the Administration under this interest rate swap agreement in connection with the remarketing of the 2007 Series F Bonds.

Scheduled payments made to the Administration by the Swap Providers under the Master Swap Agreements shall constitute Hedge Receipts under the Resolution and are pledged as security for the Bonds. The requirement to make scheduled payments to the Swap Providers by the Administration under the Master Swap Agreements is entitled to the lien created by the pledge under the Resolution and is therefore on a parity

with the Bonds. The Administration's rights and obligations under the Master Swap Agreements do not alter the Administration's obligation to pay the principal of, premium, if any, and interest on the Bonds.

Under certain circumstances (including certain events of default with respect to the Administration or a Swap Provider), an interest rate swap pursuant to the Master Swap Agreements may be terminated in whole or in part prior to the maturity of the Bonds in connection with which the interest rate swap was entered into. Following any termination of an interest rate swap, either the Administration or a Swap Provider may owe a Termination Payment to the other party, depending upon market conditions. Under certain conditions, the Administration could owe a Termination Payment to a Swap Provider, which could be substantial. Such Termination Payment would be payable on a basis subordinate to the payment of principal of and interest on the Bonds, other than any Subordinate Bonds (the Administration, to date, has not issued Subordinate Bonds). The Administration has agreed with each Swap Provider that, for so long as the Administration owes a Termination Payment to such Swap Provider, it will not direct the Trustee to deposit "Excess Revenues" into the Redemption Account of the Redemption Fund for the purpose of redeeming Bonds. "Excess Revenues" for this purpose means Revenues in excess of amounts needed, or reasonably anticipated to be needed as shown in the Administration's most recent Cash Flow Statement, (1) to make payments of interest and principal, at maturity or mandatory redemption due on the Bonds, to pay expenses in connection with any Credit Facility relating to the Bonds or as specified by the Administration and to fund the Reserve Fund in an amount sufficient to cause the amount on deposit in the Reserve Fund to equal the Reserve Requirement; (2) to be applied to the redemption of Bonds or to make or finance mortgage loans or participations in mortgage loans that do not bear interest in order to maintain the tax-exempt status of the Bonds; and (3) to be applied to the redemption of Bonds pursuant to specific undertakings to Owners of Bonds of a Series in a Series Resolution. Notwithstanding the foregoing, the Administration is not required to apply Revenues to such a Termination Payment if such payment would prevent the Administration from filing an acceptable Cash Flow Statement with the Trustee pursuant to the Resolution.

The Master Swap Agreements each contain specific collateral requirements that are in effect with respect to the Administration and the respective Swap Provider. The swaps each require a specific collateral level based on the respective credit rating of each Swap Provider and the Administration, and the value of such swap. Generally, the value threshold levels decline as the credit ratings of each party decline.

TAX EXEMPTION AND RELATED CONSIDERATIONS

Federal Law

The proceeds from the 2009 Series B Bonds will be used to finance Loans on Single Family Residences. The proceeds from the 2007 Series M Bonds were used to finance Loans on Single Family Residences. The federal tax laws provide that interest on bonds issued for this purpose will be excluded from gross income for federal income tax purposes provided the bonds meet requirements set forth in various sections of the Internal Revenue Code of 1986, as amended (the "1986 Code"), principally Section 143 concerning qualified mortgage bonds. References herein to Section 143 and other provisions of the 1986 Code incorporate counterpart provisions of the Internal Revenue Code of 1954, as amended (the "1954 Code"), principally Section 103A of the 1954 Code, to the extent applicable to the Offered Bonds. Under Section 143, a qualified mortgage bond is a bond which is issued as part of an issue the proceeds of which are used to finance owner-occupied residences meeting certain requirements relating to loan eligibility, Targeted Areas, arbitrage and other matters.

The loan eligibility requirements of Section 143 applicable to the Offered Bonds are that (1) the residence on which the Mortgage Loan is made is a single family residence which is located in the State and can reasonably be expected to become the principal residence of the Borrower within a reasonable time after the Mortgage Loan is made; (2) except in certain limited circumstances, no part of the proceeds is to be used to acquire or replace any existing mortgage; (3) the acquisition cost (excluding usual and reasonable settlement or financing costs) of a property may not exceed a set percentage of the average area purchase price for

residences in the area where the residence is located, which percentage depends on certain factors enumerated in Section 143; (4) with certain exceptions, the Borrower shall not have had a present ownership interest in his principal residence during the preceding three years; (5) with certain exceptions, the family income of the Borrower shall not exceed 115%, for families of three or more individuals, or 100%, for families of less than three individuals, of median gross income for the area in which the residence is located or the State, whichever is greater; and (6) the loan shall not be assumable unless the requirements of (1), (3), (4) and (5) above are met at the time of the assumption. An issue is treated as meeting the loan eligibility requirements of Section 143 if (1) the issuer in good faith attempted to meet all of the requirements before the loans were executed; (2) 95% or more of the proceeds of the issue used to finance loans was devoted to residences which met all such requirements at the time the loans were executed; and (3) any failure to comply with the loan eligibility requirements is corrected within a reasonable period after such failure is first discovered.

The 1986 Code imposes additional requirements to maintain the exclusion from gross income for federal income tax purposes of interest on the Offered Bonds. These requirements impose limits on the yield that the Administration may realize from Mortgage Loans, require arbitrage from investment income to be rebated to the Internal Revenue Service, limit the period during which Mortgage Loans may be originated, limit the size of reserve funds and the amount of proceeds that may be spent on costs of issuance, and require prepayments of the Mortgage Loans to be used for bond redemptions in certain circumstances. The Administration intends to make or purchase the Mortgage Loans financed with the proceeds of the Offered Bonds and any other Series of Bonds which may be designated by the Administration at interest rates that comply with such requirements. Pursuant to the 2009 Series Resolutions, the Administration will covenant, in substance, to take, or refrain from taking, action, as necessary to comply with such requirements, unless in the opinion of Bond Counsel, it is not necessary to comply with such requirements in order to assure the exclusion from gross income for federal income tax purposes of interest on the Offered Bonds.

The terms and conditions of the Program documents have been designed to meet the requirements of the 1986 Code. The Administration will covenant in the 2009 Series Resolutions to meet these requirements and to take all steps necessary to comply with these requirements, including, but not limited to, initiating and pursuing foreclosure proceedings with respect to ineligible Mortgage Loans if repurchase obligations are either unavailable or prove to be unenforceable for any reason, so long as any Offered Bonds issued to finance such Mortgage Loans are outstanding. See Appendix B – “THE PROGRAM – Eligible Mortgage Loans”. Noncompliance with the requirements in the Program documents and the 2009 Series Resolutions would cause interest on the Offered Bonds to become includable in the gross income of the holders thereof retroactively to the date of issue and adversely affect the price of the Offered Bonds in the secondary market.

Assuming continuous compliance with certain covenants in the Bond Resolutions intended to assure compliance with the applicable provisions of the 1986 Code and with the procedures established by the Administration, in the opinion of Ballard Spahr LLP, Washington, D.C., Bond Counsel, interest on the Offered Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Offered Bonds. Interest on the Offered Bonds is exempt from individual and corporate federal alternative minimum tax (“AMT”) and is not includable in adjusted current earnings for purposes of corporate AMT. Bond Counsel expresses no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Offered Bonds. Interest on the Offered Bonds held by foreign corporations may be subject to the branch profits tax imposed by the 1986 Code.

Ownership of the Offered Bonds may result in other federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits, certain S corporations and taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Offered Bonds. Bond Counsel expresses no opinion as to these matters.

Payments of interest on tax-exempt obligations, including the Offered Bonds, are generally subject to IRS information reporting by the payor and “backup withholding” if the recipient has not furnished the payor with a completed Form W-9, certifying the recipient’s tax identification number or basis for exemption. “Backup withholding” means that the payor will withhold tax from the interest payments at the backup withholding rate, currently 28%.

If an owner purchasing a 2009 Series Bond through a brokerage account has executed a Form W-9 in connection with the account, as generally can be expected, there should be no backup withholding on the 2009 Series Bond interest. In any event, backup withholding does not affect the excludability of the interest on the Offered Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

The above summary of possible indirect tax consequences may not be exhaustive. All purchasers of the Offered Bonds should consult their tax advisors regarding the possible federal income tax consequences of ownership of the Offered Bonds.

The opinions referred to herein as to the treatment of interest on the Offered Bonds for federal income tax purposes are based upon laws, regulations, rulings and decisions in effect as of the date hereof. There can be no assurance that legislation will not be introduced or enacted after the issuance and delivery of the Offered Bonds so as to affect adversely the exclusion from gross income for federal income tax purposes applicable to the Offered Bonds. Under such circumstances, the Administration has no obligation to redeem or to increase the rate of interest paid on the Offered Bonds. Each purchaser of the Offered Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation.

State and Local Tax Exemption

In the opinion of Bond Counsel, the Offered Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized from their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State, or by its political subdivisions, municipal corporations or public units of any kind under existing law, except that no opinion is expressed as to such exemption from Maryland estate or inheritance taxes. Interest on the Offered Bonds may be subject to state or local income taxes in jurisdictions other than the State under applicable state or local tax laws. All purchasers of the Offered Bonds should consult their tax advisors regarding the tax status of the Offered Bonds in a particular state or local jurisdiction other than the State.

2008 Housing Act

The Housing and Economic Recovery Act of 2008 (the “2008 Housing Act”) amended various provisions of the 1986 Code pertaining to housing bonds. The 2008 Housing Act is generally effective for bonds issued after July 30, 2008, the “date of enactment.”

The 2008 Housing Act temporarily authorizes the refinancings of qualified subprime loans with qualified mortgage bonds issued by December 31, 2010. This provision applies to qualified mortgage bonds issued pursuant to either (A) the regular annually allocated volume cap (“General Volume Cap”) and carryforward or (B) a new volume cap under the 2008 Housing Act (“2008 Housing Act Volume Cap”). The 2008 Housing Act defines the term “qualified subprime loan” to mean an adjustable rate single-family residential mortgage loan made in the original financing for the residence after December 31, 2001 and before January 1, 2008, provided that the bond issuer determines that the loan would be reasonably likely to cause financial hardship to the borrower if not refinanced. For this purpose, issuers may base determinations of likely financial hardship to borrowers on reasonable estimates made in good faith.

For a qualified subprime loan refinancing to be funded from qualified mortgage bonds that have received an allocation of General Volume Cap (as opposed to 2008 Housing Act Volume Cap), an issuer may make proceeds available for use for qualified subprime loan refinancings during the permitted 12-month origination period for such loans, and then either redeem bonds from unused proceeds or make such proceeds available for regular qualified mortgage loans for the balance of the permitted 42-month origination period under the general rules. Qualified mortgage bonds that receive an allocation of 2008 Housing Act Volume Cap must apply all unused proceeds to the redemption of bonds at the close of the 12-month period.

FINANCIAL STATEMENTS FOR THE PROGRAM

The financial statements for the years ended June 30, 2008 and June 30, 2007 of the Community Development Administration Residential Revenue Bonds (the “Fund”) have been audited by Reznick Group, P.C. as described in the Independent Auditor’s Report of Reznick Group, P.C. accompanying the financial statements in Appendix H to this Official Statement. As indicated in the report of the auditors, such financial statements have been prepared in conformity with accounting principles generally accepted in the United States and audited in accordance with auditing standards generally accepted in the United States. Unaudited financial statements for the Residential Revenue Bonds of the Administration for the nine-month period ending March 31, 2009 are also included in Appendix H to this Official Statement.

Under the terms of the Bond Resolution, the Administration may withdraw moneys and assets from the Bond Resolution at any time subject to certain limitations. See “SECURITY FOR THE BONDS—Cash Flow Statements and Certificates” herein.

LITIGATION

There is no pending litigation of any nature restraining or enjoining or seeking to restrain or enjoin the issuance, sale or delivery of the Offered Bonds or in any way contesting or affecting the validity of the Offered Bonds, the Bond Resolutions or other proceedings of the Secretary taken with respect to the authorization, issuance or sale of the Offered Bonds, the Bonds, the Program, the pledge or application of any moneys under the Bond Resolutions, or the existence or powers of the Administration.

LEGAL MATTERS

The authorization, issuance and delivery of the Offered Bonds are subject to receipt of the opinions of Ballard Spahr LLP, Washington, D.C., Bond Counsel, which will be in substantially the forms set forth in Appendix N. Certain legal matters pertaining to the Administration will be passed upon by an Assistant Attorney General of the State and Counsel to the Department. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Atlanta, Georgia. Certain legal matters pertaining to the Initial Liquidity Facility for the 2007 Series M Bonds will be passed on for the Bank by its special counsel, Chapman and Cutler LLP, Chicago, Illinois.

LEGALITY FOR INVESTMENT

Under the Act, the Offered Bonds are securities in which all public officers and public units of the State and its political subdivisions and all State banks, trust companies, savings and loan associations, investment companies, and others carrying on a banking business, all insurance companies, insurance associations, and others carrying on an insurance business, all State personal representatives, guardians, trustees, and other fiduciaries and all other persons, may legally and properly invest funds, including capital in their control or belonging to them. The Offered Bonds are securities which may properly and legally be deposited with and received by any State or municipal officer or any unit or political subdivision of the State for any purpose for which the deposit of bonds or other obligations of the State is authorized by law.

UNDERWRITING

The 2007 Series M Bonds are being remarketed by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “2007 Series M Underwriter”). The 2007 Series M Underwriter will receive a fee of \$63,201.86 with respect to the remarketing of 2007 Series M Bonds.

The 2009 Series B Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Loop Capital Markets, L.L.C., J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated and RBC Capital Markets Corporation (collectively, the “2009 Series B Underwriters” and, together with the 2007 Series M Underwriter, the “Underwriters”) on a negotiated basis. The 2009 Series B Underwriters have jointly and severally agreed to purchase all but not less than all of the 2009 Series B Bonds from the Administration at the prices set forth on the inside cover page hereof. The 2009 Series B Underwriters will receive compensation in the form of an underwriting fee of \$361,871.01 with respect to the 2009 Series B Bonds.

J.P. Morgan Securities Inc., one of the underwriters of the 2009 Series B Bonds, has entered into an agreement (the “Distribution Agreement”) with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the 2009 Series B Bonds, at the original issue prices. Pursuant to the Distribution Agreement, J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the 2009 Series B Bonds with UBS Financial Services Inc.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the 2009 Series B Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

The obligation of the related Underwriters to purchase the 2009 Series B Bonds will be subject to certain terms and conditions, including the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices of the 2009 Series B Bonds may be changed, from time to time, by the related Underwriters. The related Underwriters may offer and sell the 2009 Series B Bonds to certain dealers (including dealers depositing 2009 Series B Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside cover page hereof.

RATINGS

Fitch Ratings (“Fitch”) has assigned the rating of “AA/F1” for the 2007 Series M Bonds and Moody’s Investors Service (“Moody’s”) has assigned the rating of “Aa2/VMIG 1” for the 2007 Series M Bonds. Fitch has assigned to the 2009 Series B Bonds the rating of “AA”. Moody’s has assigned to the 2009 Series B Bonds the rating of “Aa2”. Each rating reflects only the view of Fitch and Moody’s, respectively, and an explanation of such rating may be obtained from the issuing rating agency. There is no assurance that such ratings will be maintained for any given period of time or that they will not be lowered or withdrawn entirely by the issuing rating agency, if, in its judgment, circumstances so warrant. A downward change in or withdrawal of a rating may have an adverse effect on the market price of the Offered Bonds. The Administration has no obligation or duty to provide Owners of the Offered Bonds with notice of any change in or withdrawal of a rating.

SECONDARY MARKET DISCLOSURE

The Administration has agreed, in accordance with the provisions of Rule 15c2-12 (the “Rule”), adopted by the Securities and Exchange Commission (the “Commission”) under the Securities and Exchange

Act of 1934, to provide to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format, within 120 days of the end of each fiscal year (which ends June 30), the following annual financial information and operating data:

- (1) a copy of the annual financial statements of the Residential Revenue Bond Program financed with the Bonds prepared in accordance with generally accepted accounting principles and audited by a certified public accountant; and
- (2) information regarding the status of the portfolio of Program Assets expected to be financed, and which are financed, with the proceeds of Bonds and the status of all Funds and Accounts held as security for the Bonds, which information shall be in a form generally provided by the Administration with respect to its existing single family program including:
 - (a) information concerning the existing Program Assets portfolio securing the Bonds;
 - (b) information concerning the status of available funds to finance Program Assets;
 - (c) information concerning any additional collateral or credit enhancements securing Program Assets or the Bonds;
 - (d) information concerning delinquencies and foreclosures of Program Assets; and
 - (e) information concerning Program Asset prepayments and Bond redemptions.

The Administration has reserved the right to modify from time to time the specific types of information provided and the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Administration; provided that the Administration has agreed that any such modification will be done in a manner consistent with the Rule. The Administration may, at its option, satisfy this obligation by providing an official statement for one or more Series of Bonds or by specific reference, in accordance with the Rule, to one or more official statements provided previously.

The Administration has agreed to provide, in a timely manner, to the MSRB in an electronic format notice of the occurrence of any of the following events with respect to the Offered Bonds, if material:

- i. principal and interest payment delinquencies,
- ii. non-payment related defaults,
- iii. unscheduled draws on debt service reserves reflecting financial difficulties,
- iv. unscheduled draws on credit enhancements, if any, reflecting financial difficulties,
- v. substitution of credit or liquidity providers, if any, or their failure to perform,
- vi. adverse tax opinions or events affecting the tax-exempt status of the Offered Bonds,
- vii. modifications to rights of Bondholders,
- viii. bond calls,
- ix. defeasances,
- x. release, substitution, or sale of property securing repayment of the Offered Bonds, or
- xi. rating changes.

In a timely manner, the Administration will give to the MSRB in an electronic format notice of any failure by the Administration to provide any information described in the first two paragraphs under this heading on or before the dates specified therein.

The Administration has reserved the right to terminate its obligation to provide financial information and notices of material events, as described above, if and when the Administration no longer remains an obligated person with respect to the Offered Bonds within the meaning of the Rule.

The Administration has agreed that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders of the Offered Bonds, and will be enforceable by any holder of Offered Bonds. Such holders' and beneficial owners' rights to enforce the provisions of this undertaking are limited to a right to obtain specific performance of the Administration's obligations with respect thereto. Any failure by the Administration to comply with the provisions of its undertaking will not be an event of default with respect to the Bonds, under the Bond Resolution or under the applicable Series Resolution.

The provisions of the undertaking with respect to the Rule described above may be amended, without the consent of the holders of the Offered Bonds, to the extent required or permitted by any amendment to the Rule becoming effective after the date hereof.

MISCELLANEOUS

Summaries and Descriptions in Official Statement

The summaries and explanation of, or references to, the Act, the program documents, the Bond Resolutions and the Offered Bonds included in this Official Statement do not purport to be comprehensive or definitive; such summaries, references and descriptions are qualified in their entirety by reference to each such document, copies of which are on file at the offices of the Administration. The descriptions of the FHA insurance program, the VA mortgage guaranty program, the USDA/RD mortgage guarantee program, private mortgage insurance, and the MHF insurance program do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the applicable statutes and regulations; and the description of private mortgage insurance does not purport to be comprehensive or definitive and is qualified by reference to applicable insurance policies and other such applicable information.

Financial Advisor

Caine Mitter & Associates Incorporated has served as financial advisor ("Financial Advisor") to the Administration in connection with the sale of the Offered Bonds.

Selection and Compensation of Professionals

The Administration selects its independent auditor through a competitive process in accordance with State procurement law. Compensation of the auditor is not contingent on the sale of the Offered Bonds. The Financial Advisor is selected by the Administration through a competitive process in accordance with State procurement law. Compensation of the Financial Advisor is not contingent on the sale of the Offered Bonds. Bond Counsel was selected by the Office of the Attorney General of the State through a process of review of responses to a request for proposals. Compensation of Bond Counsel is not contingent on the sale of the Offered Bonds. The Underwriters are selected by the Administration periodically through a process of solicitation of proposals. Compensation of the Underwriters and their counsel is contingent on the sale of the related series of the Offered Bonds.

APPENDIX A

THE DEPARTMENT AND ADMINISTRATION

General Information

The Administration was created in 1970 as a division of the Department of Economic and Community Development to meet the shortage of adequate, safe and sanitary housing in the State, particularly for persons or families of limited incomes. Chapter 311 of the Acts of Maryland 1987, effective July 1, 1987, abolished the Department of Economic and Community Development, created the Department and assigned the Administration as an agency in the Division of Development Finance of the Department.

The Secretary of Housing and Community Development (the “Secretary”) is the head of the Department and is appointed by the Governor with the advice and consent of the Senate. The Department consists of five divisions: the Division of Development Finance, the Division of Credit Assurance, the Division of Finance and Administration, the Division of Neighborhood Revitalization and the Division of Information Technology. A chart showing the organization of the Department, its divisions, and the Administration and the Maryland Housing Fund appears on page A-6 hereof.

The Division of Development Finance is the lending and bond issuing division of the Department, originating loans under the Department’s various lending programs and providing underwriting services for loans to the Department and its other divisions and agencies. In addition, the Administration, which is an agency within the Division, performs initial compliance review and approval of Mortgage Loans submitted by Mortgage Lenders.

The Secretary, with the approval of the Governor, appoints the Director of the Administration. The Director of the Administration, with the approval of the Secretary, appoints the Deputy Directors of the Administration and the other senior staff members of the Administration. The Act established a Housing Finance Review Committee (the “Review Committee”) which has the responsibility to review and to give recommendations to the Secretary regarding loans or categories of loans and the investment and project financing policies of the Administration. The Review Committee consists of seven members appointed by the Governor, including three members of the public, three members of the Department and one member of the Executive Branch not employed by the Department. When urgent action is required, the Secretary may approve a specific loan request without receiving the recommendation of the Review Committee.

The Division of Credit Assurance, the insuring division of the Department, provides certain asset management, monitoring and workout related services to the Department and its divisions and agencies, including the Administration. The Maryland Housing Fund (“MHF”) is an agency of the Department assigned to the Division of Credit Assurance.

The Division of Finance and Administration provides budget, accounting, auditing and administrative services to the Department. In addition, the Administration has a finance office which handles finance and accounting for lending and bond activities and insurance activities. The Administration’s finance office reports directly to the Director of the Administration. MHF’s finance function is a part of the Division of Finance and Administration.

The Division of Information Technology develops and maintains information systems and trains Departmental staff in the use of computer resources.

The Department has a Revenue Bond Advisory Board (the “Board”) that provides independent advice and expertise to the Department with respect to issuance of revenue bonds, including the Bonds. The Board consists of seven members appointed by the Secretary, including the Deputy Secretary (who chairs the Board),

one other representative of the Department, two representatives of other agencies of State government (one from an agency which issues revenue bonds), one representative of the State Treasurer's Office, and two members of the public. The Board reviews and makes recommendations to the Secretary with respect to each issuance of bonds. The Secretary has the final authority to approve each issuance after receipt of the Board's recommendation. When urgent action is required, the Secretary may approve an issuance of bonds without action by the Board or may vary the terms of the Board's recommendation. In addition, the Board advises the Department on procedures for issuing bonds and on selection and performance of financial advisors and underwriters.

The Administration pays all costs and expenses of operating its programs from earnings received from its programs financed by bond indentures of the Administration in excess of the amounts required to pay principal of and interest on its bonds and notes.

The office of the Administration is located at 100 Community Place, Crownsville, Maryland 21032. Inquiries for documents or concerning this Official Statement should be directed to CDA Bonds - Investor Relations at (410) 514-7326 or by e-mail at cda_bonds@mdhousing.org.

Principal Executive Officers

Certain principal executive officers of the Department and the Administration are briefly described below.

Raymond A. Skinner was appointed by the Governor as Secretary of the Department effective February 12, 2007. From January, 2003 until his current appointment as Secretary, Mr. Skinner was President of The Skinner Group, LLC, a consulting firm providing services in housing policy analysis, community revitalization, and economic development. Mr. Skinner previously served as Secretary of the Department between December, 1998 and January, 2003, and as Deputy Secretary from January, 1995 until his earlier appointment as Secretary. From January, 1991, until his appointment as Deputy Secretary, Mr. Skinner served as the Director of the Department of Housing and Community Development of Prince George's County, Maryland, and as Executive Secretary to the Board of Commissioners of the Housing Authority of Prince George's County. Previously, he was the Executive Director of the District of Columbia Office of Business and Economic Development. In all, Mr. Skinner has over 30 years of experience in housing and community development, having held positions with the Department of Housing and Urban Development, the City of Philadelphia, Pennsylvania, and the City of Baltimore, Maryland. He holds a Bachelor of Science Degree from the Pennsylvania State University and a Master of City Planning degree from the University of Pennsylvania.

Clarence J. Snuggs was appointed by the Secretary with the approval of the Governor effective March 26, 2007 as Deputy Secretary of the Department. Since 2003, Mr. Snuggs served as Director of Enterprise Community Partners' Baltimore office. In that capacity he had overall responsibility for operating the office and its programs, which focused on affordable housing production, capacity building for local community leaders and community-based organizations, public education system reforms and other community development initiatives. Between 1998 and 2003, Mr. Snuggs was Deputy Executive Director and Corporate Treasurer for the congressionally chartered Neighborhood Reinvestment Corporation in Washington, D.C. Prior to Neighborhood Reinvestment, Mr. Snuggs served as Vice President for Community Lending at Maryland National Bank and Signet Bank. Mr. Snuggs has been active in affordable housing and community development for nearly 20 years through his leadership and involvement in a host of regional and local community and civic organizations. He holds a Bachelor of Arts degree from Winston-Salem State University and an MBA degree from Howard University.

Frank B. Coakley was appointed by the Secretary with the approval of the Governor effective March 26, 2007 as Assistant Secretary of the Department responsible for the Administration and as Director of the Administration. He also previously served as Assistant Secretary and Director of the Administration between

1995 and 2000. Before his recent appointment, Mr. Coakley was Senior Vice President/Branch Administration for Harbor Bank of Maryland. Prior to joining Harbor Bank, Mr. Coakley was the Director of Fannie Mae's Baltimore Partnership office. From 1989 until joining the Administration in 1995, Mr. Coakley served as Executive Vice President of the Baltimore Community Development Financing Corporation. Previously, he served as a manager and Vice President of Maryland National Bank. Mr. Coakley is a graduate of Morgan State University and served as a Loaned Executive to Morgan State as a Senior Advisor assisting the Community Development office on housing and housing related projects.

Roy A. Westlund was appointed Deputy Director, Bond Finance, for the Administration, effective as of January 1, 1996. For the previous seven years, he served as the Administration's Director of Finance. Mr. Westlund has been active in the field of housing finance since 1980, including serving as Manager of Financial Operations for the Wisconsin Housing and Economic Development Authority. Mr. Westlund is a Certified Public Accountant and holds a B.B.A. degree from the University of Wisconsin, Madison.

William F. Ariano, Jr. was appointed by the Secretary with the approval of the Governor effective July 5, 2007 as Deputy Director the Community Development Administration. He previously served as Vice-President of Residential and Consumer Lending and CRA Officer at Chesapeake Bank of Maryland. He served in that capacity at several Baltimore community banks and his responsibilities included secondary marketing, underwriting, and the management of staff, for origination, closing, sales and post closing of various first mortgage products. Prior to his employment in the private sector, he directed a quasi-public agency for the City of Baltimore which developed, constructed and managed rental and for-sale housing for families with low to moderate incomes, and directed a community based development corporation. Mr. Ariano holds a Bachelor of Science from Mount Saint Mary's University and an MBA degree from Loyola University (Baltimore).

Senior Staff of the Administration

Senior staff members of the Administration are as follows:

<u>Name</u>	<u>Position</u>
Tonna Phelps	Director, Single Family Housing
Patricia R. Sylvester	Director, Multi-Family Housing
Brian Synowiec	Director, Finance

As of June 10, 2009 the staff of the Administration consists of approximately 126 positions and an additional 20 vacancies, including professional and technical staff members with responsibilities in the fields of finance, mortgage loan underwriting, architectural review, construction inspection, rental services and administration. Of the entire staff, 30 are currently involved in Single Family Housing Programs in a professional or technical capacity. Certain information relating to the senior staff who have primary responsibilities for Finance and for Single Family Housing is briefly described below.

Tonna Phelps was appointed Director of Single Family Housing, effective August 11, 2003, having served as Acting Director since January 2003. Ms. Phelps has been with the Administration since 1977. For the ten years preceding her appointment as Acting Director, she was the Administrator for Development Assistance Programs under the Administration's Multifamily Programs, managing federal HOME funds, the Maryland Affordable Housing Trust, and other federal and State programs. She has also served as Administrator for Mortgage Purchase under Single Family Housing. In addition, Ms. Phelps currently represents the Administration on various interagency committees throughout State government. Ms. Phelps holds a B.S. in Business Administration from the University of Baltimore.

Patricia Ryan Sylvester, Director, Multi-Family Housing has been with the Department since October 1997. She served as Deputy Director of Multifamily Housing - Housing Development Programs from September 1999 until her appointment as Director of Single Family Housing in August 2002. She returned to Multifamily Housing as Director in January 2003. Prior to joining the Department she worked as an attorney with the Maryland General Assembly and served as an administrative law judge. Ms. Sylvester holds a J.D. from the University of Maryland Law School and a B.A. from Johns Hopkins University.

Brian A. Synowiec was appointed Director of CDA Finance, effective April 7, 2009, having served as Acting Director since November 2008. Mr. Synowiec served as Deputy Director, CDA Finance since 2006 and prior to that as a financial analyst with the Department. Prior to joining the Department, Mr. Synowiec worked in various financial management and investment banking capacities. Mr. Synowiec holds a B.S. in Business Administration from Salisbury University. Mr. Synowiec has been with the Administration since August, 2004.

Other Housing Programs of the Department

In addition to the Residential Revenue Program which is financed with the proceeds of Bonds (see Appendix B – “THE PROGRAM”), and the single family program financed with proceeds of bonds issued under the 1980 General Certificate, the staff of the Administration also is responsible for a broad range of other housing programs operated by the Department. Proceeds of Bonds and other funds held under the Bond Resolution are not used to support the Department’s other programs. Revenues generated by such other programs are not subject to the lien of the Bond Resolution or available to secure the payment of principal of or interest on the Bonds. However, the executive officers of the Department and the Administration and certain senior staff members who are responsible for the Program also are responsible for the Department’s other programs; therefore, under certain circumstances these other programs may compete with the Program for administrative and policy priority.

Single Family Housing. Single Family Housing includes the Department’s Homeownership Programs and Special Loan Programs. The Administration’s Single Family Housing staff operates the Department’s Homeownership Programs that are funded with State appropriations. These state-funded programs, which may or may not be funded at varying levels from year to year, currently provide low-interest mortgages to low- to moderate-income home buyers. In addition, the Department may have funding available from time to time for a Downpayment and Settlement Expense Loan Program for loans to eligible borrowers who are also receiving loans under the Program. Finally, Single Family Housing also administers a federally-funded weatherization assistance program and the federally-funded HOME Program, as well as providing administrative management for the Maryland Affordable Housing Trust.

The Special Loan Programs, which are funded with State appropriations, provide rehabilitation loans for general rehabilitation, installation of indoor plumbing, abatement of asbestos and radon gas, reduction of lead paint, and creation of accessory shared and sheltered housing for low and moderate income households. Federal HOME funds may also be used to finance rehabilitation loans for low income homeowners. These programs also provide loans to nonprofit organizations and individuals to purchase or construct group homes for low-income persons with special needs; group homes are funded with state appropriations, and are also funded from bonds issued under the Administration’s Housing Revenue Bonds resolution.

The Administration is currently considering selling Mortgage Loans directly to Fannie Mae and Ginnie Mae.

Multi-Family Housing. Multi-Family Housing includes the Department’s Housing Production Programs and Rental Service Programs. The Department’s Housing Production Programs encompass a number of finance programs which support the production, rehabilitation and preservation of affordable rental housing, including the following:

The Administration's multi-family housing revenue bond program provides financing for development of rental developments whose owners are required to set aside certain percentages of available units for families of low or moderate income.

The Rental Housing Fund consists of rental housing finance programs funded with State appropriations and federal HOME funds which provide low-interest mortgages with flexible repayment terms, interest rate write-downs and operating subsidies to increase the supply of new rental housing and to maintain and rehabilitate existing rental housing for low income elderly and family tenants.

The Partnership Rental Housing Program provides funding from general obligation bonds and potentially other state appropriations to local governments, housing authorities, and partnerships in which these entities are involved, to assist in financing the construction or rehabilitation of low income housing. The public entities provide the land and participate in the ownership and management of the properties. The properties are intended to remain low income housing in perpetuity, and the State moneys are required to be repaid only if the low income requirements are not enforced.

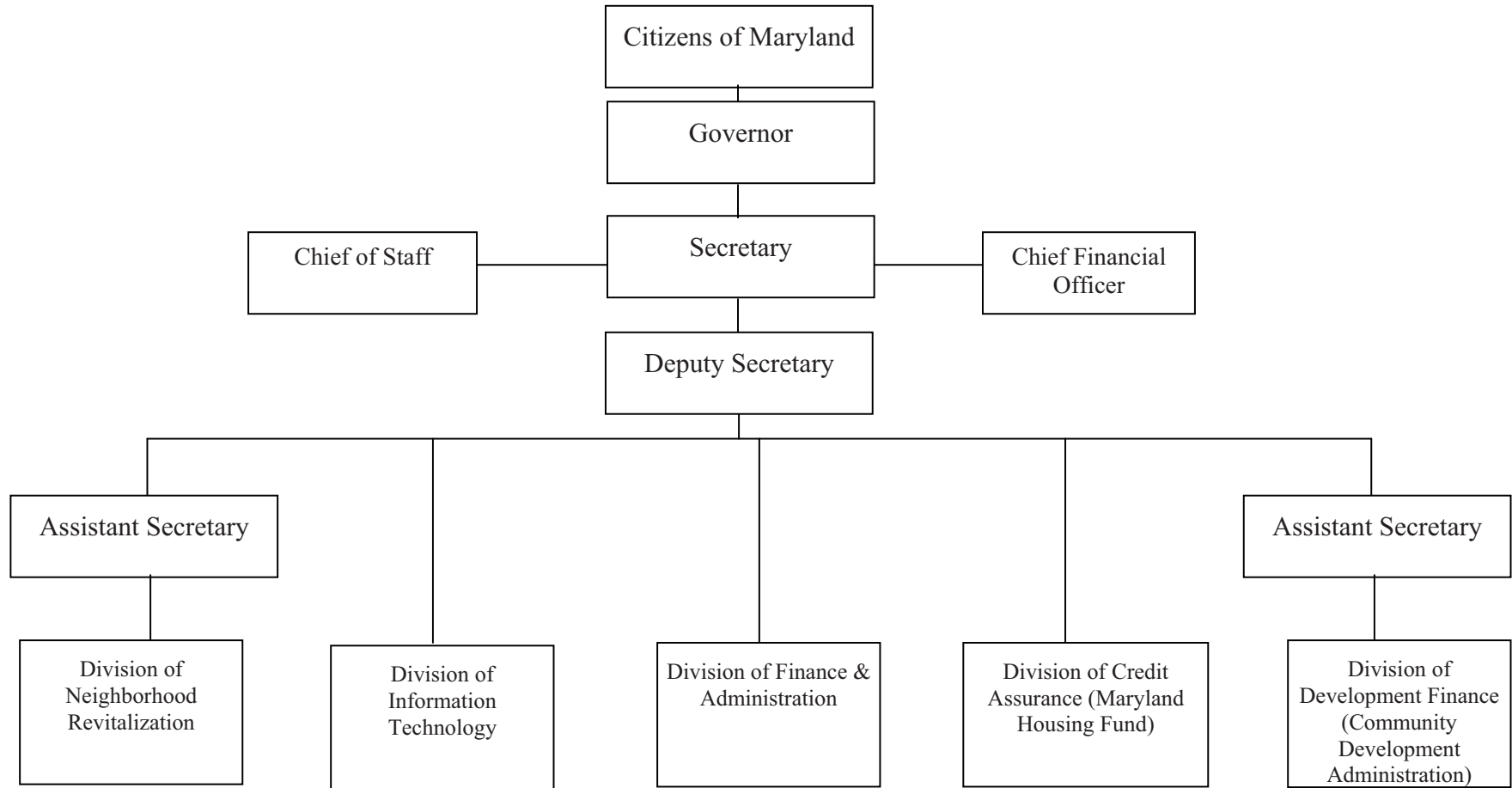
The Department's Rental Service Programs include the Rental Assistance Programs and the Project-Based Section 8 Contract Administration. Under the Rental Assistance Programs, the Administration administers the rental subsidies provided under Section 8 of the United States Housing Act of 1937, as amended, in 29 subdivisions of the State. The housing subsidy staff also administers a Rental Allowance Program, which is funded with State appropriations. This program is administered through local governments and provides fixed monthly rental assistance payments for up to twelve months, subject to extension by the Secretary, to lower-income households that cannot be served by federal or other state programs and are either homeless or have critical and emergency housing needs.

In addition, the Department was selected by HUD as the Contract Administrator for Project-Based Section 8 Housing Assistance Payment ("HAP") Contracts for the State of Maryland. As Contract Administrator, the Department makes payments to each property owner with the terms of the HAP Contracts and HUD regulations and requirements.

Infrastructure Financing Programs

The Infrastructure Financing Program was created to provide an additional, accessible and uncomplicated mechanism to finance the essential physical elements that constitute the basis of the public service system operated and maintained by local governments. More information on the Administration's outstanding infrastructure bonds can be found in Appendix E. These infrastructure loans and the assets and revenues held under these bond and series resolutions are not subject to the lien of the Bond Resolution and are not available to pay principal of or interest on the Bonds.

Department of Housing and Community Development Organizational Chart



A-6

This chart omits subdivisions below the divisional level except for the Maryland Housing Fund and the Community Development Administration. It also omits certain boards and commissions associated with the Department.

APPENDIX B

THE PROGRAM

The Administration adopted the Bond Resolution in 1997 pursuant to the Act primarily to finance single family housing loans under the Residential Revenue Bond Program, but reserved the right to finance and also may issue Bonds to finance other kinds of housing and other types of loans permitted to be financed under the Bond Resolution. Prior to the adoption of the Bond Resolution, the Administration funded its single family program primarily through the issuance of bonds under the 1980 General Certificate. The Administration expects, but is not required, to issue bonds for its single family program in the foreseeable future primarily under the Bond Resolution instead of the 1980 General Certificate. The Administration also expects, however, to finance loans under the 1980 General Certificate from time to time in connection with refunding or economic measures. The description of the Residential Revenue Bond Program contained in this Appendix B does not describe the mortgage portfolio financed under the 1980 General Certificate, except for a description of the “Status of Funds under the 1980 General Certificate” below.

Information provided in this Appendix B is derived from the Administration’s statistics which are compiled from different sources on a weekly, monthly, and quarterly basis and later revised as necessary.

Existing Portfolio and Available Funds Under the Bond Resolution

Existing Portfolio. As of March 31, 2009, the Mortgage Loan portfolio of the Administration under the Bond Resolution consisted of 13,247 Mortgage Loans with an aggregate principal amount outstanding of \$2,106,689,634.

Participations in Mortgage Loans. The Administration may finance Mortgage Loans by purchasing participation interests in such Mortgage Loans, which may include Mortgage Loans financed with different Series of Bonds issued under the Bond Resolution, or Mortgage Loans financed with proceeds of bonds issued under the 1980 General Certificate and bonds issued under the Bond Resolution. Where participation interests involve the 1980 General Certificate, payments of principal on all such Mortgage Loans, including Prepayments or recoveries from foreclosure of defaulted Mortgage Loans, will be allocated on a pro rata basis in conformance with the contributions of proceeds from bonds issued under the 1980 General Certificate and bonds issued under the Bond Resolution. Each such Mortgage Loan shall bear interest at a rate determined from time to time by the Administration, with as little as 0% of such interest allocable to participation interests purchased with proceeds of bonds issued under the 1980 General Certificate and up to 100% of such interest allocable to participation interests purchased with proceeds of bonds issued under the Bond Resolution. As described below in “Certain Information Relating to Mortgage Loans”, portions of several series of bonds under the Bond Resolution each have been blended with 0% funds from one or more series of bonds which were issued under the 1980 General Certificate.

The following table sets forth, as of March 31, 2009, information on the number of whole loans and participation loans in the Mortgage Loan portfolio under the Bond Resolution:

**Whole Loans and Participation Loans
as of March 31, 2009⁽¹⁾**

	Current Number of Mortgage Loans	Original Principal Amount	Outstanding Principal Balance 03/31/09
Loans financed entirely under the Bond Resolution	12,771	2,121,828,539	2,075,510,911
Participation loans financed under both the Bond Resolution and the 1980 General Certificate ⁽²⁾	476	37,947,963	31,178,723
TOTAL	13,247	\$2,179,776,502	\$2,106,689,634

(1) Individual amounts may not add up to the total amount because of rounding.

(2) A participation loan is financed in part by the Bond Resolution and in part by the 1980 General Certificate. The principal amounts reported here are the sum of the principal portion of all participation loans financed by the Bond Resolution. In reporting the number of loans, each participation loan counts as a loan under the Bond Resolution and also under the 1980 General Certificate.

The Administration may also finance Mortgage Loans with the proceeds of two or more series of bonds under the Bond Resolution, where the funds from one or more of the series of bonds earns interest at the rate of 0%. See "Certain Information Relating to Mortgage Loans" below.

Status of Available Proceeds.

**Residential Revenue Bond Program
Status of Available Proceeds (in thousands)⁽¹⁾
as of August 14, 2009**

Source of Funds	Date of Issuance	Original Proceeds Available for Mortgage Loans	Loans Purchased⁽²⁾	Amount Available for Commitments and Reservations	Reservations and Commitments Against Available Funds⁽³⁾
2006 Series K,L	8/15/2006	\$179,498	\$169,705	\$9,793	\$0
2007 Series A	3/14/2007	274,401	271,786	2,615	0
2007 Series K,L	12/12/2007	29,412	27,134	2,278	0
2008 Series A	6/19/2008	58,824	46,886	11,938	0
2008 Series B,C,D	9/4/2008	147,059	135,786	11,273	0
2008 Series E,F	12/17/2008	39,216	27,169	12,047	12,047
Total All Series		\$728,410	\$678,466	\$49,944	\$12,047
Warehouse Loan Fund ⁽⁴⁾	N/A	\$45,000	\$19,509	\$25,491	\$25,491

(1) Individual amounts may not add up to the total amount because of rounding.

(2) In the context of this chart Amount of Loans Purchased includes loan origination fees paid to the Originating Lenders and de minimus amounts of remaining proceeds transferred or to be transferred to corresponding revenue accounts.

(3) The Administration expects that a certain percentage of applicants receiving reservations will not proceed to funding. Therefore, the Administration may accept reservations in an amount exceeding the funds available. To the extent necessary because of over-reservations or for other reasons, loans may be purchased into other series in a manner consistent with federal law.

(4) The Warehouse Loan Fund is funded from excess revenues and is intended to provide an interim funding source for loans purchased in between the bond issuance dates.

The chart above sets forth the Status of Available Proceeds as of August 14, 2009. Funds have been reserved as of that date for loans at interest rates ranging from 5.375% to 6.750%. For information on interest rates for purchased loans, see Appendix K. As a result of economic refundings and management of bond proceeds, the Administration has been able to generate funds for the purchase of Mortgage Loans, or portions thereof, which bear an interest rate of 0%. In addition, the Administration has issued several series of variable rate bonds. Through the issuance of variable rate Bonds and the availability of 0% funds, the Administration has increased flexibility in setting lending rates for the general program. On August 14, 2009, the interest rates for general program loans were as follows:

Program	3 Point	2 Point	1 Point	0 Point	0 Point with 2% Grant	0 Point with 3% Grant
30 Year Amortization	5.625%	5.750%	5.875%	6.000%	6.500%	6.750%

Additional updates on interest rates may be found at www.dhcd.state.md.us. Interest rates for new loans are subject to change, depending upon available funds and market conditions.

Certain Information on Loan Type. See Appendix L for certain information on Mortgage Loans by bond series and loan type (including participations in Mortgage Loans). The following table sets forth additional information as of March 31, 2009.

Program	Original Number of Loans	Original Principal Amount	Number of Outstanding Loans	Outstanding Principal Balance
30 Year Amortization	17,839	\$2,148,922,931	9,338	\$1,246,646,854
40 Year Amortization ⁽¹⁾	689	145,574,562	679	142,230,466
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization ⁽¹⁾	184	41,335,376	180	40,183,756
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization ⁽¹⁾	2,580	565,041,451	2,469	540,072,612
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization ⁽¹⁾	598	142,204,219	581	137,555,945
	21,890	\$3,043,078,539	13,247	\$2,106,689,634

⁽¹⁾ The Administration is currently not offering this product, but may in its discretion offer such product in the future.

Use of Funds from the Sale of 2009 Series B Bonds. The Administration expects to apply a portion of funds made available from the issuance of the 2009 Series B Bonds to finance Mortgage Loans. Origination fees (including discount points) for the Mortgage Loans range from zero points to three points; in addition, a grant of 2% or 3% may be available. The Administration anticipates that all Mortgage Loans will have an original term of 30 years with even monthly payments of principal and interest. Pending application to the purposes of each fund or account, moneys held in various funds and accounts under the Bond Resolution will be invested in Investment Obligations.

All Mortgage Loans allocable to the Offered Bonds have been, or are expected to be purchased primarily from Mortgage Lenders to finance the acquisition of existing, newly constructed or substantially rehabilitated Single Family Residences located throughout the State, including Targeted Areas. For reasons discussed in “‘Smart Growth’ Requirements” below, all newly constructed homes financed by Mortgage Loans will be located in priority funding areas.

The Administration may use all or a portion of proceeds available for Mortgage Loan to finance Mortgage Loans on behalf of the Participating Counties (described below) for Single Family Residences located in those counties, where the Participating Counties have requested the Administration to issue their allocable portion of qualified mortgage bonds. The participating counties are the Counties of Allegany, Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Frederick, Garrett, Harford, Howard, Kent, Queen Anne's, St. Mary's, Somerset, Talbot, Washington, Wicomico, Worcester and the City of Baltimore (the "Participating Counties"). If the Participating County does not use some or all of its allocation within any required period, the Administration may reallocate the funds to another Participating County or use the funds to purchase Mortgage Loans that finance the acquisition of Single Family Residences located in other jurisdictions of the State.

A portion of the funds relating to the Bonds may be made available (1) for Mortgage Loans pursuant to special initiatives or to commitments for eligible community development projects of Single Family Residences or (2) for Mortgage Loans made by the Administration. See "Homeownership Initiatives and Developer Reservations" and "Mortgage Loans Made by the Administration" below.

Eligible Mortgage Loans

General Provisions. Each Mortgage Loan must comply with the Act and with the following conditions: (1) a deed of trust must be executed and recorded in accordance with the requirements of existing laws; (2) the deed of trust must be the subject of a title insurance policy in an amount at least equal to the outstanding principal amount of the Mortgage Loan, insuring that the deed of trust constitutes a first lien, subject only to permitted liens and encumbrances; (3) unless the Mortgage Loan has a loan-to-value ratio of 80% or less and meets other requirements of the Administration, the Mortgage Loan must be subject to FHA mortgage insurance, a VA or USDA/RD guarantee, private mortgage insurance must be insured, with a uniform standard extended coverage endorsement, as and to the extent required by the Administration to protect its interest against loss or damage by fire, and other hazards, and by flooding if the Single Family Residence is located in an area designated as having specific flood hazards. See Appendix G – "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS" herein.

Purchase Price Limitations. The federal tax law and the Act place limits on the maximum purchase price of a residence financed with a Mortgage Loan. The maximum purchase price permitted under the federal tax law may vary from county to county, and currently ranges from \$289,470 in Allegany, Caroline and Dorchester Counties, to \$779,334 for homes in Targeted Areas of the Washington, D.C. metropolitan statistical area. In addition, FHA maximum mortgage amounts vary from county to county; range from \$271,050 for Allegany, Caroline and Dorchester Counties, to \$729,750 for the Washington, D.C. metropolitan statistical area, which includes Calvert, Charles, Frederick, Montgomery and Prince Georges. In certain counties, the insurer's or guarantor's maximum mortgage amounts may be less or more than the maximum purchase prices permitted under federal tax law. The maximum purchase price of a residence financed by the Administration may not exceed the lesser of either the insurer's or guarantor's mortgage limit or the maximum purchase price established by federal tax law. Lower purchase price limits may apply to certain Mortgage Loans made available at interest rates that are lower than those generally available or for other programmatic reasons. In addition, maximum purchase price limits may be set lower for Mortgage Loans to be financed in particular community development projects of Single Family Residences or through Homeownership Initiatives.

Mortgage Loan Amounts. The maximum amount of a Mortgage Loan may not exceed the FHA maximum insured mortgage loan amount, the maximum loan amount guaranteed by VA or USDA/RD or insured under private mortgage insurance, as applicable. Under certain circumstances, the mortgage insurer or guarantor may allow financing above the amount of the purchase price of the mortgaged property in order to permit the financing of an up-front mortgage insurance premium, funding fee, guarantee fee, permitted closing costs, and other permitted costs such as rehabilitation and related costs permitted by FHA under the FHA Section 203(k) Rehabilitation Insured Mortgage Program, or by a lender that has an acquisition-rehabilitation

program. The Administration may finance such costs as part of the Mortgage Loan. Therefore, a substantial proportion of the Mortgage Loans are expected to have loan-to-value ratios which equal or exceed 100%. The USDA/RD guarantee permits financing of closing costs and guarantee fee above the purchase price, as long as the total loan amount does not exceed the appraised value.

Borrower Income Limitations. The federal tax law and the Act place limits on maximum annual income of Borrowers eligible to receive Mortgage Loans. From time to time the Secretary may determine income limits other than those that are generally applicable (subject to the limits imposed by Section 143). In addition, the insurer or guarantor may have maximum income limits that may differ from the limits imposed by federal law or the Act. The maximum income limit permitted under the federal tax law, which is adjusted for household size, may vary from county to county, and currently ranges from \$85,500 for a one- or two-person household in certain non-Targeted Areas of the State to \$143,780 for a three-person or larger household in certain Targeted Areas of the Washington, D.C. metropolitan statistical area. The maximum annual household income of Borrowers eligible to receive Mortgage Loans may not exceed the lesser of the maximum income limits permitted under federal tax law or by the mortgage insurer or guarantor. Lower income limits may apply to certain Mortgage Loans made available at interest rates that are lower than those generally available or for other programmatic reasons. In addition, maximum income limits may be set lower for Mortgage Loans to be financed in particular community development projects of Single Family Residences or through Homeownership Initiatives.

“Smart Growth” Requirements. Title 5, Subtitle 7B (Priority Funding Areas) of the State Finance and Procurement Article of the Maryland Annotated Code (the “Smart Growth Act”), enacted in 1997, in general requires the Administration to ensure that newly constructed homes financed by Program loans are located in certain “priority funding areas”. The Smart Growth Act requirement does not apply if the loan is financed through bonds issued under a county’s transfer of its allocation to the Administration under Title 13, Subtitle 8 of the Financial Institutions Article. See “Existing Portfolio and Available Funds Under the Bond Resolution—Application of Proceeds of Offered Bonds”

Compliance with Federal Tax Law and Program Requirements. Under the 1986 Code, the failure by a Borrower to occupy a Single Family Residence financed by a Mortgage Loan for a period of 12 consecutive months may result in the inability of such Borrower to deduct interest payments for income tax purposes with respect to such Mortgage Loan during such period. In addition, under the 1986 Code, Borrowers may be required to pay a recapture tax as a result of the sale or other disposition of the Single Family Residence.

In order to comply with Section 103A and Section 143 and to meet other Program requirements, the Administration will require that each Mortgage Loan meet certain additional requirements, including the following:

(1) each Borrower must certify that the proceeds of the Mortgage Loan will be used only to acquire a Single Family Residence located in the State to be owned and occupied by the Borrower, and, except in certain limited circumstances, will not be used to acquire or replace an existing mortgage or other financing of a residence or any improvements thereto (except as discussed in “TAX EXEMPTION AND RELATED CONSIDERATIONS – 2008 Housing Act”);

(2) each Borrower must certify with respect to the residence to be acquired that the Borrower (a) is presently occupying such residence as the Borrower’s principal residence, or shall occupy such residence as his principal residence in most cases within no more than 60 days after the closing of the Mortgage Loan, (b) intends thereafter to maintain the residence as the Borrower’s sole residence, and (c) will not use all or any portion of the residence in any trade or business activity, except with the prior written permission of the Administration;

(3) subject to certain exceptions, each Borrower must (a) provide to the Mortgage Lender or the Administration such Borrower’s credit report or income tax information filed with the Internal Revenue

Service during the preceding three years and (b) certify, and the Administration also examines the credit report or income tax information as evidence, that the Borrower had no present ownership interest in a principal residence of the Borrower at any time during the three-year period ending on the date the Mortgage Loan is originated (except as discussed in “TAX EXEMPTION AND RELATED CONSIDERATIONS – 2008 Housing Act”); unless (a) the home to be financed is located in a Targeted Area, as defined below, where such prohibition on prior homeownership is not dictated, or (b) the borrower (or one of the co-borrowers) qualifies for a one-time exemption from these requirements as a veteran, for a loan financed from bonds issued during calendar year 2007; and

(4) each Borrower and seller must certify the amount of the acquisition cost of the mortgaged property, and such acquisition cost may not exceed maximum acquisition costs established by the Administration in conformity with Section 143, FHA or other applicable maximum loan amounts, and Administration policy.

Targeted Area Set-Aside. As required by the 1986 Code, certain percentages of proceeds of Bonds may be required to be reserved to finance residences located in Targeted Areas throughout the State for a period of at least one year following the date of delivery of the related series of Bonds. A “Targeted Area,” as defined in Section 143(j) of the 1986 Code, is an area which is either (1) a census tract in which 70% or more of the families have income which is 80% or less of the statewide median family income, or (2) an area of chronic economic distress designated by the State as meeting State standards for such designation and the designation of which has been approved by the United States Secretary of the Treasury and the United States Secretary of Housing and Urban Development.

Servicemembers Civil Relief Act. It is possible that one or more of the Mortgage Loans could be affected by the Servicemember Civil Relief Act, amended (formerly, the Soldiers’ and Sailors’ Civil Relief Act of 1940), which applies to persons called to active duty in the armed forces. The act creates a rebuttable presumption that any persons called to active duty will experience a “material impairment of their ability to pay their debts”. As a result, the outstanding debts of a person called to active duty will be reduced to bear interest at an annual rate of 6% for the period of military service until January 1, 2011 and for one year thereafter. The act also provides that foreclosure on such debt will not be permitted. A mortgagee, such as the Administration, may apply to any federal or State court to override the presumption and preclude its effects on a debt, such as a Mortgage Loan.

Remedies for Noncompliance. Mortgage Loans will provide that if the Administration discovers that any of the Borrower’s covenants in the deed of trust, including the Borrower’s and the seller’s certifications concerning eligibility for the loan, is untrue or incomplete, the Administration may require that the Mortgage Loan become immediately due and payable.

Mortgage Loans purchased from Mortgage Lenders are subject to repurchase by such Mortgage Lenders in the event of certain types of noncompliance. See “Mortgage Loans Purchased from Mortgage Lenders – Provisions for Repurchase of Mortgage Loans” below.

In an effort to assure continued compliance with Sections 103A and 143, the Administration includes due on sale clauses in the Deeds of Trust for Mortgage Loans, except to the extent FHA, VA, or USDA/RD do not permit such provisions. The Administration will require borrowers to seek the permission of the Administration and the mortgage insurer for any assumption of Mortgage Loans by Borrowers. Under the federal Depository Institutions Act of 1982, due-on-sale clauses, such as those to be contained in the Deeds of Trust with respect to the Mortgage Loans, are generally enforceable, with certain exceptions which may affect the ability of the Administration to enforce such clauses. Although there has been no reported Maryland court decision on the enforceability by the Program of due-on-sale clauses, an Assistant Attorney General of the State, in his capacity as counsel to the Department, rendered an opinion in 1981 that due-on-sale clauses in the context of the Program would be enforceable under Maryland law. However, any such enforcement by equitable remedies, such as foreclosure, would be subject to the exercise of discretion by the courts.

Loans Financed from Taxable Bonds

The Administration has used the proceeds of taxable bonds to purchase Mortgage Loans or participations therein. The Administration also may use taxable bond proceeds to purchase Loans that will refinance loans with an adjustable rate or an increased payment, or loans that otherwise may not be affordable for the borrowers (“Refinance Loans”). The refinancing program currently requires that the borrower meet income limits for tax-exempt loans, and that the appraised value of the residence may not exceed the purchase price limits for the tax-exempt program. The Administration may also finance from taxable bonds (a) Loans that meet the eligibility requirements for the Administration’s tax-exempt loans except for the first-time homebuyer requirement in a non-targeted area or (b) certain other Loans that the Administration may wish to finance.

Mortgage Loans Purchased from Mortgage Lenders

The Administration purchases Mortgage Loans from qualified Mortgage Lenders. The Mortgage Lenders accept applications from potential Borrowers, screen them for eligibility, reserve funds with the Administration, obtain the required mortgage insurance commitment, obtain pre-closing compliance approval from the Administration, settle the Mortgage Loans with the Borrowers, and submit the Mortgage Loans to the Administration for purchase.

The Division of Development Finance (the “Division”) performs the initial screening of Mortgage Loans for eligibility under the criteria set forth above, unless a Mortgage Lender meets certain requirements to exempt the Mortgage Lender’s loans from an initial screening. See “Eligible Mortgage Loans” herein. After a Mortgage Lender obtains a reservation for a potential Borrower, the Mortgage Lender submits the potential Mortgage Loan to the Division. The Division reviews the potential Mortgage Loan for eligibility under the criteria set forth above.

After reservation and the initial eligibility screening of the Mortgage Loan, the Mortgage Lender has 90 days from reservation for an existing residence, or 150 days for new construction, to submit the Mortgage Loan to the Administration. Upon receipt of a post-closing compliance submission for a Mortgage Loan, the Administration conducts a review of the Mortgage Loan for eligibility under the criteria summarized above. If a Mortgage Loan is not eligible for reasons which, in the Administration’s judgment, can be corrected, it is the practice of the Administration to afford the Mortgage Lender with an opportunity to cure the deficiency. The Administration may not purchase the Mortgage Loan, however, if the deficiency is not cured and the purchase file approved within 150 days of the reservation date for an existing home or 210 days if new construction.

The Administration purchases Mortgage Loans at a price equal to the outstanding principal balance thereof. Except as permitted otherwise by the Administration, the Mortgage Lender may collect origination fees (“points”) which include any fee paid to the Administration. Under the three-point program, the Mortgage Lenders pay the Administration a fee ranging between one percent and two percent, depending on when the purchase file is approved. Under the two-point program, the Mortgage Lenders pay the Administration a fee ranging between zero percent and one percent, depending on when the purchase file is approved. The Mortgage Lender thus receives a one percent origination fee and may receive a service release fee ranging between one percent of the original loan balance and 0 percent, depending on when the purchase file is approved. Such fees paid to the Administration are not revenues under the Bond Resolution. Under the one-point program, the Mortgage Lender receives a one-point origination fee and the Administration pays the Mortgage Lender a fee of up to one percent, depending on when the purchase file is approved. Under the zero-point program, the Administration pays the Mortgage Lender a fee ranging between one percent and two percent, depending on when the purchase file is approved. Under the zero-point 2% grant program, the Administration pays the Mortgage Lender a fee ranging between one percent and two percent, depending on when the purchase file is approved plus an additional 2% to reimburse the Mortgage Lender for funding the 2% grant at the closing. Under the zero-point 3% grant program, the Administration pays the Mortgage

Lender a fee ranging between one percent and two percent, depending on when the purchase file is approved plus an additional 3% to reimburse the Mortgage Lender for funding the 3% grant at the closing.

Eligibility of Mortgage Lenders. Each Mortgage Lender must be (1) a “mortgage lender” within the meaning of the Act, (2) an approved seller of mortgage loans to Freddie Mac or Fannie Mae or who otherwise meets origination and other requirements of the Administration, and (3) in compliance with all other applicable State and federal laws, rules and regulations governing the business of the Mortgage Lender and the making of loans for residential housing. Each Mortgage Lender must enter into a Purchase Agreement with the Administration. The Administration may permit, upon its written approval, assignment of a Purchase Agreement to another Mortgage Lender that meets the preceding criteria.

Representations of Mortgage Lenders. Each Purchase Agreement sets forth or will set forth certain representations and warranties by the Mortgage Lender to the Administration concerning the Mortgage Loans sold to the Administration, including, among others, that at the time of delivery of such Mortgage Loan to the Administration (1) there is no default or delinquency under the terms of the Mortgage Loan, and no payments are more than 20 days past due under the Mortgage Loan (except for certain refinancing loans insured through a set aside of the MHF Unallocated Reserve); (2) the Mortgage Loan has never been more than 45 days in arrears (except for certain refinancing loans insured through a set aside of the MHF Unallocated Reserve); (3) all documents required to be filed to perfect the lien on the mortgaged property against third parties have been filed; (4) the deed of trust for such mortgaged property is the subject of a title insurance policy by an insurer acceptable to the Administration in an amount at least equal to the original principal amount of the Mortgage Loan, insuring that the deed of trust constitutes a first lien (except as otherwise permitted by the Administration for Mortgage Loans which may be financed under future bond series), subject only to permitted liens and encumbrances; (5) the term of the Mortgage Loan does not exceed any limits set forth in the Purchase Agreement; (6) the Mortgage Loan meets all applicable State and federal laws, codes and regulations; (7) if the Mortgage Loan was made to finance the purchase of a newly constructed residence, the builder has warranted all materials, workmanship and mechanicals under a homeowners warranty acceptable to the mortgage insurer or credit enhancer; (8) the improvements constituting part of the property are covered by hazard insurance as required by the Administration; and (9) each Mortgage Loan with a loan-to-value ratio greater than eighty percent is subject to mortgage insurance from FHA, a mortgage guarantee from VA or USDA/RD, the Maryland Housing Fund or private mortgage insurance acceptable to the Administration. In addition, under the Act, each Mortgage Lender must certify that the Borrower does not have assets exceeding twenty percent of the purchase price, in order to assure that the Borrower could not obtain a mortgage loan to purchase property in the unassisted private lending market.

Special Mortgage Purchase Agreements. The Administration may enter into alternate mortgage purchase agreements with certain Mortgage Lenders that are not Fannie Mae or Freddie Mac approved sellers of mortgage loans, provided that the Mortgage Lenders meet origination and other requirements of the Administration, which include experience in residential mortgage lending and in working with governmental or private mortgage insurance programs approved for Mortgage Loans.

Provisions for Repurchase of Mortgage Loans. Each Purchase Agreement provides or will provide that the Mortgage Lender will repurchase any Mortgage Loan sold to the Administration, upon written notice by the Administration, if at any time (1) the Administration determines that any representation was untrue or incomplete when made or a misstatement of a material fact exists in any of the documents delivered in connection with such Mortgage Loan; (2) there is a failure to deliver required Mortgage Loan documents; (3) any mortgage insurance with respect to such Mortgage Loan lapses because of the negligence of the Mortgage Lender with respect to the servicing of such Mortgage Loan; (4) the Administration suffers or is threatened with a material loss by reason of the misfeasance, nonfeasance or malfeasance of the Mortgage Lender or its agent acting as servicer of such Mortgage Loan; (5) any payment of principal and interest is not made on the Mortgage Loan or the initial premium for any mortgage insurance is not paid and, on the basis of such non-payment, the issuer of mortgage insurance refuses to pay a claim on such Mortgage Loan; and (6) the Mortgage Lender, without prior written consent of the Administration, waives the enforcement of (or consents

on behalf of the Administration to waive) the particular provisions of the Mortgage Loan requiring that (a) the Mortgage Loan is due on sale and may not be assumed except to the extent that the Mortgage Loan so provides; (b) at the time the Mortgage Loan is made, the Borrower shall not borrow additional amounts secured by the lien of the deed of trust without the consent of the Administration; and (c) an event of default permitting acceleration of the indebtedness shall occur if the Administration determines that any representation or statement of a material fact in any document executed in connection with the Borrower's application or the origination of such Mortgage Loan was or is untrue or incomplete.

If a Mortgage Lender refuses to repurchase a Mortgage Loan, then the Administration may seek enforcement through legal proceedings which are subject to bankruptcy, insolvency and other laws affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general principles of equity. Such legal proceedings may result in a delay of the repurchase. The ability of a Mortgage Lender to repurchase a Mortgage Loan will depend upon the financial condition of the Mortgage Lender at the time of the required repurchase.

Homeownership Initiatives and Developer Reservations

Homeownership Initiatives. From time to time, the Administration may set aside a portion of proceeds of the Bonds for special initiatives that promote targeted homeownership objectives. For these special initiatives, the Administration may adjust interest rates, income limits and other eligibility criteria, within the requirements of the 1986 Code or the 1954 Code, as applicable, and the requirements of the credit enhancer.

Developer Reservations. The Administration may agree to provide financing for Mortgage Loans to eligible purchasers of Single Family Residences in certain "community development projects" (the "Single Family Projects") pursuant to commitments to developers. The Administration requires the developer to submit an application acceptable to the Administration. Upon a determination by the Secretary of project eligibility under the Act, the Administration issues a commitment to a developer for a specified time period to finance Mortgage Loans to eligible purchasers with respect to the Single Family Project. A commitment reserves financing for prospective purchasers who qualify and are eligible under the Program and also sets forth maximum sales prices on units to be financed by the Administration and covenants and warranties to be made by the developer. The Administration may allow developers of Single Family Projects to make a deposit in an escrow account which will be applied to reduce the monthly payments due on Mortgage Loans made on residences in the Single Family Projects for up to four years after closing.

After a developer has sold a Single Family Residence and entered into a sales contract, the developer or a representative of the developer forwards the completed loan application to the Administration, if the Administration is expected to make the Mortgage Loan, or to a Mortgage Lender, if the Administration is expected to purchase the Mortgage Loan.

For developers who arrange for Mortgage Loan financing of individual Mortgage Loans through approved Mortgage Lenders, the Administration will purchase Mortgage Loans for Single Family Residences either in accordance with a Purchase Commitment or pursuant to a reservation initiated by the Mortgage Lender on behalf of the borrower.

Status of Funds Under the 1980 General Certificate

As of March 31, 2009, no original issuance funds were available for purchasing loans under the 1980 General Certificate.

Loans under the 1980 General Certificate are pledged to the repayment of bonds issued under the 1980 General Certificate and do not secure payment of the Bonds.

Mortgage Loans Made by the Administration

The Administration may originate loans eligible for insurance through the Maryland Housing Fund, with Maryland Housing Fund approval, and may also originate uninsured loans that have acceptable secondary financing from the Department, a governmental agency or a non-profit, under circumstances authorized by the Act. The Administration will not originate FHA, VA, USDA/RD or privately insured loans unless it becomes an FHA, VA or USDA/RD lender or a lender authorized by a private mortgage issuer.

Mortgage Loans originated by the Administration that are found to be ineligible under Section 103A or Section 143 are not subject to repurchase by any Mortgage Lender. In order to preserve the exclusion from gross income for federal income tax purposes of the interest payable on the Offered Bonds, the loans may be sold out of the Bond Resolution portfolio or the Administration may declare such Mortgage Loans in default and commence foreclosure proceedings or take other appropriate measures. Foreclosure is an equitable remedy subject to various defenses and judicial discretion.

Servicing of Mortgage Loans

Master Servicer Agreement. All Mortgage Loans are serviced by Bogman, Inc., the master servicer (the “Master Servicer”).

The agreement with the Master Servicer (the “Master Servicer Agreement”) requires the Master Servicer to perform all duties and acts incident to the servicing of Mortgage Loans covered thereby that a reasonable, prudent mortgagee would perform with respect to mortgage loans owned by it. The Master Servicer is responsible for the collection of all payments from Borrowers and must render an accounting monthly to the Administration of all sums collected and disbursed under the Master Servicer Agreement. The Master Servicer is required to remit to the Trustee all Mortgage Repayments, Prepayments and curtailments it receives with respect to Mortgage Loans serviced under the Master Servicer Agreement. In addition, the Master Servicer Agreement requires the Master Servicer to have in effect (and maintain during the term of the related Master Servicer Agreement), at no cost to the Administration, a fidelity bond and policies of insurance providing fire and extended coverage and errors and omissions coverage, all in amounts and with coverage satisfactory to the Administration, for mortgagee errors and omissions and insuring against loss arising from dishonest, criminal or fraudulent acts, and errors and omissions of the officers and employees of the Master Servicer.

If any default occurs on a Mortgage Loan covered by the Master Servicer Agreement, the Master Servicer must take all actions necessary and proper to enforce all applicable contractual provisions of the defaulted Mortgage Loan, including, at the direction of the Administration, the institution of foreclosure proceedings. The Administration will bear all foreclosure and related expenses, to the extent not reimbursable by the applicable mortgage insurance or collected from the Borrower. The failure of the Master Servicer to send notice properly and report to the Administration or the insurer of a Mortgage Loan as to the status of a delinquent Mortgage Loan may result in the Master Servicer being required to compensate the Administration.

The Master Servicer is required to comply with detailed requirements set forth in the Department’s servicing manual.

Asset Management. Asset management for Mortgage Loans is provided to the Administration by the Single Family Operations section of the Division of Credit Assurance (“Asset Management”).

With respect to the Mortgage Loans, Asset Management:

(1) monitors the servicing performance of the Master Servicer for compliance with the requirements of the Master Servicer Agreement and the Department’s servicing manual by requiring from the Master Servicer:

- (a) monthly Mortgage Loan delinquency reports;
 - (b) annual audited financial statements; and
 - (c) an annual certification that the Master Servicer is complying with the Master Servicer Agreement and the Department's servicing manual;
- (2) directs and reviews Master Servicer's handling of Mortgage Loan delinquencies;
- (3) directs and evaluates Master Servicer's actions in connection with foreclosure proceedings;
- and
- (4) analyzes delinquencies and foreclosures and creates and implements corrective action plans.

The Division of Credit Assurance contracts with a private sector realty company which provides REO management and disposition services for properties in the REO portfolio. Asset Management staff monitors these services.

Estimated Revenues of Program

Under Section 143 of the Code, the yield of the Mortgage Loans or participations therein allocable to each Series of federally tax-exempt Bonds issued under the Bond Resolution (other than with any contributions by the Administration) may not exceed the yield of such Series of Bonds by more than 1-1/8 percentage points. All Revenues derived from such Mortgage Loans are available for payment of the Bonds. However, except as otherwise permitted under the 1986 Code, an amount equal to the portion of Revenues derived from investments in Investment Obligations made in connection with such Series of Bonds (other than with contributions by the Administration) that exceeds a yield equal to the yield of such Series of Bonds (calculated in accordance with Section 143 of the Code, whichever is applicable) or represents gains made on such investments must be paid to the United States. Such restrictions limit the amounts available to pay the principal of and interest on the Bonds. The Administration estimates that, in each year in which the Offered Bonds are scheduled to be outstanding, there will be sufficient moneys available under the Bond Resolution to pay the principal of and interest on the Bonds, after payment of (1) fees and expenses of the fiduciaries and (2) the estimated costs of servicing the Mortgage Loans and other Program expenses.

Repurchase of Mortgage Loans

From January, 1998 through March 31, 2009, forty-three Mortgage Loans had been repurchased by the Mortgage Lender or servicer as required by the Administration. Six repurchase demands remain outstanding as of March 31, 2009.

Certain Information Relating to Mortgage Loans

Certain information relating to the Mortgage Loans (including participations in Mortgage Loans) made or purchased with proceeds of prior Series of Bonds as of March 31, 2009, is set forth in Appendix K.

The following table sets forth as of March 31, 2009, the number, outstanding principal balance and percentage of the total outstanding balance of the Mortgage Loans (including participations in Mortgage Loans) which have been financed in each of the political subdivisions of the State:

County	Current Number of Mortgage Loans	Current Outstanding Principal⁽¹⁾	Percent of Current Total Outstanding Principal⁽¹⁾
Allegany County	233	\$ 18,390,952	0.87%
Anne Arundel County	687	143,238,649	6.80%
Baltimore City	4,179	524,365,568	24.89%
Baltimore County	2,611	389,915,884	18.51%
Calvert County	106	24,962,976	1.18%
Caroline County	88	12,492,536	0.59%
Carroll County	184	40,569,008	1.93%
Cecil County	126	19,707,511	0.94%
Charles County	269	68,619,456	3.26%
Dorchester County	91	13,663,640	0.65%
Frederick County	398	84,684,481	4.02%
Garrett County	11	1,391,959	0.07%
Harford County	875	144,018,159	6.84%
Howard County	229	47,899,459	2.27%
Kent County	31	5,390,171	0.26%
Montgomery County	309	67,207,685	3.19%
Prince George's County	1,351	290,289,558	13.78%
Queen Anne's County	40	9,025,808	0.43%
Saint Mary's County	84	17,237,435	0.82%
Somerset County	105	12,360,985	0.59%
Talbot County	41	7,094,500	0.34%
Washington County	626	85,834,594	4.07%
Wicomico County	507	69,478,979	3.30%
Worcester County	66	8,849,681	0.42%
	13,247	\$2,106,689,634	100.00%

(1) Individual amounts may not add up to the total amount because of rounding.

As of March 31, 2009, the Mortgage Loans (including participations in Mortgage Loans) made or purchased by the Administration with proceeds of prior Series of Bonds were originally covered by primary mortgage insurance or guarantees as of the date of the origination thereof as follows:

Primary Mortgage Insurer or Guarantor	Current Number of Mortgage Loans	Current Outstanding Principal⁽¹⁾	Percent of Current Total Outstanding Principal⁽¹⁾
FHA	6,332	\$711,647,808	33.78%
VA	300	53,120,666	2.52%
RHS	280	39,651,934	1.88%
All Privately Insured⁽²⁾	5,690	1,171,048,238	55.59%
Mortgage Guaranty Insurance Corporation	2,725	580,079,744	27.54%
Republic Mortgage Insurance Company	934	191,552,212	9.09%
United Guaranty Residential Insurance Company	1,322	253,707,946	12.04%
PMI Mortgage Insurance Company	293	57,487,546	2.73%
Genworth Financial	198	43,539,545	2.07%
Triad Guaranty Insurance Corporation	72	13,972,010	0.66%
Radian Guaranty, Incorporated	146	30,709,235	1.46%
MHF	453	100,256,743	4.81%
Uninsured (original loan to value ratio of more than 80%)	13	2,865,435	.14%
Uninsured (original loan to value ratio of less than 80%)	179	27,098,810	1.29%
	13,247	\$ 2,106,689,634	100.00%

(1) Individual amounts may not add up to the total amount because of rounding.

(2) Currently, coverage of 35% is required of private mortgage insurance policies.

Based on reports to the Administration from the Master Servicer and based on reports to the National Delinquency Survey prepared by the Economic and Research Department of the Mortgage Bankers Association of America, the following tables set forth information about delinquencies and foreclosures of mortgage loans, reported by certain mortgage servicers.

	National Delinquency Survey (defined as a percentage)			Residential Revenue Bond Program ⁽¹⁾⁽²⁾
	U.S.A. All Types 3/31/2009	Maryland All Types 3/31/2009	Maryland FHA ⁽³⁾ 3/31/2009	Program 3/31/2009
30 days delinquent.....	3.27%	3.28%	6.01%	6.00%
60 days delinquent.....	1.56%	1.52%	2.31%	1.26%
90 days+ delinquent	3.39%	3.45%	4.54%	4.13%
In foreclosure	3.85%	3.04%	2.01%	1.04%
Placed in foreclosure during last three months	1.37%	1.02%	0.84%	0.84%
Mortgages Sixty Days or More Delinquent or in Foreclosure				
Quarter Ended	U.S.A. All Types	Maryland All Types	Maryland FHA ⁽³⁾	Program ⁽¹⁾⁽²⁾
3/31/2005	2.54%	1.98%	7.24%	4.05%
3/31/2006	2.61%	1.51%	6.47%	3.74%
3/31/2007	3.03%	1.86%	5.32%	2.55%
3/31/2008	5.15%	4.05%	5.80%	3.69%
3/31/2009	8.80%	8.01%	8.86%	6.43%

- (1) The delinquency statistics in the tables above include both whole loans financed entirely from the Bond Resolution and participation loans financed from both the Bond Resolution and the 1980 General Certificate. For information on outstanding loans, see table entitled "Whole Loans and Participation Loans as of March 31, 2009" in "Existing Portfolio and Available Funds Under the Bond Resolution - Participations in Mortgage Loans".
- (2) The Program purchased the first Mortgage Loan on October 29, 1997.
- (3) Includes all types of FHA mortgage loans.

APPENDIX C

DEFINITIONS

“Acquired Development” means a Development constructed, owned, operated or administered by reason of the Administration’s obtaining title, possession or effective control thereof when the Mortgage with respect thereto is in default under its terms.

“Acquired Development Expense Requirement” means such amount of money as may, from time to time, by resolution of the Administration, with the approval of the Secretary of Housing and Community Development, be determined to be necessary for the payment or as a reserve for the payment of any costs and expenses incurred in connection with the operation or ownership of an Acquired Development.

“Acquired Development Expenses” means any and all costs and expenses incurred in connection with the operation or ownership of an Acquired Development as the Administration determines from time to time to be necessary and appropriate in carrying out the rights and duties of the Administration under the Bond Resolution with respect to an Acquired Development.

“Act” means Sections 4-101 to 4-255, inclusive, of the Housing and Community Development Article of the Annotated Code of Maryland, as amended from time to time, including, without limitation, future amendments or successor laws thereto.

“Additional Bonds” means bonds issued under the Bond Resolution after the Bonds issued in connection with this Official Statement.

“Administration” means the Community Development Administration, an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland, and any successor entity thereto.

“Administration Request” means a written request or direction of the Administration signed by an Authorized Officer.

“Amortized Value” means the purchase price of securities, excluding accrued interest, plus an amortization of any discount or less an amortization of any premium on the purchase price.

“Authorized Officer” means the Secretary of Housing and Community Development, the Deputy Secretary of Housing and Community Development, the Director of the Administration, a Deputy Director of the Administration, any Director of any program or division of the Administration or any other person duly authorized by the Secretary of Housing and Community Development to perform such act or discharge such duty.

“Bond” or “Bonds” means any Bond or Bonds issued pursuant to the Bond Resolution.

“Bond Resolution” means the Residential Revenue Bond Resolution, originally adopted by the Administration as of August 1, 1997 and amended and restated as of July 15, 2005.

“Bond Year” means the year which begins on March 2 of any year during which Bonds are outstanding and ends on March 1 of the next succeeding year.

“Borrower” means the obligor under a Loan, which may include the Administration.

“Cash Equivalent” means a letter of credit, insurance policy, surety, guarantee or other security arrangement upon which the Administration or Trustee may make a draw to provide funds as needed for any other Fund or Account or to provide Credit Enhancement or for any other purpose.

“Cash Flow Certificate” means the calculation made by or for the Administration pursuant to Section 608I of the Bond Resolution.

“Cash Flow Statement” means the calculation made by or for the Administration pursuant to Section 608(c) of the Bond Resolution.

“Certificate” means a signed document either attesting to or acknowledging the circumstances, representations or other matters stated in it or setting forth matters to be determined pursuant to the Bond Resolution or a Series Resolution.

“Code” or “1986 Code” means applicable provisions of the Internal Revenue Code of 1986, as amended, and the applicable regulations under it, or predecessor or successor provisions, as applicable.

“Collateral Reserve Fund” means the fund so designated which is established by Section 401 of the Bond Resolution.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the Administration and related to the authorization, sale, issuance and remarketing of the Bonds.

“Credit Enhancement” means any credit enhancement, insurance, guaranty, Cash Equivalent, risk-sharing arrangement or any other form of credit support for one or more Program Assets (or any portion or portions thereof) as provided in any Series Resolution or Supplemental Resolution.

“Credit Enhancer” means the issuer or provider of any Credit Enhancement.

“Credit Facility” means any credit facility which secures all or a portion of one or more Series of Bonds including, but not limited to, a guaranty, standby loan or purchase commitment, insurance policy, surety bond or financial security bond or any combination thereof, which, in any case secures all or a portion of one or more Series of Bonds, a Parity Obligation, a Subordinate Bond or a Subordinate Contract Obligation.

“Credit Facility Provider” means the issuer of or obligor under a Credit Facility.

“Development” means any project, facility, undertaking or purpose which the Administration is authorized to undertake, finance or provide financing for pursuant to the Act as now or hereafter in effect, including, without limitation, a Single Family Residence, multi-family housing, group housing, shared living facilities, home improvements, housing rehabilitation and any undertaking or project, or portion thereof, which is defined as a “community development project”, a “public purpose project”, an “energy conservation project”, a “home improvement project”, an “infrastructure project” or a “special housing facility” by the Act.

“Escrow Payment” means any payment made to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any federal, state, local or private program intended to assist in providing Loans, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Borrower customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Loan.

“Expenses” means any money required by the Administration to pay the fees or expenses of the Trustee and any expenses which the Administration lawfully may pay relating to the Program including, without limitation, administrative and operating expenses of the Administration, servicing fees, Credit

Enhancement, Credit Facilities, or the redemption of Bonds, or rebates of arbitrage as required by the Code, except as limited with respect to any Series of Bonds by the applicable Series Resolution.

“FHA” means the Federal Housing Administration of HUD.

“Fiscal Year” means the twelve calendar months commencing on July 1 in any calendar year and ending on June 30 in the following calendar year or such other period of twelve calendar months as determined by the Administration.

“Fund” or “Account” means a Fund or Account created by or pursuant to the Bond Resolution or a Series Resolution.

“Government Obligations” means direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America.

“Hedge Receipt” means, if and to the extent designated as such pursuant to the Series Resolution or Supplemental Resolution authorizing the related Qualified Hedge, the amount required to be paid to the Administration under a Qualified Hedge.

“HUD” means the United States Department of Housing and Urban Development.

“Insurance Proceeds” means payments received with respect to the Program Assets under any insurance policy, guarantee or fidelity bond, including amounts available under any Credit Enhancement, less any expenses incurred in realizing such payments and less any reimbursements of advances due the insurer or provider of such guarantee or bond.

“Investment Obligations” means any of the following investments which at the same time are legal investments for moneys of the Administration which are then proposed to be invested therein:

- (1) Government Obligations;
- (2) Bonds, debentures, notes or other evidences of indebtedness issued by any federal agency, instrumentality or public corporation the obligations of which represent or are guaranteed by the full faith and credit of the United States of America, including (without limitation): the Rural Housing Service, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, and U.S. Department of Housing and Urban Development;
- (3) Bonds, notes or other evidences of indebtedness having a rating at least comparable to a Rating Agency’s existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or any similar entity;
- (4) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks (or the domestic agency or branch of foreign commercial banks) which have a rating in a long-term rating category at least comparable to the long-term rating on the Bonds (other than Subordinated Bonds) or on their short term accounts or securities on the date of purchase not less than F-1/P1 or the comparable rating of a Rating Agency or of any other nationally recognized rating agency and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(5) Interest bearing time or demand deposits, certificates of deposit or other similar banking arrangements with banks (which may include the Trustee) which are members of the Federal Deposit Insurance Corporation, provided that, to the extent such deposits exceed available federal deposit insurance, such deposits are fully collateralized and secured by obligations described in clauses (1) and (2) above which have a market value (exclusive of accrued interest) at least equal to such deposits so secured, including interest;

(6) Commercial paper which is rated at the time of purchase in a long-term rating category at least comparable to the long-term rating on the Bonds (other than Subordinate Bonds) and a rating on their short-term accounts or deposits not less than F-1/P1 or the comparable rating of a Rating Agency or of any other nationally recognized rating agency and which matures not more than 270 days after the date of purchase;

(7) Investments in a money market fund having a rating not less than F-1/P1 or the comparable rating of a Rating Agency or any other nationally recognized rating agency, which may be established by a Ratings Certificate;

(8) Pre-Refunded Municipal Obligations having a rating at least comparable to a Rating Agency's highest possible rating category or the comparable rating of any other nationally recognized rating agency;

(9) Investment agreements with any financial institution or other entity either (i) with debt rated at least comparable to a Rating Agency's existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency or (ii) if an investment agreement maintains only a short-term rating, a rating not less than F-1/P1 or the comparable rating of a Rating Agency or of any other nationally recognized rating agency, which may be established by a Ratings Certificate;

(10) Contracts for the purchase and sale of obligations described in clauses (1) through (8) of this definition, provided that: (i) if the parties with which such contracts are made are not members of the Federal Reserve System or if such parties (including members of the Federal Reserve System) are not required to set aside and otherwise identify obligations described in clauses (1) through (8) above to such contracts as security or reserve therefore, such obligations are to be delivered to and held by a fiduciary during the term of such contracts, (ii) such obligations are to be continuously maintained at a market value at least equal to 100% of the face value of each such contract, and (iii) the provider of such contract will not adversely affect the rating on the Bonds then in effect;

(11) Investments in any mutual fund the portfolio of which is limited to Investment Obligations, including any proprietary mutual fund of the Trustee for which the Trustee or an affiliate is investment advisor or provides other services to such mutual fund and receives reasonable compensation for such services (and if such mutual fund consists solely of Government Obligations, then such fund will constitute "Government Obligations" for the purposes of the Bond Resolution); and

(12) Any investments authorized in a Series Resolution authorizing the issuance of Bonds or a Supplemental Resolution.

For purposes of this definition, "institution" means an individual, partnership, corporation, trust or unincorporated organization, or a government or agency, instrumentality, program, account, fund, political subdivision or corporation of a government. Any reference in this definition to the highest rating of short-term obligations is without regard to any refinement or gradation such as "+" or "-".

The Trustee may purchase Investment Obligations that do not meet the requirements set forth in this definition, so long as the purchase of such Investment Obligations does not, as of the date of such investment, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than

Subordinate Bonds) by any Rating Agency. If the rating of any Investment Obligation purchased by the Trustee changes adversely subsequent to the date of purchase, the Trustee is not required to sell such Investment Obligation.

The definition of Investment Obligation may be amended and additional obligations or investments included pursuant to a Supplemental Resolution or a Series Resolution, provided such amendments will not in and of themselves cause a reduction in the rating of the Bonds as in effect immediately before such amendment which may be established by a Ratings Certificate.

“Liquidation Proceeds” means the net amounts (other than Insurance Proceeds) received in connection with the liquidation of a defaulted Program Asset, whether through foreclosure, trustee’s sale, repurchase by a mortgage lender, or otherwise, less any costs and expenses incurred in realizing those amounts.

“Loan” means: (1) a loan, made or purchased or otherwise financed by the Administration; (2) a portion of, or participation in, a loan made or purchased or otherwise financed by the Administration; or (3) a mortgage-backed security, security or certificate in connection with a loan exchanged for or otherwise evidencing ownership of an interest in a loan purchased or otherwise financed by the Administration, which may (but is not required to) be subject to Credit Enhancement. A Loan may or may not relate to a Single Family Residence and may or may not be secured by a Mortgage, to the extent permitted by the Act.

“Mortgage” means a mortgage, deed of trust or other instrument securing a Program Asset.

“Mortgage Lender” means a bank, trust company, savings institution, savings and loan association, national bank association, mortgage banker or other financial institution that is approved by the Administration as an originator and that maintains an office in the State and engages in making or originating “residential mortgage loans,” as defined in the Act; any insurance company that is authorized to transact business in the State; the Maryland Home Financing Program established pursuant to Sections 4-801 through 4-816 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended and supplemented from time to time; and any other program, instrumentality, fund, account, corporation or agency of the State from which the Administration may be authorized under the Act to purchase “residential mortgage loans,” as defined in the Act.

“Mortgage Loan” means a Loan relating to a Single Family Residence secured by a Mortgage, including a portion of or a participation in such Loan.

“Non-Conforming Loan” means a Loan which does not comply with the mortgage eligibility requirements of the Code.

“Outstanding” means, with respect to any Bonds as of any date, all Bonds authenticated and delivered by the Trustee under the Bond Resolution to that date, except:

1. any Bond (or portion thereof) deemed to be paid in accordance with the Bond Resolution;
2. any Bond canceled by, or delivered for cancellation to, the Trustee because of payment at maturity or redemption or purchase prior to maturity; and
3. any Bond in lieu of or in substitution for which another Bond has been authenticated and delivered pursuant to the Bond Resolution, unless proof satisfactory to the Trustee is presented that any Bond for which such Bond has been authenticated and delivered is held by a bona fide purchaser, as that term is defined in Article Eight of the Uniform Commercial Code of the State, as amended, in which case both the Bond so substituted and replaced and the Bond or Bonds authenticated and delivered in lieu of, or in substitution for, it shall be deemed outstanding.

“Parity Bonds” means Bonds which have a first priority pledge of, lien on, and security interest in, the trust estate established by the granting clauses of the Bond Resolution.

“Parity Hedge Obligation” has the meaning provided in the Bond Resolution.

“Parity Obligations” means Parity Bonds and Parity Hedge Obligations.

“Parties” or “Party” means any person(s), other than the Administration, that is/are party(ies) to a Parity Obligation other than Bonds or to a Subordinated Contract Obligation.

“Pledged Property” means Revenues and all other money and property pledged to the payment of the Bonds as set forth in the Bond Resolution.

“Prepayment” means any money received from a payment of principal on a Loan in excess of the scheduled payments of principal then due.

“Pre-Refunded Municipal Obligations” means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on the escrow, in the highest rating category of any nationally recognized rating agency; or (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

“Program” means the Administration’s program of making or purchasing or otherwise financing Qualified Program Assets pursuant to the provisions of the Bond Resolution.

“Program Asset” means a Loan or a Development.

“Purchase Commitment” means a written commitment by the Administration, signed by an authorized Officer and accepted by the developer, as amended or supplemented from time to time, to purchase from a Mortgage Lender one or more Loans.

“Qualified Hedge” means, to the extent from time to time permitted by law, any financial arrangement (i) which is entered into by the Administration with an entity that is a Qualified Hedge Provider at the time the arrangement is entered into; (ii) which is a cap, floor or collar; forward rate; future rate; swap; asset, index, price or market-linked transaction or agreement; other interest rate exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto; or any similar arrangement; and (iii) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Hedge.

“Qualified Hedge Provider” means a provider of a Qualified Hedge as determined in a Certificate of the Administration.

“Qualified Program Asset” means a Program Asset satisfying the conditions set forth in the Bond Resolution.

“Rating” means at any date the then existing rating of Bonds (other than Subordinate Bonds and other than any Series of Bonds which has a rating based on a Credit Facility) by a Rating Agency.

“Rating Agency” means any nationally recognized rating agency maintaining a rating of any Bonds (other than Subordinate Bonds), pursuant to a request for a rating by the Administration.

“Rating Certificate” means, in connection with certain actions to be taken by the Administration, a Certificate of an Authorized Officer filed with the Trustee that the Administration has been advised by each Rating Agency that the Rating of that Rating Agency will not be reduced as a result of the Administration taking that action. Published rating criteria by a Rating Agency shall also constitute advice of that Rating Agency.

“Record Date” means the fifteenth business day next preceding an Interest Payment Date.

“Recovery Payment” means any payment by a mortgagor or any other recovery of principal on a Loan not applied to scheduled installment of principal and interest on the Loan (including any deficiency in the payment of any scheduled installments of principal and interest then due and payable or interest paid in connection with a Prepayment of a Loan). A Recovery Payment includes, without limitation, (i) Prepayments, (ii) the portion of any Insurance Proceeds (to the extent not applied to the repair or restoration of any mortgaged premises), (iii) Liquidation Proceeds, and (iv) amounts from the sale, transfer or other disposition of a Program Asset, or net recovery from Credit Enhancement to the extent not included in Insurance Proceeds, in each case representing such principal amounts.

“Refunding Bonds” means any bonds issued by the Administration to refund one or more Series of Bonds or any portion thereof. Bonds issued for the purpose of refunding bonds, notes or other obligations, whether issued by the Administration or any other person, under any authorizing or issuing document, resolution, certificate or indenture other than the Bond Resolution are not Refunding Bonds under the Bond Resolution.

“Reserve Fund” means the Fund of that name established pursuant to Section 401 of the Bond Resolution.

“Reserve Requirement” means, as of any particular date of calculation, an amount equal to the sum of all amounts established as Series Reserve Requirements in the Series Resolutions for all Series of Bonds Outstanding authorizing the issuance of such Outstanding Bonds. The Trustee may rely upon a Certificate from an Authorized Officer of the Administration which states the Reserve Requirement as of the date of the Certificate.

“Revenue Fund” means the Fund of that name established pursuant to Section 401 of the Bond Resolution.

“Revenues” means all payments, proceeds, rents, charges and other cash income derived by or for the account of the Administration from or related to the Program, including, without limitation, the payments of principal of and interest on Loans (whether paid by or on behalf of the Borrower), including the payments of principal of and interest on Loans subject to Credit Enhancement, and investment income from all funds and accounts described in Section 401 of the Bond Resolution subject to the lien of the Bond Resolution, Hedge Receipts and Termination Receipts, including Recovery Payments or Acquired Development Receipts, and not including any fees received by the Administration for its own account pursuant to annual contribution contracts between the Administration and HUD, if any, with respect to Project Assets financed by Loans, or financing, commitment or similar fees or charges of the Administration at or prior to the time of making, purchasing or otherwise financing a Program Asset. Any arbitrage rebate payable to the United States are not Revenues and are not subject to the lien of the Bond Resolution.

“Serial Bonds” means Bonds which are not Term Bonds.

“Series” means one of the Series of Bonds issued under the Bond Resolution pursuant to a Series Resolution.

“Series Program Determinations” means determinations by the Administration relating to Program Assets and certain other matters required to be set forth in connection with a Series of Bonds under the Program (or provision to be determined at certain specified times in the future), as provided in a Series Resolution. Series Program Determinations shall be consistent with the Bond Resolution. They may include, without limitation, (i) the security which may be provided for each Program Asset; (ii) the principal and interest payment provisions of Loans; (iii) the maximum term to maturity of Loans; (iv) the nature of the residences to which the Loans relate and limitations on who may be a mortgagor; (v) required credit standards and other terms of primary mortgage insurance or other credit support, if any, and the levels of coverage and applicable loan to value ratios, if appropriate; (vi) Credit Enhancement, if any; (vii) the application of a Credit Facility, if any; (viii) the manner and extent of funding, and provisions designating the use of, the Collateral Reserve Fund, if any, or any modification of the Collateral Reserve Funds; (ix) provisions for limiting or restricting use of Recovery Payments; and (x) limitations on Expenses.

“Series Reserve Requirement” means an amount established by a Series Resolution as a component of the Reserve Requirement while Bonds of the Series are Outstanding.

“Series Resolution” means a resolution of the Administration authorizing the issuance of a Series of Bonds and includes any determination with regard to that Series made by an Authorized Officer pursuant to the authority delegated by the Series Resolution, and executed prior to issuance of those Bonds. Series Resolution includes any resolution of the Administration amending a Series Resolution as provided in the Bond Resolution or the related Series Resolution.

“Single Family Residence” means a residential dwelling of one or more units located within the State, occupied or to be occupied within a reasonable period of time as a principal residence of the Borrower, including, without limitation, manufactured housing or mobile homes permanently affixed to the property, condominiums, and cooperative housing to the extent permitted by the Act.

“Sinking Fund Requirement” means, as of any particular date of calculation, with respect to the Term Bonds of any Series and maturity, the amount of money required to be applied on any applicable date to the redemption prior to maturity or the purchase of those Bonds. Sinking Fund Requirements may be established as fixed dollar amounts or by formula.

“State” means the State of Maryland.

“Subordinate Bond Accounts” means the Accounts of that name in the Revenue Fund established pursuant to Section 401 of the Bond Resolution.

“Subordinate Bonds” means bonds authorized under this Resolution and issued pursuant to the Bond Resolution.

“Subordinate Contract Obligation” means (a) Subordinate Bonds, (b) any payment obligation of the Administration (other than a payment obligation constituting a Parity Obligation) arising under any Qualified Hedge, or portion of a Qualified Hedge, which has been designated as constituting a “Subordinated Contract Obligation” pursuant to the Series Resolution or Supplemental Resolution authorizing such Qualified Hedge, and (c) any other contract, agreement or other obligation authorized by a Series Resolution or Supplemental Resolution and designated as constituting a “Subordinate Contract Obligation” in such authorizing Series Resolution or Supplemental Resolution. Each Subordinate Contract Obligation shall be payable from Revenues subject and subordinate to the payments to be made with respect to the Parity Obligations, and shall

be secured by a lien on and pledge of Revenues junior and inferior to the lien on and pledge of the Revenues pursuant to the Bond Resolution created for the payment of the Parity Obligations, all as set forth in the Bond Resolution.

“Subordinate Contract Obligation Accounts” means the Accounts of that name in the Revenue Fund established pursuant to the Bond Resolution.

“Supplemental Resolution” means any resolution of the Administration supplementing or amending the Bond Resolution.

“Term Bonds” means the Bonds of a Series with respect to which Sinking Fund Requirements have been established.

“Termination Receipt” means an amount required to be paid to the Administration under a Qualified Hedge by the Qualified Hedge Provider as a result of the termination of such a Qualified Hedge.

“Trustee” means any institution named in the Series Resolution related to the initial Series of Bonds and designated to act as trustee with respect to the Bonds and its successors and any consolidation or merger to which it or its successors may be a party.

“USDA/RD” means the United States Department of Agriculture, Rural Development Guaranteed Rural Housing Program.

“VA” means the United States Department of Veterans Affairs.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following is a brief summary of certain provisions of the Bond Resolution and such summary is qualified in its entirety by reference to the Bond Resolution.

Purposes for Which Bonds May be Issued

The Bond Resolution provides that Bonds may be issued to provide funds for one or more of the following purposes:

- (a) for the making, purchasing or otherwise financing Program Assets;
- (b) for the refinancing of Program Assets (including, without limitation, Program Assets in default);
- (c) for the refunding of any or all Outstanding Bonds or any other bonds, notes or other obligations, whether or not the Administration is the issuer thereof, including any or all interest and redemption premiums thereon;
- (d) for the funding of reserves;
- (e) for the funding of costs of issuance, redemption premiums relating to Bonds and Administration expenses; or
- (f) achieving any other of the Administration's purposes, as described in the Act, as now or hereafter in effect. **[§101]**

Contract with Trustee and Bondholders

As provided in the Act and as covenanted in the Bond Resolution, in consideration of (i) the acceptance by the Trustee of the trusts created, (ii) the purchase and acceptance of Bonds of any Series issued thereunder by any who shall from time to time be holders thereof and (iii) the entering into of other Parity Obligations or Subordinate Contract Obligations:

- (a) The provisions of the Bond Resolution and applicable Series Resolutions are contracts of the Administration with the Trustee, the Parties and the holders of the Bonds.
- (b) The Administration covenants that it will cause to be paid to and deposited with the Trustee all proceeds of Bonds, all payments of Loans, and all income and receipts therefrom. **[§103]**

Issuance of the Bonds

Each Series of Bonds shall be authorized and issued under and secured by the Bond Resolution pursuant to the authorization contained in a Series Resolution. The Bonds of each Series shall be designated as provided by the Series Resolution. The Bonds shall be in such subseries (if any), shall be in such denominations, shall be dated, shall bear interest at a rate or rates not exceeding the maximum rate then permitted by law payable beginning on such date, shall be stated to mature on such dates, shall be made redeemable at such times and prices (subject to the provisions of the Bond Resolution), shall have such interest payment dates, shall be numbered and the Term Bonds of such Series shall have such Sinking Fund Requirements, all as may be provided by the Series Resolution for such Bonds. Except as may otherwise be

provided in the Series Resolution for Subordinate Bonds, and except as to any differences in the maturities or the interest payment dates or the rate or rates of interest or the provisions for redemption, such Bonds shall be on a parity with and shall be entitled to the same benefits and security under the Bond Resolution as all other Parity Obligations under the Bond Resolution.

Each Series Resolution authorizing the issuance of a Series of Bonds shall include a determination by the Director of the Administration that the issuance of such Series of Bonds is necessary to achieve one or more purposes of the Administration, and may specify and determine such other details as may be required.

Before the Bonds of the Series shall be authenticated and delivered by the Trustee, there shall be on file with the Trustee the following: (i) a copy of the Bond Resolution and the Series Resolution duly certified by an Authorized Officer; (ii) a Bond Counsel's Opinion stating in the Opinion of such counsel that (A) the Bond Resolution and the applicable Series Resolution have been duly adopted and are valid and binding upon the Administration (subject to reasonable exceptions with respect to enforceability under bankruptcy laws, the police power of the State or other similar laws, and the availability of specific performance and other equitable remedies under State law) and (B) the Bonds being issued are valid and legally binding special limited obligations of the Administration secured in the manner and to the extent set forth in the Bond Resolution and the applicable Series Resolution and are entitled to the benefit, protection and security of the provisions, covenants and agreements contained in the Bond Resolution and the applicable Series Resolution; (iii) a Cash Flow Statement conforming to the requirements of the Bond Resolution, accompanied by a Rating Certificate with respect to Bonds other than Subordinate Bonds; and (iv) a request and authorization to the Trustee on behalf of the Administration, signed by an Authorized Officer, to authenticate and deliver the Bonds to the purchaser or purchasers identified in such request upon payment (or provision therefor) to the Trustee for the account of the Administration of the purchase price of the Bonds or, in the instance of Bonds purchased for delivery at a later date or dates, upon such later date(s) as specified in a Series Resolution. **[§209]**

Authorization of Subordinate Contract Obligations; Conditions Precedent to Delivery

The Administration may from time to time enter into Subordinate Contract Obligations to be secured by the Bond Resolution on a subordinated basis, subject to the conditions hereinafter provided.

Payment of Subordinate Contract Obligations, including the principal or redemption price of and interest on, and the purchase price of each Series of Subordinate Bonds, may be secured by the pledge of funds and accounts under certain provisions of the Bond Resolution, including Subordinate Contract Obligation Accounts, to the extent specified in the Series Resolution, subordinate, however, to the pledge securing Parity Obligations, and upon such terms and conditions set forth in the Series Resolution authorizing such Subordinate Contract Obligations. Subordinate Contract Obligations may be payable from Revenues derived under the Bond Resolution, but only after payment of all other amounts payable from Revenues with respect to Parity Obligations and with respect to any Subordinate Contract Obligations having a higher priority to payment from such Revenues.

The Series Resolution authorizing a Subordinate Contract Obligation may provide that such Subordinate Contract Obligation shall be secured solely by such proceeds or Revenues and not by any other moneys, funds or accounts held under the Bond Resolution, and that such proceeds or Revenues shall not constitute security for or a source of payment of any other Bonds or other Subordinate Contract Obligations outstanding or thereafter issued or entered into in accordance with the Bond Resolution. The Series Resolution authorizing a Subordinate Contract Obligation may establish different priorities of payment and security among different Subordinate Contract Obligations. **[§210]**

Qualified Hedges

The Administration may, to the extent from time to time permitted pursuant to law, enter into Qualified Hedges. The Administration's obligation to pay any amount under any Qualified Hedge may be

secured by a pledge of, and a lien on, Revenues on a parity with the lien securing the Parity Obligations (a “Parity Hedge Obligation”), or may constitute a Subordinate Contract Obligation, as determined by the Administration in the Series Resolution authorizing the related issue of Bonds or in a Supplemental Resolution. Parity Hedge Obligations shall not include any payments of any termination (including Termination Payments) or other fees, expenses, indemnification or other similar obligations to a Party to a Qualified Hedge, which payments shall be Subordinate Contract Obligations payable from Revenues deposited into a Subordinate Contract Obligation Account in the order of priority set forth in the Bond Resolution.

Purchase of Bonds

Amounts on deposit in the Revenue Fund may be applied as applicable to the purchase of Bonds of each Series then Outstanding, whether or not such Bonds or portions thereof shall then be subject to redemption. The Trustee, upon Administration Request accompanied by a Cash Flow Certificate if required by the Bond Resolution, is required to purchase from such amounts such Bonds, whether they be Serial Bonds or Term Bonds, as specified in such Administration Request. The Trustee is required to pay the interest accrued on such Bonds or portions of Bonds to the date of settlement for the Bonds from the Revenue Fund. The Bond Resolution provides that no purchase of a Bond is to be made by the Trustee after the giving of notice of redemption as to that Bond by the Trustee. Purchased Bonds are required to be delivered to the Trustee for cancellation. [§405]

Funds and Accounts Established by the Bond Resolution

The Bond Resolution establishes the following funds and accounts to be held by the Trustee in trust for application in accordance with the Bond Resolution;

- (i) Program Fund, which, for each Series of Bonds, will contain a Series Program Account;
- (ii) Revenue Fund, which will consist of:
 - (a) Debt Service Account,
 - (b) Recovery Payment Account,
 - (c) Redemption Account, and
 - (d) Subordinate Contract Obligation Accounts;
- (iii) Reserve Fund;
- (iv) Collateral Reserve Fund;
- (v) Acquired Development Fund; and
- (vi) Rebate Fund. [§401]

Additional Funds and Accounts (including for the purpose of depositing amounts required to be related to mortgagors or the United States) may be created and designated in Series Resolutions.

Program Fund

Except as may be provided by a Series Resolution for Subordinate Bonds, amounts received upon the sale of a Series of Bonds are to be deposited in the Program Fund and credited to the related Series Program Account in the amount, if any, provided in the applicable Series Resolution. In addition, amounts are to be

deposited in the Program Fund from the Revenue Fund as provided in the Bond Resolution and from any other source and are to be credited to the Series Program Account as specified in the Administration Request directing the transfer.

Amounts in a Series Program Account may be used to pay Costs of Issuance of the related Series of Bonds, or to reimburse the Administration for Costs of Issuance, in either case in the amount specified in or pursuant to the Series Resolution, upon a requisition stating generally the nature and amount of those Costs of Issuance signed by an Authorized Officer. Amounts in Series Program Accounts other than amounts used or to be used to pay Costs of Issuance are to be applied by the Trustee upon Administrative Request: (i) to finance the making or acquisition of Program Assets, (ii) to pay costs of Credit Enhancement with regard to Program Assets or any Credit Facility with regard to Bonds, (iii) to pay costs of completing an Acquired Development as set forth in the Bond Resolution, and (iv) as otherwise provided in the Series Resolution.

[§402]

Revenue Fund

The Trustee is required to transfer to and deposit in the Revenue Fund all amounts transferred to it from the Program Fund as provided in the Bond Resolution or from the Reserve Fund as provided in the Bond Resolution and credit those amounts to the Accounts as specified in the Bond Resolution. Amounts received upon the sale of a Series of Bonds are to be deposited in the Revenue Fund in the amount, if any, provided in the applicable Series Resolution, for credit to the Debt Service Account to pay debt service as specified in the Series Resolution.

Recovery Payments are to be credited to the Recovery Payment Account. Except as may be limited by a Series Resolution, amounts in the Recovery Payment Account may be transferred at any time upon an Administration Request to the Redemption Account, the Debt Service Account or any Series Program Account.

At any time, upon Administration Request, the Trustee is required to apply amounts in the Revenue Fund not credited to any Account in the Fund to pay the accrued interest portion of the cost of acquiring any Loan consistent with the related Series Resolution.

Upon their receipt, the Administration is required to notify the Trustee as to any amounts which have been received for accrued interest with respect to Loans made or acquired from amounts which were expended from the Series Program Account (to the extent not so funded from a transfer from the Revenue Fund). The Trustee is required to transfer those amounts to the credit of the applicable Series Program Account.

On or prior to each payment date for the following obligations the Trustee is required to transfer all amounts in the Revenue Fund not in any Account in the Revenue Fund to the credit of Funds and Accounts in the following priority:

(1) to the Debt Service Account, an amount sufficient, together with amounts on deposit in that Account, timely to pay interest and principal, at maturity or mandatory redemption, due on such debt service payment date Parity Bonds, and any other payments due on such payment date on other Parity Obligations, and to pay any Expenses in connection with any Credit Facility related to such Parity Obligations, as set forth in the Series Resolution or a Supplemental Resolution;

(2) to the payment of Expenses specified in a Series Resolution, or such other Expenses provided in an Administration Request;

(3) to the Reserve Fund, an amount sufficient to cause the amount on deposit in that Fund, including Cash Equivalents permitted by a Series Resolution, to equal the Reserve Requirement;

- (4) to the Redemption Account, an amount as specified in an Administration Request;
- (5) to any Series Program Account in the Program Fund, an amount as specified in an Administration Request; or
- (6) to any Subordinate Contract Obligation Accounts, an amount sufficient together with amounts on deposit in that Account, established by a Series Resolution for Subordinate Contract Obligations, timely to pay when due, any Subordinate Contract Obligation and to pay any Expenses in connection with any Credit Facility related to such Subordinate Contract Obligations, as set forth in the Series Resolution or a Supplemental Resolution or to provide any reserve with respect to Subordinate Contract Obligations.

At any time the Trustee is required to, upon Administration Request, accompanied by a Cash Flow Certificate, release amounts on deposit in the Revenue Fund to the Administration for any lawful purpose free and clear of the pledge and lien of the Bond Resolution.

At any time the Trustee is required to, upon Administration Request, apply amounts in the Revenue Fund not credited to any Account in it or the Rebate Fund to make required rebates pursuant to the Code.

At any time the Trustee is required to apply, upon an Administration Request, amounts in the Revenue Fund and not credited to any Account in it to the purchase of Bonds at the times, in the manner and for the purposes set forth in the Bond Resolution.

At any time, upon Administration Request, amounts on deposit in the Revenue Fund may be applied to pay Expenses as specified in an Administration Request. **[§403]**

Reserve Fund

The Administration is required to deposit amounts in the Reserve Fund as provided in the Series Resolutions and as provided in the Bond Resolution. The Trustee is required to transfer money held in the Reserve Fund to the Debt Service Account, pursuant to the Bond Resolution. Amounts held in the Reserve Fund as of any date in excess of the Reserve Requirement, taking into account any Cash Equivalents in the Reserve Fund, are required to, upon an Administration Request, be transferred to the Revenue Fund. A Series Resolution may provide that the Reserve Requirement or any excess balances in the Reserve Fund with respect to the applicable Series of Bonds may be funded in whole or in part through Cash Equivalents or other Program Assets. **[§408]**

Collateral Reserve Fund

Moneys, Cash Equivalents, Program Assets, Non-Conforming Loans and other assets may be deposited into the Collateral Reserve Fund in accordance with the requirements of a Series Resolution or a Supplemental Resolution, which may establish terms, conditions and provisions relating to the funding of the Collateral Reserve Fund, the making or purchase of loans or other Assets approved by the Administration, disbursement of moneys or Cash Equivalents and the sale, disposition or release of Program Assets, Non-Conforming Loans from such fund, and maintenance of moneys, Cash Equivalents, Program Assets or Non-Conforming Loans, or assets required to be held in such fund with respect to either a Series of Bonds or generally. Any moneys, Cash Equivalents, Program Assets, Non-Conforming Loans or other assets on deposit in the Collateral Reserve Fund may be transferred to any other Fund or Account or withdrawn by the Administration upon receipt by the Trustee of an Administrative Request.

The Trustee is required to transfer amounts from the Collateral Reserve Fund to the credit of the Debt Service Account as provided in the Bond Resolution. **[§409]**

Acquired Development Fund

Acquired Development Receipts are required to be held by the Trustee in the Acquired Development Fund and are required to be used solely for the payment of Acquired Development Expenses; provided that any amount specified by an Authorized Officer as not being needed to maintain the Acquired Development Expense Requirement is required to be transferred to the Revenue Fund.

Payments from the Acquired Development Fund are required to be made upon the direction of an Authorized Officer. Upon receipt of each such direction of an Authorized Officer, the Trustee is required to pay the amount stated therein to the Administration by check or draft or is required to arrange for the transfer, deposit or payment of such amounts as directed by the Authorized Officer.

The Administration is required to maintain on its books of account a separate account within the Acquired Development Fund for each Acquired Development, showing all disbursements of money withdrawn for it from the Acquired Development Fund, and is required to provide to the Trustee, at least quarterly, a report showing in reasonable detail the expenditures for each Acquired Development.

The Trustee is required to transfer amounts from the Acquired Development Fund to the credit of the Debt Service Account as provided in the Bond Resolution. **[§410]**

Sale of Program Assets; Release of Lien of Resolution

The Administration is authorized to sell, assign or otherwise dispose of a Program Asset (and to release the same from the lien of the Bond Resolution), in addition to a sale, assignment or disposition pursuant to the Bond Resolution or any applicable Supplemental Resolution, provided that, with respect to any Program Asset not in default, the Administration files with the Trustee a Cash Flow Certificate taking into account such sale, assignment or disposition pursuant to the Bond Resolution.

The Administration is authorized to release a Program Asset secured by a Credit Facility or Credit Enhancement, reserves created or held with respect to such Program Asset or the Series of Bonds (or portion of such Series) issued to make, purchase or finance such Program Asset and any other moneys to be received with respect to such Program Asset from the lien of the Bond Resolution at the direction of the Credit Facility Provider or Credit Enhancer which issued or provided any Credit Facility securing the Series of Bonds which financed the Program Asset or the Credit Enhancement securing the Program Asset, provided such Credit Facility or Credit Enhancement continues in effect. Such release may occur only after payment is made under the terms of the Credit Facility or Credit Enhancement. **[§617]**

Cash Flow Statements and Certificates

See the discussion of Cash Flow Statements and Certificates under the heading “SECURITY FOR THE BONDS – Cash Flow Statements and Certificates”.

The Cash Flow Statement shall be based upon the Administration’s reasonable expectations, and shall be based upon assumptions consistent with those used in the most recent Cash Flow Statement or such other assumptions as shall not adversely affect any of the Rating Agency’s ratings on the Bonds. In calculating the amount of interest due on Bonds in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding on Bonds bearing interest at a variable rate as defined in a Supplemental Resolution, the initial interest rate shall be used so long as doing so does not adversely affect any of the Rating Agency’s ratings on the Bonds. **[§608]**

Redemption of Bonds

The Bonds issued under the provisions of the Bond Resolution are subject to redemption, both in whole and in part and at such times and redemption prices, as may be provided in the applicable Series Resolution. Term Bonds may be made subject to sinking fund redemption pursuant to their Sinking Fund Requirements on the dates and during the period during which such Sinking Fund Requirements are in effect, as established in the applicable Series Resolution.

The Trustee, at the direction of the Administration, is required to select the Bonds or portions of Bonds to be redeemed or purchased in accordance with the Bond Resolution and the applicable Series Resolution. Except as otherwise stated in the related Series Resolution, money is required to, upon an Administration Request to the Trustee accompanied by a Cash Flow Certificate, as may be required by the Bond Resolution, be applied by the Trustee to the purchase or the redemption of Bonds selected from among the Series (and subseries, if applicable), maturities and interest rates on the basis specified by the Administration in that Administration Request. Except as otherwise provided in a Series Resolution, the Administration Request relating to each redemption of Bonds is required to be filed with the Trustee at least fifteen (15) days prior to the date upon which notice of redemption is caused to be delivered by the Trustee to all registered owners of Bonds to be redeemed, or such lesser number of days as are acceptable to the Trustee.

Except as otherwise provided in a Series Resolution, if less than all of the Bonds of one Series (and subseries, if applicable) and one maturity bearing the same interest rate (and otherwise of like tenor) are called for redemption, the particular Bonds of such Series (and subseries if applicable) and maturity bearing the same rate of interest (and otherwise of like tenor) to be redeemed are to be selected not later than fifteen (15) days prior to the date upon which notice of redemption is caused to be delivered by the Trustee to all registered owners of Bonds to be redeemed, or such lesser number of days as are acceptable to the Trustee in such manner as directed by the Administration. If no such direction is received by the Trustee, the Trustee is required to select the Bonds to be redeemed by lot or in such other manner as it in its discretion may determine. The portion of Bonds of any Series (and subseries, if applicable) to be redeemed is required to be in the minimum principal amount or some integral multiple of such minimum principal amount established for such Bonds in the applicable Series Resolution, and in selecting Bonds for redemption, the Trustee is required to treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by such minimum principal amount.

If less than all of the Term Bonds Outstanding of any one maturity of a Series (or subseries, if applicable) are purchased for cancellation or called for redemption (other than in satisfaction of Sinking Fund Requirements), the principal amount of such Term Bonds that are so purchased or redeemed is to be credited, to the extent practicable, except as otherwise provided in an Administration Request, against all remaining Sinking Fund Requirements for the Term Bonds of such Series (and subseries, if applicable) and maturity in the proportion which the then remaining balance of each such Sinking Fund Requirement bears to the total of all Bonds of such Series (and subseries, if applicable) and maturity then Outstanding. [§301]

Investment of Moneys Held by the Trustee

Any and all money held by the Trustee under the Bond Resolution, except as otherwise expressly provided in the Bond Resolution, is to be held in trust, is to be applied only in accordance with provisions of the Bond Resolution and are not to be subject to any lien, charge or attachment by any creditor of the Administration.

Money deposited under the Bond Resolution is to, as nearly as is practicable, be fully and continuously invested or reinvested by the Trustee upon the direction of an Authorized Officer (promptly confirmed by delivery of an Administration Request) in Investment Obligations which are to be in such amounts and bear interest at such rates that sufficient money will be available to pay the principal and interest when due on the Bonds and the other obligations permitted under the Bond Resolution and which mature, or

which are subject to redemption by the holder at the option of the holder, such that sufficient money will be available for the purposes intended.

Any Investment Obligations so purchased in any Account or Fund are to be deemed at all times to be part of such Account or Fund. Unless the Administration otherwise directs, any interest paid on the investment in any Account or Fund (except the Rebate Fund) is to be credited to the Revenue Fund and is to be treated as Revenues. Any interest paid on the investment of the Rebate Fund is required to be credited to the Rebate Fund. Any profit or loss resulting from an investment is to be credited to or charged against the applicable Account or Fund of which it is an investment. The Trustee is required to sell or present for redemption any obligations so purchased whenever it is necessary to do so in order to provide money to meet any payment or transfer from any such Account or Fund. The Trustee, when authorized by an Authorized Officer, may trade with itself in the purchase and sale of securities for such investment. Neither the Trustee nor the Administration is liable or responsible for any loss resulting from any such investment. **[§§501 and 502]**

Program Covenants; Enforcement of Mortgage Loans

The Administration covenants in the Bond Resolution that:

(i) the Administration will use and apply the proceeds of the Bonds, to the extent not required by the Bond Resolution for other Program purposes, to make or purchase or otherwise finance Qualified Program Assets or otherwise apply such proceeds in accordance with the provisions and requirements of each applicable Series Resolution;

(ii) the Administration will do all such acts and things as are necessary to receive and collect Revenues and such payments for taxes, insurance and similar items as are normally escrowed by prudent mortgage servicing institutions in the State, consistent with sound practices and principles;

(iii) the Administration will diligently enforce and take all steps, actions and proceedings reasonably necessary, in the judgment of the Administration, for the enforcement of all terms, covenants and conditions of Mortgages and Loans;

(iv) the Administration will establish income and occupancy requirements to assure compliance with the Act for the Borrower for each Single Family Residence or Development financed with the proceeds of a Loan; and

(v) the Administration will take all reasonable steps, actions and proceedings it deems appropriate or necessary for the enforcement of all terms, covenants and conditions of Loans made, purchased or financed by the Administration, including the prompt collection of Loan repayments and fees and charges and other Revenues. **[§615]**

Tax Covenants

The Administration covenants in the Bond Resolution that it will comply with the applicable tax covenants contained in any applicable Series Resolution. **[§609]**

Events of Default

Each of the following constitutes an Event of Default under the Bond Resolution:

(1) payment of interest on or the principal or redemption price of any of the Bonds is not made when due and payable; or

(2) default in the due and punctual performance of any other covenants or agreements contained in the Bonds or in the Bond Resolution or any Series Resolution and such default continues for ninety (90) days after written notice requiring the default to be remedied, has been given to the Administration by the Trustee. The Trustee may give such notice in its discretion and shall give such notice at the written request of the owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding. However, if such default can be remedied, so long as following such notice the Administration is diligently taking actions to remedy such default, such default is not an Event of Default under the Bond Resolution.

An Event of Default with respect to Subordinate Bonds is not an Event of Default on Bonds which are not Subordinate Bonds. For purposes of determining the percentages of Owners of Bonds as provided in the Bond Resolution, only Bonds other than Subordinate Bonds are to be taken into account unless the Event of Default relates only to Subordinate Bonds in which case the percentage relates only to Subordinate Bonds. In the case of an Event of Default relating only to Subordinate Bonds any acceleration or other remedy will relate only to Subordinate Bonds.

Except as expressly provided above, under no circumstances shall the Administration's failure to pay (i) Parity Hedge Obligations, (ii) Termination Payments or (iii) Subordinate Contract Obligations constitute an Event of Default under the Bond Resolution. **[§701]**

Remedies; Rights of Bondholders

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may, and upon the written direction of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds is required to proceed, subject to the provisions of the Bond Resolution, to protect and enforce its rights and the rights of the Bondowners under applicable laws or under the Bond Resolution by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Bond Resolution or in aid or execution of any power granted in the Bond Resolution or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Bond Resolution the Trustee is entitled (1) to sue for, enforce payment of and recover judgment for, in its own name as Trustee of an express trust, any and all amounts then or after any default becoming, and at any time remaining, due from the Administration for unpaid principal, premium, if any, interest or otherwise under any of the provisions of the Bond Resolution or the Bonds, with, to the extent permitted by the applicable law, interest on overdue payments of principal of and interest at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Bond Resolution and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and (2) to recover and enforce any judgment or decree against the Administration, but solely as provided in the Bond Resolution, the Series Resolution, and in the Bonds, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided and to collect, in any manner provided by law, the money adjudged or decreed to be payable.

Regardless of the happening of an Event of Default, the Trustee may, and, subject to the Bond Resolution, if requested in writing by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Outstanding Parity Bonds, is required to institute and maintain such suits and proceedings as it may be advised are necessary or expedient (i) to prevent any impairment of the Pledged Property by any acts which may be unlawful or in violation of the Bond Resolution or of any Series Resolution or (ii) to preserve or protect the interest of the Bondowners, provided that such request is in accordance with law and the provisions of the Bond Resolution and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Owners of Bonds not making such request.

If a covenant is set forth in a Series Resolution, limitations on the remedies available upon an Event of Default related to such covenant may be set forth in such Series Resolution. **[§703]**

Rights of Bondholders to Direct Proceedings

Notwithstanding anything in the Bond Resolution to the contrary, the Owners of a majority in principal amount of the Parity Bonds then Outstanding shall have the right, subject to the provisions of the Bond Resolution, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee or exercising any trust or power conferred upon the Trustee, provided that such direction shall not be otherwise than in accordance with law, the provisions of the Bond Resolution and the Act and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondowners not joining in such direction. **[§707]**

Waiver of Events of Default

The Trustee, upon written direction of the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds, is required to waive any Event of Default, which in the opinion of those Owners has been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by them under the provisions of the Bond Resolution or before the completion of the enforcement of any other remedy under the Bond Resolution, but no such waiver may extend to or affect any other existing or any subsequent Event or Events of Default or impair any rights or remedies consequent to it. **[§713]**

Modification of Resolutions and Outstanding Bonds

The Bond Resolution provides procedures whereby the Administration may amend the Bond Resolution or a Series Resolution by adoption of a Supplemental Resolution. Amendments that may be made without the consent of Bondholders may be only for certain purposes and include curing any ambiguity, defect or omission in the Bond Resolution or conferring upon the Trustee additional rights, remedies, powers, authority or security that may be lawfully granted. **[§1001]**

Amendments of certain of the respective rights and obligations of the Administration and the Bondholders may be made with the written consent of the holders of greater than fifty percent (50%) in aggregate principal amount of the Outstanding Bonds; however, without the consent of all adversely affected Bondowners, no Supplemental Resolution may (a) change the terms of redemption or of the maturity of the principal of or the interest on any Bond, or (b) reduce the principal amount of any Bond or the redemption premium or the rate of interest on it, or (c) create or grant a pledge, assignment, lien or security interest of the Pledged Property, or any part of it, other than as created or permitted by the Bond Resolution without the Supplemental Resolution, or (d) create a preference or priority of any Bond or Bonds over any other Bond or Bonds, except as may be permitted by the Bond Resolution or (e) reduce the aggregate principal amount or classes of the Bonds required for consent to such Supplemental Resolution. If any such modification, supplement or amendment will by its terms, not take effect so long as any Bonds of any specified Series and maturity remain Outstanding, the consent of the Owners of those Bonds are not required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Bond Resolution. **[§1002]**

Defeasance

If the Administration shall pay or cause to be paid, or there shall otherwise be paid, to the Registered Owners of the Bonds then Outstanding, the principal, redemption premium, if any, and interest to become due thereon, at the times and in the manner stipulated in the Bond Resolution and in the Series Resolutions, then the covenants, agreements and other obligations of the Administration to the Registered Owners of the Bonds shall be discharged and satisfied. If the Administration pays or cause to be paid, or there is otherwise paid, to a Party to a Parity Obligation, other than Parity Bonds, or to a Subordinated Contract Obligation, other than

Subordinate Bonds, at the times and in the manner stipulated in the Bond Resolution and in the Series Resolution, then the obligations of the Administration to such Parties shall be discharged and satisfied. In such event, the Trustee shall pay over or deliver to the Administration all money or securities held by it pursuant to the Bond Resolution which are no longer required for the payment or redemption of Bonds not already then surrendered for such payment or redemption or for the payment of Parity Obligations, other than Parity Bonds, and Subordinate Contract Obligations, other than Subordinate Bonds, which are no longer required for such payments. **[§1101(a)]**

Pursuant to the Bond Resolution, all Bonds will, prior to their maturity or redemption date, be deemed to have been paid pursuant to the Bond Resolution if, among other things, there is deposited with the Trustee either money in an amount which is sufficient, or Government Obligations the principal of and interest on which when due will provide money which, without reinvestment, when added to the money, if any, deposited with such Trustee at the same time, is sufficient to pay the principal of those Bonds at maturity, or on sinking fund installment dates for Term Bonds, or the principal, redemption premium, if any, and interest due and to become due on those Bonds on and prior to the redemption date or maturity date (or sinking fund installment dates for Term Bonds) of the Bonds, as the case may be. **[§1101(b)]**

Trustee

The Trustee is required to undertake the duties and obligations imposed upon it under the Bond Resolution and each of the Series Resolutions. If an Event of Default has occurred and is continuing, the Trustee is required to exercise such of the rights and powers vested in it by the Bond Resolution, and is required to use the same degree of care that a prudent person would exercise in the circumstances in the conduct of such person's own affairs. However, the Trustee is under no obligation or duty to perform any act which would involve it in expense or liability, to institute or defend any action or suit in respect of the Bond Resolution or Bonds, or to advance any of its own moneys, unless properly indemnified in accordance with the Bond Resolution. The Bond Resolution provides that the Trustee will not be liable in connection with the performance of its duties under the Bond Resolution, except for its own negligence or default. **[§§801-803]**

The Trustee may resign and thereby become discharged from the trusts, by notice in writing to be given to the Administration and mailed, first class, postage prepaid, to all Registered Owners of Bonds at their addresses as they appear on the registration books kept by the Trustee, not less than sixty (60) days before such resignation is to take effect, but such resignation will take effect immediately upon the appointment of a new Trustee, if such new Trustee is appointed before the time limited by such notice and then accepts the trusts. The Bond Resolution provides that no resignation of the Trustee is effective if an Event of Default, or any event which upon the passage of time would be an Event of Default has occurred and is continuing except upon the consent of Owners of a majority in principal amount of the Outstanding Bonds. **[§812]**

Subject to the Bond Resolution, the Trustee may be removed at any time by an instrument or concurrent instruments in writing executed by the Owners of not less than a majority in principal amount of the Outstanding Bonds and filed with the Administration. A facsimile copy of each such instrument is required to be delivered promptly by the Administration to the Trustee. The Trustee may also be removed at any time for reasonable cause by any court of competent jurisdiction upon the application of Owners of not less than ten percent (10%) in aggregate principal amount of the Outstanding Bonds. The Trustee may be removed at any time by the Administration (provided that the Administration is not in default under the Bond Resolution) in its sole discretion by written notice to the Trustee. **[§813]**

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APPENDIX E

OUTSTANDING INDEBTEDNESS OF THE ADMINISTRATION

Outstanding Residential Revenue Bonds

The following table sets forth certain information relating to Bonds issued by the Administration under the Bond Resolution outstanding as of April 1, 2009.

	<u>Effective Bond Yield</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	
Residential Revenue Bonds						
1998 Series A	5.302760%	1998	9/1/2017	\$ 4,640,000	\$ 3,970,000	
1998 Series D	5.080895%	1998	9/1/2029	62,810,000	30,975,000	
1999 Series C	4.981370%	1999	9/1/2015	2,665,000	2,665,000	
1999 Series D	5.258230%	1999	9/1/2031	57,335,000	29,140,000	
1999 Series H	6.185333%	1999	3/1/2031	60,000,000	9,435,000	(2)
2000 Series F	4.996857%	2000	9/1/2014	15,190,000	3,920,000	
2001 Series A	4.689417%	2001	9/1/2017	18,885,000	10,770,000	
2001 Series B	5.329877%	2001	9/1/2032	50,800,000	22,280,000	
2001 Series E	4.428468%	2001	9/1/2012	13,775,000	5,395,000	
2001 Series G	4.000795%	2001	9/1/2011	10,100,000	3,825,000	(1)
2001 Series H	5.246263%	2001	9/1/2033	49,900,000	32,940,000	(1)
2003 Series A	3.642019%	2003	9/1/2015	9,550,000	6,420,000	(1)
2003 Series B	4.650537%	2003	9/1/2026	15,450,000	5,585,000	(1)
2003 Series C	(3)	2003	9/1/2035	20,000,000	20,000,000	(1)
2004 Series A	3.806300%	2004	9/1/2016	10,710,000	8,390,000	(1)
2004 Series B	4.799120%	2004	9/1/2028	19,290,000	8,255,000	(1)
2004 Series C	(3)	2004	9/1/2035	20,000,000	20,000,000	(1)
2004 Series D	4.029268%	2004	9/1/2016	12,960,000	9,870,000	(1)
2004 Series E	5.081152%	2004	3/1/2030	27,040,000	14,995,000	(1)
2004 Series F	(3)	2004	9/1/2035	20,000,000	20,000,000	(1)
2004 Series G	3.310198%	2004	9/1/2016	13,445,000	10,150,000	(1)
2004 Series H	4.621570%	2004	9/1/2029	26,555,000	14,450,000	(1)
2004 Series I	(3)	2004	9/1/2035	20,000,000	20,000,000	(1)
2005 Series A	3.655208%	2005	9/1/2016	12,640,000	10,415,000	(1)
2005 Series B	4.792302%	2005	9/1/2029	27,360,000	20,550,000	(1)
2005 Series C	(3)	2005	9/1/2035	20,000,000	20,000,000	(1)
2005 Series D	3.910070%	2005	9/1/2017	13,485,000	11,390,000	(1)
2005 Series E	4.974120%	2005	9/1/2036	46,515,000	40,565,000	(1)
2006 Series A	3.983190%	2006	9/1/2017	12,020,000	10,995,000	(1)
2006 Series B	4.984790%	2006	9/1/2037	47,980,000	43,020,000	(1)
2006 Series E	4.199900%	2006	9/1/2017	23,540,000	21,555,000	(1)
2006 Series F	5.307100%	2006	9/1/2039	56,460,000	50,025,000	(1)
2006 Series G	(3)	2006	9/1/2040	40,000,000	40,000,000	(1)
2006 Series H	4.102933%	2006	9/1/2017	17,670,000	16,185,000	(1)
2006 Series I	5.204300%	2006	3/1/2041	142,330,000	130,160,000	(1)
2006 Series J	(3)	2006	9/1/2040	60,000,000	60,000,000	(1)
2006 Series K	4.111420%	2006	9/1/2017	15,000,000	13,750,000	(1)
2006 Series L	5.062770%	2006	3/1/2041	165,000,000	158,600,000	(1)
2006 Series O	3.829481%	2006	9/1/2017	10,000,000	9,160,000	(1)
2006 Series P	4.858303%	2006	9/1/2037	85,000,000	81,110,000	(1)
2006 Series S	6.135383%	2006	9/1/2037	25,000,000	23,830,000	(5)
2007 Series A	4.951603%	2007	9/1/2047	270,000,000	264,705,000	(1)
2007 Series B	6.065560%	2007	9/1/2037	30,000,000	29,370,000	(5)
2007 Series C	3.944500%	2007	9/1/2017	45,000,000	45,000,000	(1)
2007 Series D	4.924814%	2007	3/1/2048	175,000,000	170,505,000	(1)
2007 Series E	6.031685%	2007	9/1/2042	49,375,000	48,170,000	(6)
2007 Series F	(3)	2007	9/1/2031	50,625,000	48,240,000	(6)
2007 Series G	4.245422%	2007	9/1/2017	61,605,000	56,480,000	
2007 Series H	5.150783%	2007	3/1/2048	63,395,000	62,995,000	
2007 Series I	6.523650%	2007	9/1/2043	62,800,000	61,930,000	(6)
2007 Series J	(3)	2007	9/1/2031	62,200,000	60,415,000	(6) (8)
2007 Series K	3.761910%	2007	9/1/2017	30,000,000	29,985,000	
2007 Series M	(3)	2007	9/1/2043	30,000,000	29,550,000	(4)(9)
2008 Series A	3.895197%	2008	9/1/2017	60,000,000	60,000,000	
2008 Series B	3.909668%	2008	9/1/2017	19,770,000	19,770,000	
2008 Series C	5.453421%	2008	9/1/2048	80,230,000	80,205,000	
2008 Series D	(3)	2008	9/1/2038	50,000,000	50,000,000	
2008 Series E	4.290850%	2008	9/1/2017	21,500,000	21,500,000	
2008 Series F	5.500088%	2008	9/1/2038	18,500,000	18,500,000	
Total Residential Revenue Bonds				<u>\$2,561,100,000</u>	<u>\$2,232,060,000</u>	

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 April 1, 2009.

	<u>Effective Bond Yield</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Single Family Program Bonds					
1999 Second Series	4.940188%	1999	4/1/2017	\$53,205,000	\$19,310,000
1999 Third Series	4.803280%	1999	4/1/2021	107,265,000	31,875,000
2001 First Series	4.747525%	2001	4/1/2017	66,495,000	28,530,000
2001 Second Series	4.475347%	2001	4/1/2023	21,260,000	1,025,000
2002 First Series	4.659224%	2002	4/1/2013	4,495,000	4,060,000 (1)
2002 Second Series	5.048609%	2002	4/1/2024	49,740,000	2,430,000 (1)
Total Single Family Program Bonds				<u>\$302,460,000</u>	<u>\$87,230,000</u>

	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Housing Revenue Bonds				
Series 1996 A	1996	7/1/2023	\$137,385,000	\$ 21,940,000
Series 1996 B	1996	7/1/2028	2,575,000	1,545,000
Series 1997 A	1997	7/1/2039	37,135,000	34,110,000
Series 1997 B	1997	7/1/2039	7,660,000	7,090,000
Series 1997 C	1997	7/1/2039	14,075,000	12,880,000
Series 1998 A	1998	1/1/2040	11,030,000	10,090,000
Series 1999 A	1999	7/1/2041	16,345,000	15,200,000
Series 1999 B	1999	7/1/2042	15,840,000	14,530,000
Series 1999 C	1999	7/1/2040	520,000	485,000
Series 1999 D	1999	7/1/2042	14,565,000	12,000,000
Series 2000 A	2000	7/1/2042	27,445,000	26,090,000
Series 2001 A	2001	7/1/2043	29,645,000	28,180,000
Series 2001 B	2001	7/1/2043	47,630,000	43,975,000
Series 2002 A	2002	7/1/2043	9,500,000	9,090,000
Series 2002 B	2002	7/1/2045	34,435,000	32,230,000
Series 2002 C	2002	7/1/2035	6,740,000	6,375,000
Series 2002 D	2002	7/1/2035	8,280,000	7,900,000
Series 2003 A	2003	7/1/2045	24,730,000	24,030,000
Series 2003 B	2003	7/1/2045	17,660,000	16,965,000
Series 2003 C	2003	7/1/2045	10,735,000	10,460,000
Series 2003 D	2003	7/1/2045	12,080,000	11,730,000
Series 2004 A	2004	7/1/2045	11,130,000	10,230,000
Series 2004 B	2004	7/1/2046	20,320,000	20,320,000
Series 2004 C	2004	1/1/2047	36,515,000	35,540,000
Series 2004 D	2004	7/1/2037	3,270,000	1,675,000
Series 2005 A	2005	1/1/2047	6,385,000	6,265,000
Series 2005 B	2005	1/1/2047	19,355,000	19,165,000
Series 2005 C	2005	7/1/2047	13,985,000	13,295,000
Series 2006 A	2006	7/1/2047	10,800,000	9,945,000
Series 2006 B	2006	1/1/2039	4,800,000	3,185,000
Series 2006 C	2006	7/1/2036	2,120,000	2,045,000
Series 2006 D	2006	7/1/2048	8,000,000	4,425,000
Series 2007 A	2007	1/1/2049	22,435,000	21,685,000
Series 2007 B	2007	1/1/2038	4,875,000	4,875,000
Series 2007 C	2007	1/1/2043	2,310,000	1,535,000
Series 2008 A	2008	7/1/2038	5,845,000	5,805,000
Series 2008 B	2008	7/1/2049	17,360,000	17,360,000
Series 2008 C	2008	7/1/2048	11,380,000	11,380,000
Series 2008 D	2008	7/1/2039	5,110,000	5,110,000
Total Housing Revenue Bonds			<u>\$692,005,000</u>	<u>\$540,735,000</u>

	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Multi-Family Housing Revenue Bonds				
1998 Series A	1998	5/15/2029	\$13,260,000	\$100,000
2001 Series A	2001	5/15/2028	11,285,000	100,000
Total Multi-Family Housing Revenue Bonds			<u>\$24,545,000</u>	<u>\$200,000</u>

		<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	
Infrastructure Financing Bonds						
1995 Series A	(AMBAC Insured)	1995	6/1/2025	\$ 3,975,000	\$ 250,000	
1996 Series A	(MBIA Insured).....	1996	6/1/2026	8,405,000	935,000	
1997 Series A	(MBIA Insured).....	1997	6/1/2027	9,860,000	2,770,000	
1998 Series A	(MBIA Insured).....	1998	6/1/2018	6,320,000	2,540,000	
1998 Series B	(MBIA Insured).....	1998	6/1/2028	30,320,000	10,135,000	
1998 Series C	(MBIA Insured).....	1998	12/1/2020	2,845,000	750,000	
1999 Series A	(MBIA Insured).....	1999	6/1/2029	6,985,000	5,355,000	
2000 Series A	(MBIA Insured).....	2000	6/1/2030	8,065,000	5,660,000	
2001 Series A	(MBIA Insured).....	2001	6/1/2031	8,460,000	6,555,000	
2001 Series B	(MBIA Insured).....	2001	6/1/2021	1,930,000	1,585,000	(4)
Total Infrastructure Financing Bonds				<u>\$87,165,000</u>	<u>\$36,535,000</u>	
		<u>Year Of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	
Local Government Infrastructure Bonds						
2002 Series A	(Ambac Insured)	2002	6/1/2032	\$ 11,790,000	\$ 9,700,000	
2002 Series B	(Ambac Insured)	2002	6/1/2022	3,555,000	2,745,000	
2003 Series A	(Ambac Insured)	2003	6/1/2023	14,560,000	11,560,000	
2004 Series A	(Ambac Insured)	2004	6/1/2034	16,375,000	13,270,000	
2004 Series B	(Ambac Insured)	2004	6/1/2034	4,735,000	4,335,000	
2005 Series A	(Ambac Insured)	2005	6/1/2030	9,345,000	8,475,000	
2006 Series A	(Ambac Insured)	2006	6/1/2026	8,940,000	8,015,000	
2007 Series A	(Ambac Insured)	2007	6/1/2037	11,460,000	11,050,000	
2007 Series B	(Ambac Insured)	2007	6/1/2027	24,575,000	23,575,000	
Total Local Government Infrastructure Bonds				<u>\$105,335,000</u>	<u>\$92,725,000</u>	
		<u>Year Of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	
Multifamily Development Revenue Bonds						
1990 Issue B	(Middle Branch Manor)	1990	6/1/2020	\$ 12,350,000	\$ 8,850,000	(3)
1990 Issue C	(Harbor City Townhomes)	1990	6/1/2020	4,150,000	3,000,000	(3)
Series 1998 A	(Auburn Manor Project).....	1998	10/1/2028	11,000,000	9,170,000	
Series 1999 A	(GNMA-Selborne House Project)	1999	12/20/2040	2,150,000	2,025,000	
Series 2000 A	(Waters Landing II Apartments).....	2000	8/1/2033	11,000,000	10,275,000	
Series 2000 B-1	(Edgewater Village Apartments)	2000	2/1/2033	7,640,000	6,410,000	
Series 2000 B-2	(Edgewater Village Apartments)	2000	2/1/2033	3,125,000	3,125,000	
Series 2000 C	(Park Montgomery Apartments)	2000	2/1/2031	6,170,000	4,960,000	
Series 2001 C	(Parklane Apartments Project).....	2001	2/15/2034	9,800,000	9,800,000	(3)
Series 2001 D	(Princess Anne Townhouses).....	2001	12/15/2033	4,350,000	3,795,000	
Series 2001 E	(Princess Anne Townhouses).....	2001	12/15/2033	2,875,000	2,695,000	(3)
Series 2001 F	(Waters Tower Senior Apts.)	2001	12/15/2033	7,570,000	6,550,000	
Series 2001 G	(Waters Tower Senior Apts.)	2001	12/15/2033	4,045,000	3,780,000	(3)
Series 2002 B	(Broadway Homes Project).....	2002	5/1/2020	5,045,000	2,275,000	
Series 2002 C	(Orchard Mews Apartment Project)	2002	5/1/2035	5,845,000	5,450,000	
Series 2003 A	(Barrington Apartments Project)	2003	6/15/2037	40,000,000	40,000,000	(3)
Series 2005 A	(Fort Washington Manor Sr. Housing).....	2005	11/15/2038	14,000,000	14,000,000	(3)
Series 2005 B	(Washington Gardens)	2005	2/1/2036	5,000,000	2,465,000	
Series 2006 A	(Barclay Greenmount Apartments).....	2006	4/1/2035	4,535,000	3,810,000	
Series 2006 B	(Charles Landing South Apartments)	2006	12/1/2036	3,375,000	3,375,000	(3)
Series 2007 A	(Brunswick House Apartments).....	2007	10/1/2037	3,000,000	2,000,000	
Series 2007 B	(Park View at Catonsville).....	2007	12/1/2037	5,200,000	5,200,000	(3)
Series 2008 A	(Walker Mews Apartments).....	2008	5/1/2048	11,700,000	11,700,000	(3)
Series 2008 B	(Shakespeare Park Apartments).....	2008	5/1/2038	7,200,000	7,200,000	(3)
Series 2008 C	(The Residences at Ellicott Gardens).....	2008	12/1/2040	9,105,000	9,105,000	(3)
Series 2008 D	(Crusader Arms Apartments).....	2008	2/1/2041	3,885,000	3,885,000	(3)
Series 2008 E	(MonteVerde Apartments).....	2008	3/1/2041	15,200,000	15,200,000	(3)
Series 2008 F	(Hopkins Village Apartments).....	2008	11/1/2038	9,100,000	9,100,000	(3)
Series 2008 G	(Kirkwood House Apartments).....	2008	12/1/2038	16,000,000	16,000,000	(3)
Series 2009 A	(Sharp Leadenhall Apartments).....	2009	3/1/2041	16,950,000	16,950,000	(3)
Total Multi-Family Development Revenue Bonds				<u>\$261,365,000</u>	<u>\$242,150,000</u>	

	<u>Year Of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Multifamily Development Revenue Refunding Bonds				
Series 1997 (Avalon Lea Apartments Project)	1997	6/15/2026	\$16,835,000	\$16,835,000(3)
Series 1999C (Westfield/Greens Project).....	1999	12/1/2029	9,200,000	7,895,000
Total Multifamily Development Revenue Refunding Bonds.....			<u>\$26,035,000</u>	<u>\$24,730,000</u>
Capital Fund Securitization Revenue Bonds				
Series 2003	2003	7/1/2021	\$ 94,295,000	\$ 81,970,000
Total Capital Fund Securitization Revenue Bonds.....			<u>\$ 94,295,000</u>	<u>\$ 81,970,000</u>
Total Amount of Other Bonds Outstanding			<u>\$1,593,205,000</u>	<u>\$1,106,275,000</u>
Total Amount of Residential Revenue Bonds Outstanding (7)			<u>\$2,561,100,000</u>	<u>\$2,232,060,000</u>
Total Amount of All Bonds Outstanding			<u>\$4,154,305,000</u>	<u>\$3,338,335,000</u>

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- (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) The maturity date for all outstanding bonds is September 1, 2025. These bonds are not subject to special redemption prior to September 1, 2009 except as provided for in the Series Resolution.
 - (3) These are variable rate bonds that are repriced according to the terms in the respective Official Statement.
 - (4) These are taxable bonds.
 - (5) These are taxable pass through bonds with redemption provisions pertaining only to those bonds. For a description of redemption provisions refer to the Official Statement with respect to those bonds.
 - (6) These are taxable bonds with redemption provisions pertaining only to those bonds. For a description of the redemption provisions refer to the Official Statement with respect to those bonds.
 - (7) See information under caption "Outstanding Residential Revenue Bonds" above.
 - (8) The 2007 Series J Bonds are being reissued as tax-exempt bonds.
 - (9) The 2007 Series M Bonds are being reissued as tax-exempt bonds.

For updated information on issuances and/or redemptions after April 1, 2009, please refer to the website www.mdhousing.org, CDA Bonds - Investor Information.

APPENDIX F

COMMUNITY DEVELOPMENT ADMINISTRATION RESIDENTIAL REVENUE BONDS TEN YEAR RULE PERCENTAGES

Bond Series	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
1998 Series A/B	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1998 Series D	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1999 Series C/D	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1999 Series E/F	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1999 Series H	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2000 Series A/B	65.08%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2000 Series F/G	65.89%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2001 Series A/B	78.17%	85.69%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2001 Series E/F	22.30%	22.31%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2001 Series G/H	39.37%	42.89%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2002 Series A	97.50%	98.42%	98.57%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2003 Series A/B/C	49.34%	53.70%	54.68%	54.69%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2004 Series A/B/C	48.61%	50.82%	52.87%	52.87%	52.87%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2004 Series D/E/F	44.09%	45.77%	49.75%	49.76%	49.76%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2004 Series G/H/I	46.23%	48.10%	49.85%	49.85%	49.85%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2004 Series J/K	90.53%	95.10%	99.99%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2005 Series A/B/C	20.61%	20.73%	20.75%	20.75%	20.75%	20.75%	100.00%	100.00%	100.00%	100.00%	100.00%
2005 Series D/E	71.73%	78.13%	81.41%	81.41%	81.41%	81.41%	100.00%	100.00%	100.00%	100.00%	100.00%
2006 Series A/B/C/D	56.38%	71.31%	72.77%	72.77%	72.96%	72.96%	100.00%	100.00%	100.00%	100.00%	100.00%
2006 Series E/F/G	16.67%	19.20%	19.20%	19.20%	19.20%	19.20%	100.00%	100.00%	100.00%	100.00%	100.00%
2006 Series H/I/J	7.38%	7.86%	7.87%	7.87%	7.87%	7.87%	100.00%	100.00%	100.00%	100.00%	100.00%
2006 Series K/L/M/N	41.53%	45.06%	48.07%	48.07%	48.13%	48.32%	58.31%	100.00%	100.00%	100.00%	100.00%
2006 Series O/P/Q/R	42.74%	51.12%	57.53%	57.60%	57.71%	57.91%	58.06%	100.00%	100.00%	100.00%	100.00%
2007 Series A	8.00%	8.14%	13.29%	13.33%	13.33%	13.33%	13.33%	13.45%	100.00%	100.00%	100.00%
2007 Series C/D	27.52%	29.86%	31.85%	31.86%	31.89%	32.02%	38.64%	66.27%	100.00%	100.00%	100.00%
2007 Series G/H	34.08%	35.37%	43.15%	43.19%	43.46%	44.56%	47.38%	58.43%	100.00%	100.00%	100.00%
2007 Series K/L	44.51%	52.33%	60.45%	60.51%	60.62%	60.95%	61.42%	100.00%	100.00%	100.00%	100.00%
2008 Series A	53.29%	58.58%	70.98%	71.08%	71.39%	72.92%	74.66%	99.91%	100.00%	100.00%	100.00%
2008 Series B/C/D	29.38%	30.18%	34.72%	34.79%	35.20%	37.21%	38.99%	44.97%	46.51%	100.00%	100.00%
2008 Series E/F	38.52%	39.36%	40.55%	40.63%	41.09%	43.02%	44.47%	51.49%	53.33%	100.00%	100.00%
2009 Series A/2007											
Series J	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
2009 Series B/2007											
Series M	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%

Percentage represents the amount of each repayment of principal and prepayment received in each series which must be used to pay the principal portion of debt service or redeem bonds of that series. Percentages are requirements as of December 31 of each year.

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APPENDIX G

MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

FHA MORTGAGE INSURANCE PROGRAM, VA HOME LOAN GUARANTY PROGRAM, USDA/RD MORTGAGE GUARANTEE PROGRAM AND PRIVATE MORTGAGE 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 of the Offered Bonds is limited by the Bond Resolutions to insurance under the FHA 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 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 Loan financed in the future be secured by Credit Enhancement. Credit Enhancement of all or a portion of a 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 Loans includes (but is not limited to) any credit enhancement, insurance, guaranty, risk-sharing arrangement or any other form of credit support for a 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.

On October 27, 2000, HUD announced that mortgages insured under Section 203(b), will be eligible for a reduction in up-front mortgage insurance premiums to 1.50% of the insured mortgage amount, effective for all loans closed on or after January 1, 2001. HUD also announced that annual mortgage insurance premiums for all loans closed on or after such date will be automatically canceled when the loan-to-value ratio reaches 78%, provided that the mortgagor has paid the annual mortgage insurance premiums for at least five years. (Different rules apply for loans with terms of 15 years or less.) Although the annual mortgage insurance premiums will be canceled as described, the contract of insurance will remain in force for the loan's full term. On January 6, 2005, HUD announced the elimination of refunds of upfront mortgage insurance premiums (except for a mortgage refinanced with another FHA mortgage) for mortgages endorsed for insurance on or after December 8, 2004.

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 for the year involved. The liability on the guarantee is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness, but in no event will the amount payable on the guarantee exceed the amount of the original guarantee. Notwithstanding the dollar and percentage limitations of the guarantee, a mortgage lender will ordinarily suffer a monetary loss only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a mortgaged premises is greater than the original guarantee, as adjusted. The VA may, at its option and without regard to the guarantee, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

USDA/RD Mortgage Guarantee Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 authorized the establishment of the USDA/RD Guaranteed Rural Housing Loan Program. Households with annual incomes at or below one hundred fifteen percent (115%) of median area income are eligible for these loans, subject to the geographic restrictions described below. Households with annual incomes at or below eighty percent (80%) of the area median income may be eligible for interest assistance, in addition to the loan guarantee. The interest assistance paid monthly by USDA/RD to the loan servicer reduces the borrower's effective interest rate. The amount of interest rate reduction is dependant upon the households' annual income, which is re-certified by the loan servicer annually. No funds currently are available for interest assistance.

The USDA/RD Guaranteed Rural Housing Loan Program is limited to only certain rural areas of the State. Any city, place, town or village with a population not exceeding 20,000, based on the most recent decennial census, will be considered rural.

The USDA/RD guarantee covers the lesser of (a) any loss equal to ninety percent (90%) of the original principal amount of the loan or (b) any loss in full up to thirty-five percent (35%) of the original principal amount of the loan plus any additional loss on the remaining sixty-five (65%) to be shared approximately eighty-five percent (85%) by USDA/RD and approximately fifteen percent (15%) by the mortgagee.

USDA/RD does not accept conveyance of the property, but rather pays the lender's claim upon foreclosure. The claim payment includes certain actual costs incurred by the lender prior to foreclosure, including interest expense, and an allowance for the costs associated with liquidating the property. The claim payment amount is based on the net sales proceeds if the property is sold within six (6) months, or if no sale occurs within six (6) months, the claim payment amount is determined according to a formula based upon an appraisal of the property performed by USDA/RD. The lender's actual disposition costs may be higher than the USDA/RD claim payment.

Private Mortgage Insurance

Each private mortgage insurance policy with respect to a Mortgage Loan must contain provisions substantially as follows: (a) the mortgage insurer must pay a claim, including unpaid principal, accrued interest, the amounts equal to deferred interest in connection with Mortgage Loans with graduated payments schedules, if any, and expenses, within sixty days of presentation of the claim by the Administration; (b) when a claim for the outstanding principal amount, accrued interest and expenses is presented, the mortgage insurer must either (i) pay such claim in full and take title to the mortgaged property and arrange for its sale or (ii) pay the insured percentage of such claim and allow the Administration to retain title to the mortgaged property or (iii) settle a claim for actual losses where such losses are less than the insured percentage of the claim. (See the "Homeowners Protection Act" below for a discussion of federal legislation that affects private mortgage

insurance.) *Recent rating agencies' reviews of private mortgage insurers may be indicative of some future inability of these insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. The Administration makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payments to the Administration on Mortgage Loans on which losses are incurred.*

Homeowners Protection Act

The Homeowners Protection Act of 1998 (the "Homeowners Protection Act") permits a borrower to cancel private mortgage insurance (for which the borrower pays the premium) on the date on which the principal balance of the mortgage loan is scheduled to reach 80% of the original value of the residence or on the date on which the principal balance actually reaches 80% of the original value of the residence. The original value is the lesser of the sales price or the appraised value at the time the mortgage loan transaction was consummated. In order to effect such cancellation, the borrower must request in writing that the cancellation be initiated, must have a good payment history with respect to the mortgage loan (i.e., no mortgage payment was, during the year beginning two years prior to cancellation, 60 or more days delinquent, and no mortgage payment was, during the year beginning one year prior to cancellation, 30 or more days delinquent), and must satisfy any requirements of the lender for evidence that the value of the residence has not declined below its original value and for certification that the borrower's equity in the residence is not encumbered by a subordinate loan. This Homeowners Protection Act further provides for automatic termination of mortgage insurance on the date on which the principal balance of the mortgage loan is scheduled to reach 78% of the original value of the residence, or if the borrower is not then current on his mortgage loan payments, on the date on which the borrower subsequently becomes current on such payments. These termination and cancellation provisions do not apply to mortgage loans characterized as high risk loans. Even if the private mortgage insurance is not canceled or terminated as described above, private mortgage insurance must be terminated on the first day of the month immediately following the date that is the midpoint of the amortization period of the mortgage loan if the mortgagor is then current on his mortgage loan payments. This Homeowners Protection Act also requires that borrowers be provided with certain disclosures and notices regarding termination and cancellation of private mortgage insurance. This Homeowners Protection Act applies to mortgage loans closed on or after July 29, 1999.

This Homeowners Protection Act applies to insurance provided by the Maryland Housing Fund as well as private mortgage insurance described above.

In addition to termination and cancellation rights available to the borrower under the Homeowners Protection Act, the Administration also permits a borrower to request cancellation of private mortgage insurance or insurance through the Maryland Housing Fund for loans made after January 1, 2005, provided that: (1) the loan balance is 75% or less of the current value of the home as established by a new appraisal acceptable to the Administration; (2) none of the borrower's payments were 30 days or more past due within the 12-month period before the mortgage insurance will be cancelled; (3) none of the borrower's payments were 60 days or more past due during the 24-month period before the mortgage insurance will be cancelled; and (4) the loan is between two and five years old. If the loan is more than five years old, the loan balance may be 80% (instead of 75%) or less of the current value of the home as established by a new appraisal acceptable to the Administration; conditions (2) and (3) also apply.

THE MHF INSURANCE PROGRAM

The following describes the mortgage insurance programs administered by the 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 an agency in the Division of Credit Assurance of the Department (the "Division"). MHF is authorized to insure mortgage loans, including mortgage loans for multi-family developments financed by public agencies such as the Administration ("Multi-Family loans") and to provide primary and pool 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 new insurance activity of MHF (except for pool insurance for certain Single Family loans), partly as a result of concerns expressed by Moody's Investor Services ("Moody's") during the 1996 and 1997 rating review. The Department responded to the concerns and took appropriate steps. Since that time, MHF has opened new programs.

In 2002, the Department re-opened a limited program of MHF insuring mortgage loans 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. Moody's advised the Administration that such a re-opened program, implemented in the limited manner proposed by the Administration, would not affect the Moody's rating on the Administration's Bonds.

The Administration has been designated as a participant in the federal Housing and Urban Development's ("HUD") Risk-Sharing Program (the "Risk-Sharing Program") for Multi-Family loans. Under the Risk-Sharing Program, upon payment of a claim by the Federal Housing Authority ("FHA"), the Administration would be responsible for reimbursement to FHA of up to 50% of such claim. The Administration expects that MHF would reimburse the Administration for its share of such losses. Subsequent to 1997, the Administration participated in the Risk-Sharing Program only in connection with the refinancing of loans currently insured by MHF where the Administration expected that risk-sharing will decrease the dollar amount of MHF's insurance exposure with respect to such loans. In 2004, the Department expanded its MHF insurance program to authorize MHF insurance on a case-by-case basis for new loans financed by Bonds, including loans with credit enhancement under the Risk-Sharing Program. Moody's advised the Administration that such a re-opened program, implemented in the limited manner proposed by the Administration, would not affect Moody's rating on the Administration's Bonds.

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. Due to current market conditions causing unexpected high demand for this insurance, the Department is suspending the program temporarily 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.

In 2008, MHF opened a limited Bridge Loan Program for Multi-Family projects. This program provides short-term financing for part of the development costs for rental housing projects awarded federal low-income housing tax credits. This program works in conjunction with the FHA Risk Sharing Program.

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. Once the General Reserve

was established, 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.

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. In June of 2008, in response to another request from the Maryland Department of Legislative Services, \$10 million was transferred from MHF's Unallocated Reserve to certain revolving funds that provide financing for homeownership and rental housing programs of the Department. In addition, legislation has been enacted requiring, beginning in fiscal year 2010, that 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 certain revolving funds that provide financing for homeownership and rental housing programs of the Department. The Administration has been advised by Moody's and Fitch that the transfers will not have an adverse effect on the rating of the Administration's outstanding parity debt, including the Bonds. 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

Audited financial statements of MHF for the years ended June 30, 2007 and June 30, 2008 and unaudited financial statements for the nine-month period ending March 31, 2009 are included in the Appendix I – "FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND." The financial statements for the fiscal years ended June 30, 2007 and June 30, 2008 have been audited by Reznick Group, P.C. 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 MHF's Multi-Family, Single Family, Revitalization, and Home and Energy Mortgage Insurance Programs.

Operating Income and Reserves

MHF's operating income from insurance premiums is used to pay operating expenses and also may be used to pay insurance claims.

MHF maintains six insurance reserves, which are separate from MHF's operating funds. Five of the reserves cover specific categories of insurance: the Multi-Family Reserve, the Single Family Regular Program Reserve, the Revitalization Reserve, the Home and Energy Loan Reserve and the General Reserve. The investment earnings on each of the five specific reserves are credited to a sixth 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.

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, and except for claims arising from Single Family Regular and Revitalization insurance

issued before August 20, 1975, which claims are payable from all MHF insurance reserves). 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.

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 ended June 30, 2008, the overall equity decreased from \$104,785,028 at the close of June 30, 2007 to \$97,613,672 at June 30, 2008. The decrease of \$7,171,356 is primarily due to the legislative mandate to transfer \$10 million to DHCD's Homeownership, Rental Housing and the Special Loan programs. During the nine-month period ended March 31, 2009, the overall equity decreased from \$97,613,672 at June 30, 2008 to \$92,036,626 at March 31, 2009. The decrease of \$5,577,046 is primarily due to an increase in allowances for unpaid insurance losses due to new loan activity.

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 assets, there will be an accumulated deficit in the net assets section of the MHF Statement of Net Assets.

During the fiscal year ended June 30, 2008, the Unrestricted Accumulated Deficit increased by an additional \$2,642,703 to a deficit of \$5,717,921 at the close of June 30, 2008. The \$2,642,703 was a net loss of income from operating activities (income net of interest earned on investments held by the State Treasurer). During the nine-month period ended March 31, 2009, the Unrestricted Accumulated Deficit increased from \$5,717,921 to a deficit of \$14,152,205. This was due to a \$8,434,284 net loss of income from operating activities (income net of interest earned on investments held by the State Treasurer).

Discussion of Changes in Net Assets

During the fiscal year ended June 30, 2008, MHF reported a Change in Net Assets of \$2,828,644. The change is the net of investment earnings and an increase in the allowance for insurance loss based on new Single Family loan activity. Investment earnings for the fiscal year ended June 30, 2008 in the amount of \$5,471,347 flowed directly to the Unallocated Reserves.

During the nine-month period ended March 31, 2009, MHF reported a Change in Net Assets of (\$5,577,046). The change is the net of investment earnings and an increase in the allowance for insurance loss based on new Single Family loan activity. Investment earnings for the nine-month period ended March 31, 2009 in the amount of \$2,857,238 flowed directly to the Unallocated Reserves.

As described below in "Single Family Information – Certain Additional Expected Single Family Claims" and "Multi-Family Information – Certain Additional Expected Multi-Family 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 activity in MHF's operating cash account as of March 31, 2009.

	<u>Single Family</u>	<u>Multi-Family</u>	<u>Total</u>
Premiums Collected ⁽¹⁾	\$2,625,331	\$592,130	\$3,217,461
Operating Expenses Paid ⁽²⁾	(768,892)	(1,153,340)	(1,922,232)
Premiums Net of Operating Expenses	1,856,439	(561,210)	1,295,229
Claims ⁽³⁾	(19,948)	(17,814)	(37,762)
Recoveries ⁽⁴⁾	81,067	92,817	173,884
Net Claim Activity	61,119	75,003	136,122
Other ⁽⁵⁾	29,662	7,188	36,850
Net Cash from Operating Activities	<u>\$1,947,220</u>	<u>(\$479,019)</u>	<u>\$1,468,201</u>

⁽¹⁾ Premiums collected as stated in the Statements of Cash Flows.

⁽²⁾ Operating expenses include salaries and benefits, general and administrative and intradepartmental expenses.

⁽³⁾ 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⁾ Includes changes in other assets and liabilities such as mortgage receivables, notes payables and escrows.

During the fiscal year ended June 30, 2008, MHF's net operating cash activity was (\$95,685) for Single Family and (\$526,874) for Multi-Family. The change in Single Family and Multi-Family was primarily due to a decrease in recoveries and claims paid, respectively. During the nine-month period ended March 31, 2009, the net cash activity in MHF's operating cash was \$1,947,220 for Single Family and (\$479,019) for Multi-Family. The change in Single Family is due to an increase in premiums for new business and the change in Multi-Family is due to operating expenses exceeding premiums received.

Liquidity

MHF's primary uses of funds are to pay its operating expenses (direct and indirect) and to satisfy Multi-Family 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 Multi-Family 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 workout 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 turn around 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

For loans made before 2005, MHF operates its Single Family insurance in accordance with an insurance agreement dated as of May 14, 1980, with the Administration (the “Single Family Insurance Agreement”). For loans financed after June 20, 2005 under the Administration’s Residential Revenue Bond Resolution (the “Resolution”), MHF operates its Single Family insurance in accordance with an insurance agreement dated as of June 20, 2005 with the Administration (the “2005 Single Family Insurance Agreement”). Claims under the Single Family Insurance Agreement and the 2005 Single Family Insurance Agreement may be paid from the Single Family Program Reserve.

MHF operates its Multi-Family 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 Multi-Family insurance to assets in the Multi-Family Reserve (as may be reduced as described below) to exceed 10 to 1, and that no new insurance payable from the Multi-Family 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 Multi-Family Reserve.)

Under the 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 the ratio of the aggregate dollar amount of the Single Family pool insurance to assets in the Single Family Reserve (as may be reduced as described above) to exceed 7 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, either ratio would be exceeded.

Under the 2005 Single Family Insurance Agreement, 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 as specified in the Single Family Insurance Agreement, and no new insurance payable from the Single Family Reserve shall be issued or committed to if upon such issuance or commitment and subsequent issuance either ratio would be exceeded. There is no pool insurance coverage for loans insured under the 2005 Single Family Insurance Agreement.

Selected Information about the Single Family Reserve Ratios

	06/30/07	06/30/08	03/31/09
Single Family Regular Program Reserve ⁽¹⁾⁽²⁾	\$32,273,875	\$33,773,875	\$33,773,875
Amount Available for Calculation of “Ratio of Insurance to Available Reserve” ⁽³⁾	32,273,875	33,773,875	33,773,875
Primary Insurance coverage in force ⁽⁴⁾			
Insurance Agreement prior to 2005	28,490,181	23,590,846	21,373,058
Insurance Agreement post 2005	1,079,731	4,568,582	31,008,178
Pool Insurance coverage in force ⁽⁵⁾	20,500,000	20,500,000	20,500,000
Ratio of Mortgage Loans to the Regular Reserve ⁽⁶⁾	1.55 to 1	1.44 to 1	2.16 to 1

- (1) The Single Family Regular Program Reserve does not include amounts, if any, which have been restricted for possible additional insurance coverage in the Unallocated Reserve. As of March 31, 2009, 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. At 6/30/08, the Secretary determined that \$1.5 million of interest earned during fiscal year 2008 on the Single Family Reserves be allocated from the Unallocated Reserve to the Single Family Reserve.
- (3) In order to determine the leverage ratios, if the Unrestricted Accumulated Deficit exceeds the Unallocated Reserve, the Single Family Reserve or the Multi-Family Reserve may be reduced in a manner determined by MHF to be appropriate.
- (4) The primary insurance coverage is 25% of the allowable claim for loans insured prior to 2005 under the Single Family Insurance Agreement (\$85,492,233 at 03/31/2009). The primary insurance coverage is 35% of the allowable claim for loans insured under the 2005 Single Family Insurance Agreement (\$88,594,794 at 03/31/2009).
- (5) This coverage represents the 10% stop-loss on pool insurance for loans financed under the Single Family Program Bond General Certificate (prior to 1997). Wisconsin Mortgage Assurance Corporation, formerly Mortgage Guaranty Insurance Corporation (“MGIC”), is providing reinsurance for \$43,025,000 of the mortgage loans financed by one series of the Administration’s Bonds; notwithstanding the reinsurance provided by MGIC, the MHF pool insurance coverage in force also includes coverage for mortgage loans financed by the series. As of June 30, 2007, the amount of pool insurance coverage was recalculated to take into account the amount of loans financed by series of bonds that are no longer outstanding and have not been refunded.
- (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.

Selected Information about the Multi-Family Reserve Ratio

	06/30/07	06/30/08	03/31/09
Total Multi-Family Reserve ⁽¹⁾	\$ 44,698,739	\$ 44,698,739	\$ 44,698,739
Amount Available for Calculation of “Ratio of Insurance to Available Reserve” ⁽²⁾	44,698,739	44,698,739	44,698,739
Insurance Outstanding			
Multi-Family mortgage insurance in force	124,634,379	113,716,404	99,388,861
Ratio of Insurance to Available Reserve	2.79 to 1	2.54 to 1	2.22 to 1

- (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 March 31, 2009, MHF had committed no additional mortgages.
- (2) In order to determine the leverage ratios, if the Unrestricted Accumulated Deficit exceeds the Unallocated Reserve, the Single Family Reserve or the Multi-Family Reserve may be reduced in a manner determined by MHF to be appropriate.

The total amount of the Multi-Family Reserve is available to pay Multi-Family insurance claims. In addition, to the extent available, MHF could elect to pay all or part of any Multi-Family 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, Revitalization, and Home and Energy Loan Reserves).

Single Family Information

Certain Additional Expected Single Family Claims

Under its Single Family 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 \$222,600 as of March 31, 2009. 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 Multi-Family 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 servicer 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, the Revitalization Reserve, and the Home and Energy Loan Reserve. This data includes net claim activity for properties sold during fiscal years ending June 30, 2007, June 30, 2008 and the nine-month period ended March 31, 2009. The data for all of these reporting periods are subject to adjustment due to additional expenses paid and proceeds received after March 31, 2009.

Single Family Claims Experience

	06/30/07	06/30/08	03/31/09
Recoveries on Sales of Properties Acquired Through Claims During the Fiscal Year	\$853,910	\$ -	\$ 70,985
Claims Paid on Acquired Properties Sold During the Fiscal Year			
Principal	(600,904)	-	(88,643)
Interest	(56,423)	-	(4,096)
Expenses and Carrying Costs	(178,282)	-	(11,406)
Total Claims Paid	(835,609)	-	(104,145)
Net Gain(Loss) on Acquired Properties Sold During the Fiscal Year	\$18,301	\$ -	\$ (33,160)

Single Family Insurance Agreement and the 2005 Single Family Insurance Agreement

The Single Family Insurance Agreement and the 2005 Single Family Insurance Agreement provide 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 certain leverage ratios. See “MANAGEMENT’S PRESENTATION OF THE MHF PROGRAM –Discussion of Leverage Ratios.”

(3) MHF will take all actions necessary for the qualification of Single Family Program insurance as mortgage insurance from a qualified insurer within the meaning of Section 3.02(6)(2) of the Fannie Mae Charter Act.

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.

Primary Insurance. Historically, under the Single Family Insurance Agreement, MHF issued Primary Insurance that covered up to 25% of the total claim depending upon initial loan-to-value ratio. Under the 2005 Single Family Insurance Agreement, MHF issues Primary Insurance that covers the top 35% of the total claim. MHF Regulations provide that mortgage insurance may be terminated if: (1) the lender requests cancellation; (2) a claim is satisfied; (3) the mortgage is paid off; (4) a renewal premium is not paid by the mortgagee after its receipt of final notice from the MHF; or (5) the mortgage terms are modified without MHF approval.

Pool Insurance. MHF issued a pool insurance policy endorsement to the Administration at the time of delivery of each series of Single Family Program Bonds issued under the Administration’s Single Family Program Bond General Certificate (prior to 1997). The endorsement covered the total amount of lendable proceeds generated with respect to the series. MHF reserved funds in its Single Family Regular Reserve (in accordance with the applicable leverage ratio). For each applicable series of bonds, MHF computed a stop loss equal to 10% of the re-calculated amount of proceeds of the series of bonds. The obligation of MHF to pay losses is subject to a loss limit aggregating the total stop loss amounts for the policy. As of June 30, 2007, the amount of pool insurance coverage was recalculated to take into account the amount of loans financed by series of bonds that are no longer outstanding and have not been refunded.

No pool insurance is required for loans financed under the Residential Revenue Bond Resolution.

Payment of Claims. MHF pays all claims under the Primary Insurance Program in cash. MHF may select one of four options in settling Primary Insurance claims:

(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 only primary mortgage insurance for the loan and 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 (a) if MHF is both the primary and the pool insurer, MHF pays the full amount of the claim, or (b) if MHF is the primary insurer only, MHF pays the amount of the claim up to the percentage specified in the primary 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 as follows: (a) if MHF is both the primary and the pool insurer, the full amount of the claim less net proceeds of sale, or (b) if MHF is the primary insurer only, 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 presently 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 until 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.

MHF pays all claims under the Pool Insurance Program in cash. MHF determines the loss payable on a claim as described above, and may specify alternate methods of settlement which are consistent with full recovery under the primary mortgage insurance, if any, with respect to a mortgage loan. Under any method, the coverage results in payment of the full loss as computed above, subject, however, to the aggregate loss limits specified in the Pool Insurance Policy.

Multi-Family Information

Multi-Family Insurance in Force and Available Reserves

The following table sets forth information about outstanding insurance on mortgage loans under MHF's Multi-Family program as of March 31, 2009. 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 March 31, 2009, of \$9,559,288.

In addition to the loans listed below, as of March 31, 2009, 16 Single Family loans financed with the proceeds of Housing Revenue Bonds of the Administration, with outstanding principal balances in the aggregate amount of \$298,031, are insured under the Multi-Family Reserves.

Outstanding Multi-Family Insurance as of March 31, 2009

LOAN CATEGORY	Loans with Outstanding <u>Insurance</u>	Original Insured Principal <u>Amount</u>	Outstanding Insured Principal <u>Amount</u>
Housing Revenue Bonds of the Administration ⁽¹⁾			
Multi-Family Projects	19	\$ 48,248,905	\$ 27,049,912
Multi-Family Bridge Loan	2	1,750,000	1,750,000
Other	55	9,752,660	9,093,266
Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) of the Administration ⁽²⁾			
Multi-Family Projects	23	72,341,253	41,428,091
Other	74	7,952,656	5,971,884
General Bond Reserve Fund (Insured Mortgage Loans of the Administration) ⁽³⁾	10	1,807,070	1,798,127
HELP Program ⁽⁴⁾	1	507,000	68,027
Housing Opportunities Commission of Montgomery County ⁽⁵⁾	4	17,043,000	9,391,672
Other Financial Institutions ⁽⁶⁾	2	8,599,079	2,837,882
TOTAL	<u>190</u>	<u>\$168,001,623</u>	<u>\$99,388,861</u>

- (1) Loans financed with proceeds of the Administration's Housing Revenue Bonds. The Loans provided permanent financing or construction and permanent financing for developments located in 8 counties and the City of Baltimore. These Developments (not including SHOP) contain 1,984 units of which 894 units in 8 Developments are assisted under the Section 8 Program. The 55 projects in the "Other" category represent 178 units for SHOP Loans that do not exceed 75% of the maximum acquisition cost set by the MMP.
- (2) Loans financed with proceeds of the Administration's Multi-Family Housing Revenue Bonds (Insured Mortgage Loans). The Loans provided permanent financing or construction and permanent financing for developments located in 10 counties and the City of Baltimore. The Developments (not including SHOP) contain 2,159 of which 401 units in 5 Developments are assisted under the Section 8 Program. The mortgage loans were initially endorsed for insurance between 1982 and December 31, 1997. The 23 Multi-Family Projects include SHOP Loans that exceed 75% of the maximum acquisition cost set by the MMP; the 74 projects in the "Other" category represent 249 units for SHOP Loans, that do not exceed 75% of the maximum acquisition cost set by the MMP.
- (3) Loans financed with General Bond Reserve Funds for SHOP Loans; the 10 projects represent 29 units for SHOP Loans that do not exceed 75% of the maximum acquisition cost set by the MMP.
- (4) Loan financed with proceeds of the Administration's Home and Energy Loan Bond. The mortgage loan provided energy conservation and rehabilitation financing for the development located in the City of Baltimore. The development contains 304 units. The mortgage loan was initially endorsed for insurance in 1987.
- (5) 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 427 units. The mortgage loans were initially endorsed for insurance between 1980 and 1996.
- (6) Insurance issued to a private financial institution to insure 2 mortgage loans providing financing for two developments containing 501 units. One mortgage loan was initially endorsed for insurance in 1994 in the amount of \$4,000,000, and one mortgage loan was initially endorsed for insurance in 1993 in the amount of \$4,599,079.

Charts detailing the Multi-Family 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 Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") for Housing Revenue Bonds and for Multi-Family Housing Revenue Bonds (Insured Mortgage Loans).

Certain Additional Expected Multi-Family Claims

MHF Regulations provide that after a 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 Multi-Family Operations

Portfolio Risk Rating. Since June 1997, the Department has developed and implemented a rating system for the MHF-insured Multi-Family 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 Multi-Family Projects as of March 31, 2009

	<u>Current Principal Balances</u>	<u>Percentage of Total Principal</u>	<u>Number of Loans</u>	<u>Number of Projects</u>
“A” Loans:	\$79,206,429	79.69%	36	33
“B” Loans:	<u>20,182,432</u>	<u>20.31%</u>	<u>15</u>	<u>12</u>
Portfolio Totals:	<u>\$99,388,861</u>	<u>100.00%</u>	<u>51</u>	<u>45</u>

(1) Included in the ‘A’ Loans, in the ‘Current Principal Balance’ column is \$16,863,277 for 139 SHOP 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 March 31, 2009, there were no loans in the “C” category.

Multi-Family Claims Experience

The following chart describes claims paid by MHF on loans insured under the Multi-Family Reserve as of March 31, 2009.

In the column entitled “Claims Net of Cash Recoveries,” the figures show the result as of March 31, 2009. Workouts are in progress. See the individual footnotes below for further information.

MULTI-FAMILY CLAIMS PAID BY MHF
As of March 31, 2009

<u>Development/Claim Status</u>	<u>Principal</u>	<u>Interest & Carrying Costs</u>	<u>Total</u>	<u>Recoveries</u>	<u>Claims Net of Cash Recoveries</u>	<u>Date Claim Paid</u>
<u>Closed Claims</u>						
Single Family Mortgage Loans ⁽¹⁾	\$ 309,392	\$ -	\$309,392	\$ 346,620	\$ 37,228	Various
Beethoven Apartments	40,000	-	40,000	40,000	-	
Dougllynne 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
Bellevue-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
<u>Claims where debt is outstanding</u>						
Renaissance Plaza ⁽²⁴⁾	\$6,907,349	\$4,680,554	\$11,587,903	\$4,263,482	\$(7,324,421)	02/1991
Mount Pleasant ⁽²⁵⁾	3,506,595	601,296	4,107,891	4,022,110	(85,781)	02/1996
Villages of Laurel ⁽²⁶⁾	5,036,854	607,133	5,643,987	3,877,628	(1,766,359)	11/1999
Eastdale ⁽²⁷⁾	3,302,667	320,060	3,622,727	2,967,308	(655,419)	11/1999
<u>Claims where REO is held</u>						
Hollins Townhouses ⁽²⁸⁾	\$2,445,475	\$1,067,592	\$3,513,067	\$1,889,843	\$(1,623,224)	10/1990
Lease-Purchase ⁽²⁹⁾	1,534,088	82,619	1,616,707	880,712	(735,995)	05/1996

(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) Bellevue-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 proceed.
- (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 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 a foreclosure auction held on July 25, 2000. The Circuit Court of Prince George's County 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 known 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 a 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 auditors' 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 (the "Loan") to Ronald H. Thomas (the "Borrower") in connection with a project called Tomall Apartments (the "Project"). 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 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) 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.
- (25) 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.
- (26) Villages of Laurel Deed of Trust Note 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 \$650,406.
- (27) Eastdale Deed of Trust Note 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 \$462,983.
- (28) 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 the total amount of \$3,513,067. 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 4 units remain unsold.
- (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-four 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”) 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 March 31, 2009, an aggregate unpaid principal balance of \$9,559,288. Nine of these loans were financed originally with the Administration’s Multi-Family 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 Multi-Family 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 (the “Exchange Act”), 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 the 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, and the Division of Finance and Administration and MHF are as follows:

<u>Name</u>	<u>Position</u>
George Eaton	Director, Division of Credit Assurance and MHF
Norman Swoboda	Deputy Director, Division of Credit Assurance
Allen W. Cartwright, Jr.	Deputy Director, MHF and Director, Single Family Operations
Susan Traylor	Director, Division of Finance and Administration
Ruth Putnam	Director, MHF Finance and State Funded Loans
Bill Beans	Director, Multi-Family Operations

George Eaton was appointed Director of the Division of Credit Assurance and the Maryland Housing Fund as of March, 1999, having been Acting Director since December 1998. He has been with the Department since October 1995. He also served as Director of Multi-Family Operations from May to December 1998. From 1996 through April 1998, he was the Director for State Funded Loans for MHF. Before joining the Department, he worked for a national property management company as a District Manager, as Assistant Director at University of Maryland teaching hospital, and as Assistant Administrator of the Johns Hopkins University Hospital. He also holds an MA in Administration and has taught at several Maryland Community Colleges.

Norman Swoboda joined the staff of the Division of Credit Assurance as Deputy Director in September 2004. Prior to joining DCA, Mr. Swoboda was a Senior Finance Executive in the Division of Business Development, within the Department of Business and Economic Development. Prior to State service, Mr. Swoboda worked as a Senior Credit Analyst and Commercial Lender with the First National Bank of Maryland.

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 BS in Commerce from the McIntire School of Commerce at the University of Virginia.

Susan Traylor, Director of the Division of Finance and Administration since June, 2007. She has been with the Department since 1998, when she joined as Director of Accounting. Prior to joining State service, she was the Chief Financial Officer of Macmillan Publishing and the Official Airlines Group. Previously, she held various financial positions with the Maxwell Communications Group and Exxon Corporation. She holds a B.A. in Economics from Western Maryland College and an M.S. in Industrial Administration from Carnegie-Mellon University.

Ruth Putnam was named Deputy Director of Finance and Administration in 2008. She continues to act as the Director of MHF Finance and State Funded Loans, a position held since January 2001. She has been with the Department since 1990 serving as a Budget Analyst from 1990 through 1994, Budget Director from 1995 through 1998 and Director of Financial Planning and Review from 1999 through 2000. Prior to joining the Department, she worked as Manager of Investor Relations in a private corporation.

Bill Beans was named Director of Multi-Family Asset Management in November 2004. He has been with the Department since 1987 and has previously served as the Director of Homeownership Programs, Deputy Director of the Community Assistance Administration and Director of Single Family Asset Management. Prior to coming to the Department, Mr. Beans worked in various housing related positions for local governments in Maryland.

Additional Information

For additional information, please contact Investor Relations at (410) 514-7326 or cda_bonds@mdhousing.org.

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APPENDIX H

**FINANCIAL STATEMENTS OF THE
COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS**

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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

**COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS**

JUNE 30, 2008 AND 2007

Community Development Administration
Residential Revenue Bonds

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Community Development Administration Residential 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, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements present only the Community Development Administration Residential 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 June 30, 2008 and 2007, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Community Development Administration Residential Revenue Bonds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



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

Reznick Group, P.C.

Baltimore, Maryland
September 26, 2008

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	\$ 309,188	\$ 543,151
Investments	112,748	353,808
Single family mortgage loans	20,153	16,511
Real estate owned	804	-
Accrued interest and other receivables	19,173	20,965
Due from other Funds	250	-
	<u>462,316</u>	<u>934,435</u>
Total restricted current assets		
Restricted long-term assets		
Investments, net of current portion	25,515	27,681
Single family mortgage loans, net of current portion and allowance for loan losses	1,862,438	1,364,514
Deferred bond issuance costs	14,054	12,826
	<u>1,902,007</u>	<u>1,405,021</u>
Total restricted long-term assets		
Total restricted assets	<u><u>\$ 2,364,323</u></u>	<u><u>\$ 2,339,456</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued interest payable	\$ 34,082	\$ 27,890
Accounts payable	201	187
Bonds payable and short-term debt	85,040	338,665
Due to other Funds	-	195
	<u>119,323</u>	<u>366,937</u>
Total current liabilities		
Long-term liabilities		
Rebate liability	4,041	3,501
Bonds payable, net of current portion	2,102,640	1,847,821
	<u>2,106,681</u>	<u>1,851,322</u>
Total long-term liabilities		
Total liabilities	2,226,004	2,218,259
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Restricted	<u>138,319</u>	<u>121,197</u>
Total liabilities and net assets	<u><u>\$ 2,364,323</u></u>	<u><u>\$ 2,339,456</u></u>

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

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

Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenue		
Interest on mortgage loans	\$ 97,834	\$ 56,475
Interest income on investments, net of rebate	25,685	34,549
Increase in fair value of investments, net of rebate	738	1,062
Fee income	405	503
Gain (loss) on foreclosure claims	44	(168)
Gain (loss) on early retirement of debt	1,192	(18)
Other operating revenue	<u>28</u>	<u>-</u>
	<u>125,926</u>	<u>92,403</u>
Operating expenses		
Interest expense on bonds and short-term debt	104,370	73,918
Professional fees and other operating expenses	1,742	1,409
Provision for loan losses	3,333	731
Origination expenses	1,224	880
Real estate owned expenses	21	-
Amortization of bond issuance costs	<u>861</u>	<u>1,913</u>
	<u>111,551</u>	<u>78,851</u>
Operating income	14,375	13,552
Transfers of funds, net, as permitted by the various bond indentures	<u>2,747</u>	<u>8,905</u>
Changes in net assets	17,122	22,457
Net assets - restricted at beginning of year	<u>121,197</u>	<u>98,740</u>
Net assets - restricted at end of year	<u><u>\$ 138,319</u></u>	<u><u>\$ 121,197</u></u>

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Principal and interest received on mortgage loans	\$ 173,596	\$ 156,682
Mortgage insurance claims received	4,752	2,357
Foreclosure expenses paid	(189)	(456)
Loan fees received	1,385	2,926
Loan fees disbursed	(12,682)	(7,314)
Purchase of mortgage loans	(584,633)	(767,055)
Professional fees and other operating expenses	(1,728)	(1,294)
Other income received	28	-
	<u>(419,471)</u>	<u>(614,154)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Proceeds from maturities or sales of investments	437,417	1,271,510
Purchases of investments	(191,083)	(1,218,618)
Interest received on investments	34,308	25,730
	<u>280,642</u>	<u>78,622</u>
Net cash provided by investing activities		
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	400,000	1,463,147
Payments on bond principal	(396,580)	(416,155)
Advance deposit on bonds applied	-	(2,200)
Bond issuance costs	(2,723)	(8,916)
Interest on bonds and short-term debt	(98,578)	(61,366)
Transfers among Funds	2,747	8,905
	<u>(95,134)</u>	<u>983,415</u>
Net cash (used in) provided by noncapital financing activities		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(233,963)	447,883
Cash and cash equivalents on deposit with trustee at beginning of year	<u>543,151</u>	<u>95,268</u>
Cash and cash equivalents on deposit with trustee at end of year	<u>\$ 309,188</u>	<u>\$ 543,151</u>

(continued)

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Reconciliation of operating income to net cash from operating activities		
Operating income	\$ 14,375	\$ 13,552
Adjustments to reconcile operating income to net cash used in operating activities		
(Increase) decrease in assets		
Mortgage loans	(494,442)	(661,061)
Real estate owned	(804)	-
Accrued interest and other receivables	1,792	(7,380)
Due from other Funds	(250)	-
Increase (decrease) in liabilities		
Accrued interest payable	6,192	12,832
Accounts payable	14	(2,088)
Rebate liability	540	3,461
Due to other Funds	(195)	(92)
Amortizations		
Deferred income and expense on loans	819	377
Investment discounts and premiums	(2,323)	(8,523)
Bond original issue discounts and premiums	(400)	(280)
Deferred bond issuance costs	861	1,913
Loan fees and expenses deferred	(11,276)	(4,388)
Provision for loan losses	3,333	731
Increase in fair value of investments	(785)	(1,062)
Advance deposit on bonds applied	-	2,200
(Gain) loss on early retirement of debt	(1,192)	18
Interest received on investments	(34,308)	(25,730)
Interest on bonds and short-term debt	<u>98,578</u>	<u>61,366</u>
Net cash used in operating activities	<u>\$ (419,471)</u>	<u>\$ (614,154)</u>

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2008 and 2007

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Generally Accepted Accounting Principles

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

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Recent Accounting Pronouncements

In June of 2008, GASB published Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*, which will supersede GASB Technical Bulletin No. 2003-1 *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*. This Statement addresses recognition and measurement of derivative instruments and disclosure of information about derivative instruments. The disclosures of GASB Technical Bulletin No. 2003-1 have been incorporated in Statement No. 53, which will become effective for financial statements for periods beginning after June 15, 2009. CDA may elect to implement this Statement earlier. The Statement will require that all CDA interest rate exchange agreements (swaps) are reported at fair value in the Statement of Net Assets and that all swaps are tested for hedge effectiveness. Effectiveness is established if the changes in cash flows of the swaps substantially offset the changes in cash flows of the hedgeable items. The changes in fair values of the swaps, that are determined to be effective hedges, will be recognized as deferred inflows or outflows in the Statement of Net Assets. The changes in fair value of the swaps that are determined not to be effective hedges will be reported in the Statement of Revenue, Expenses and Changes in Net Assets. For the years ended June 30, 2008 and 2007, CDA swaps are reported in accordance with GASB Technical Bulletin No. 2003-1 and are more fully described in Note 9.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2008, all cash equivalents are invested in money market mutual funds. As of June 30, 2007, the Fund's cash equivalents were invested in a money market mutual fund and U.S. Government Agencies. Cash equivalents are more fully described in Note 3.

Investments

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

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of unamortized loan fees and expenses. Loan fees and expenses are deferred and amortized over the life of the related loans using the effective interest method. Any mortgage loan in foreclosure with a pending insurance claim is recorded as other receivables. See Notes 4 and 14 for additional information on mortgage loans and mortgage insurance, respectively.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses

Substantially all of the mortgage loans of the Fund are insured or guaranteed by agencies of the U.S. Government, the Maryland Housing Fund (MHF), or private mortgage insurers. As of June 30, 2008 and 2007, CDA has established an allowance for loan losses on the uninsured portions of mortgage loans with private mortgage insurance. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD's asset management group and a current assessment of probability and risk of loss due to default. See Notes 4 and 14 for additional information.

Real Estate Owned

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

Accrued Interest and Other Receivables

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

Deferred Bond Issuance Costs

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

Due from (to) Other Funds

Due from (to) other Funds records the pending transfers of cash between Funds which is primarily a result of receipts due to one Fund, but received by another, as more fully described in Note 13.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of original issue discounts or premiums. See Notes 6, 7, 8, 9 and 10 for more information.

Rebate Liability on Investments

Regulations governing the issuance of tax-exempt debt place limitations on permitted investment yield on borrowed funds. Based on these regulations, CDA is required to periodically rebate excess earnings from investments to the United States Treasury. In addition, the liability also includes an estimate of the rebate obligation related to unrealized gains as a result of recording investments at fair value. Rebate liability is more fully described in Note 11.

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, 2008 and 2007, all mortgage loan yields were in compliance with the Code.

Interest on Mortgage Loans

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

Fee Income

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

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Origination Expenses

CDA pays originators of its single family loans an origination fee and a servicer release fee. On some single family loans CDA provides the borrowers with grants toward loan down payment and closing costs. These CDA expenses are deferred and amortized over the life of the loan.

Administrative Support

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

The employees of CDA are covered by the Maryland State Retirement and Pension System and the costs of employees' retirement benefits are included in the salaries and related costs charged to CDA's General Bond Reserve Fund. See Note 15 for additional information.

Revenue and Expenses

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

Use of Estimates

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

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

The following assets, reported at fair value and held by the Fund as of June 30, 2008 and 2007, are evaluated in accordance with GASB Statement No. 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2008	2007
Cash and Cash Equivalents:		
Federated Treasury Obligations Fund	\$ 135,796	\$ 292,963
The Reserve U.S. Government Fund	173,392	-
Obligations of U.S. Government Agencies	-	250,188
Investments:		
Obligations of U.S. Government Agencies	120,618	361,344
Repurchase and Investment Agreements	17,645	20,145
Total	<u>\$ 447,451</u>	<u>\$ 924,640</u>

Interest Rate Risk

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

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

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

As of June 30, 2008, the amortized cost, fair value and maturities for these assets were as follows:

Asset	Amortized Cost	Fair Value	Maturities (in years)				
			Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	\$ 135,796	\$ 135,796	\$ 135,796	\$ -	\$ -	\$ -	\$ -
The Reserve U.S. Government Fund	173,392	173,392	173,392	-	-	-	-
Obligations of U.S. Government Agencies	119,644	120,618	112,748	-	-	2,200	5,670
Repurchase agreements/ Investment agreements	17,645	17,645	-	-	-	-	17,645
Total	<u>\$ 446,477</u>	<u>\$ 447,451</u>	<u>\$ 421,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,200</u>	<u>\$ 23,315</u>

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

Asset	Amortized Cost	Fair Value	Maturities (in years)				
			Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	\$ 292,963	\$ 292,963	\$ 292,963	\$ -	\$ -	\$ -	\$ -
Obligations of U.S. Government Agencies	611,343	611,532	603,996	-	-	2,099	5,437
Repurchase agreements/ Investment agreements	20,145	20,145	-	-	-	-	20,145
Total	<u>\$ 924,451</u>	<u>\$ 924,640</u>	<u>\$ 896,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,099</u>	<u>\$ 25,582</u>

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

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

The Federated Treasury Obligations Fund invests primarily in repurchase agreements collateralized by Treasury securities and U.S. Treasuries. The Reserve U.S. Government Fund invests in U.S. government securities and repurchase agreements collateralized by U.S. government securities. Both funds operate in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. Both funds 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, 2008 and 2007, the cost of the money market mutual funds 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, 2008, all counterparty ratings were at least equal to the ratings on the Fund's bonds except for one counterparty whose credit rating of Aa3 has not affected the Aa2 rating on the bonds. As of June 30, 2007, all counterparty ratings were at least equal to the ratings on the Fund's bonds. The ratings on Residential Revenue Bonds as of June 30, 2008 and 2007 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 GASB Statement No. 40.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

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

As of June 30, 2008, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	\$ 135,796	30.35%	Aaa		Moody's
The Reserve U.S. Government Fund	173,392	38.75%	Aaa		Moody's
Obligations of U.S. Government Agencies:					
Federal Home Loan Banks	112,748	25.20%		Aaa	Moody's
Other government agencies	7,870	1.76%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
Counterparty rated Aa1 by Moody's	16,171	3.61%		Aaa	Moody's
Counterparty rated Aa3 by Moody's	1,474	0.33%		Aaa	Moody's
Total	<u>\$ 447,451</u>	<u>100.00%</u>			

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

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	\$ 292,963	31.68%	Aaa		Moody's
Obligations of U.S. Government Agencies:					
Federal Agricultural Mortgage Corporation	410,253	44.37%		Aaa	Moody's
Federal Home Loan Banks	144,877	15.67%		Aaa	Moody's
Federal National Mortgage Association	48,865	5.28%		Aaa	Moody's
Other government agencies	7,537	0.82%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
Counterparty rated Aa1 by Moody's	13,462	1.46%		Aaa	Moody's
Counterparty rated Aa2 by Moody's	6,683	0.72%		Aaa	Moody's
Total	<u>\$ 924,640</u>	<u>100.00%</u>			

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2008 and 2007, the Fund's investments were not subject to custodial credit risk under GASB Statement No. 40. CDA's investments and collateralized securities are held in trust by the trustee or the trustee's agent, kept separate from the assets of the bank and from other trust accounts and are held in CDA's name.

NOTE 4 - MORTGAGE LOANS

All mortgage loans of the Fund are secured by first liens on the related property. Substantially all the mortgage loans are credit enhanced through the FHA mortgage insurance programs, the Veterans Administration, USDA/RD guarantee programs, the Maryland Housing Fund (MHF) or by private mortgage insurers. As of June 30, 2008 and 2007, interest rates on such loans ranged from 4.0% to 7.75% and 4.0% to 7.5%, respectively. Remaining loan terms ranged from approximately 19 to 40 years and 20 to 40 years, respectively. For the years ended June 30, 2008 and 2007, CDA has established an allowance for loan losses in the amounts of \$4,597 and \$1,264, respectively, on the uninsured portions of mortgage loans with private mortgage insurance.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2008 and 2007 were as follows:

	2008	2007
Accrued mortgage loan interest	\$ 11,128	\$ 7,351
Accrued investment interest	1,905	12,385
Claims due from mortgage insurers	3,466	1,229
Foreclosed loans, net of claims due	2,647	-
Miscellaneous billings	27	-
	<u>\$ 19,173</u>	<u>\$ 20,965</u>

NOTE 6 - SHORT-TERM DEBT

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

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 6 - SHORT-TERM DEBT (Continued)

Short-term debt activity for the year ended June 30, 2008 was as follows:

	Balance at June 30, 2007	Bond Activity		Balance at June 30, 2008
		Issued	Matured/ redeemed	
Residential Revenue Bonds				
2006 Series M	\$ 76,795	\$ -	\$ 76,795	\$ -
2006 Series N	103,205	-	103,205	-
2006 Series Q	95,120	-	95,120	-
2006 Series R	24,880	-	24,880	-
2007 Series L	-	30,000	-	30,000
Total	<u>\$ 300,000</u>	<u>\$ 30,000</u>	<u>\$ 300,000</u>	<u>\$ 30,000</u>

The outstanding short-term debt of \$30,000 plus the principal payments due within one year of \$55,040 equal the current portion of bonds payable and short-term debt of \$85,040 on the Statements of Net Assets at June 30, 2008.

Short-term debt activity for the year ended June 30, 2007 was as follows:

	Balance at June 30, 2006	Bond Activity		Balance at June 30, 2007
		Issued	Matured/ redeemed	
Residential Revenue Bonds				
2005 Series F	\$ 91,795	\$ -	\$ 91,795	\$ -
2005 Series G	103,205	-	103,205	-
2006 Series C	95,120	-	95,120	-
2006 Series D	24,880	-	24,880	-
2006 Series M	-	76,795	-	76,795
2006 Series N	-	103,205	-	103,205
2006 Series Q	-	95,120	-	95,120
2006 Series R	-	24,880	-	24,880
Total	<u>\$ 315,000</u>	<u>\$ 300,000</u>	<u>\$ 315,000</u>	<u>\$ 300,000</u>

The outstanding short-term debt of \$300,000 plus the principal payments due within one year of \$38,665 equal the current portion of bonds payable and short-term debt of \$338,665 on the Statements of Net Assets at June 30, 2007.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 7 - BONDS PAYABLE

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

The provisions of the Resolution require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. All outstanding bonds are subject to optional redemption, in whole or in part at any time, after certain dates, as specified in the respective series resolutions. The prescribed optional redemption premiums range from 0% to 1.5% of the principal amount.

The following lists those bonds which are at variable rates and the terms by which the variable rates change. All other bonds have fixed interest rates.

2003 Series C; 2004 Series C, F and I; 2005 Series C; 2006 Series G and J; and
2007 Series F, J and M

The rate is set weekly by a remarketing agent so that the market value of the bonds is as close as possible to 100% of the principal amount of the bonds. In no event will the bonds bear interest at a rate in excess of 12%, except for 2007 Series F, J and M which have a maximum interest rate of 15%.

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

2006 Series S and 2007 Series B, E, F, I, J and M

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2008, and the debt outstanding and bonds payable as of June 30, 2008:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2007	Bond Activity			Debt Outstanding at June 30, 2008	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2008
					New bonds issued	Scheduled maturity payments	Bonds redeemed			
Residential Revenue Bonds										
1998 Series A	01/01/98	4.70% - 5.05%	2010 - 2017	\$ 4,640	\$ -	\$ -	\$ -	\$ 4,640	\$ -	\$ 4,640
1998 Series B	01/01/98	4.55% - 5.35%	2007 - 2030	32,750	-	(1,535)	(16,370)	14,845	6	14,851
1998 Series D	12/01/98	4.35% - 5.25%	2007 - 2029	35,005	-	(1,385)	(430)	33,190	-	33,190
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	05/01/99	4.45% - 5.40%	2007 - 2031	32,135	-	(1,050)	(665)	30,420	(8)	30,412
1999 Series E	08/01/99	4.90% - 5.45%	2007 - 2013	11,370	-	(1,465)	(9,905)	-	-	-
1999 Series H	12/01/99	6.15%	2025	9,855	-	-	(215)	9,640	-	9,640
2000 Series A	03/01/00	5.15%	2007	290	-	(290)	-	-	-	-
2000 Series F	08/01/00	4.60% - 5.00%	2007 - 2012	8,285	-	(1,285)	(810)	6,190	-	6,190
2001 Series A	03/01/01	4.05% - 5.00%	2007 - 2017	12,565	-	(880)	-	11,685	-	11,685
2001 Series B	03/01/01	4.65% - 5.45%	2011 - 2032	27,910	-	-	(2,125)	25,785	-	25,785
2001 Series E	06/01/01	4.05% - 4.65%	2007 - 2012	9,415	-	(1,405)	(215)	7,795	-	7,795
2001 Series F	06/01/01	5.30% - 5.50%	2016 - 2022	8,775	-	-	(8,775)	-	-	-
2001 Series G	08/15/01	3.65% - 4.20%	2007 - 2011	5,735	-	(940)	-	4,795	-	4,795
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	34,945	-	-	(885)	34,060	-	34,060
2002 Series A	02/01/02	4.05% - 5.45%	2007 - 2033	6,105	-	(135)	(5,970)	-	-	-
2003 Series A	11/01/03	2.15% - 4.05%	2007 - 2015	8,015	-	(790)	-	7,225	-	7,225
2003 Series B	11/01/03	4.75% - 5.00%	2019 - 2026	8,420	-	-	(2,055)	6,365	307	6,672
2003 Series C	12/09/03	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series A	05/13/04	2.10% - 4.20%	2007 - 2016	10,185	-	(885)	-	9,300	-	9,300
2004 Series B	05/13/04	5.00%	2023 - 2028	11,550	-	-	(2,065)	9,485	346	9,831
2004 Series C	05/13/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series D	08/12/04	2.65% - 4.40%	2007 - 2016	11,955	-	(1,030)	-	10,925	-	10,925
2004 Series E	08/12/04	5.15% - 5.25%	2023 - 2030	19,010	-	-	(2,240)	16,770	400	17,170
2004 Series F	08/12/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series G	11/10/04	1.95% - 3.65%	2007 - 2016	12,365	-	(1,095)	-	11,270	-	11,270
2004 Series H	11/10/04	4.55% - 5.00%	2023 - 2029	19,465	-	-	(3,385)	16,080	570	16,650
2004 Series I	11/10/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series A	03/30/05	2.60% - 3.90%	2007 - 2016	12,640	-	(1,100)	-	11,540	-	11,540
2005 Series B	03/30/05	4.55% - 5.25%	2023 - 2029	24,630	-	-	(2,705)	21,925	612	22,537
2005 Series C	03/30/05	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series D	11/10/05	2.95% - 4.05%	2007 - 2017	13,485	-	(1,030)	-	12,455	-	12,455
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	44,275	-	-	(2,650)	41,625	764	42,389
2006 Series A	02/23/06	3.30% - 4.10%	2008 - 2017	12,020	-	-	-	12,020	-	12,020
2006 Series B	02/23/06	4.75% - 5.50%	2025 - 2037	47,365	-	-	(2,400)	44,965	772	45,737
2006 Series E	05/24/06	3.55% - 4.35%	2008 - 2017	23,540	-	-	-	23,540	-	23,540
2006 Series F	05/24/06	4.80% - 6.00%	2021 - 2039	56,090	-	-	(3,455)	52,635	2,244	54,879

(continued)

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2007	Bond Activity			Debt Outstanding at June 30, 2008	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2008
					New bonds issued	Scheduled maturity payments	Bonds redeemed			
Residential Revenue Bonds (continued)										
2006 Series G	05/24/06	Variable rate	2040	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000	\$ -	\$ 40,000
2006 Series H	07/13/06	3.60% - 4.15%	2008 - 2017	17,670	-	-	-	17,670	-	17,670
2006 Series I	07/13/06	3.75% - 6.00%	2008 - 2041	141,580	-	-	(5,735)	135,845	4,058	139,903
2006 Series J	07/13/06	Variable rate	2040	60,000	-	-	-	60,000	-	60,000
2006 Series K	09/14/06	3.55% - 4.15%	2008 - 2017	15,000	-	-	-	15,000	-	15,000
2006 Series L	09/14/06	3.80% - 5.75%	2008 - 2041	164,675	-	-	(3,010)	161,665	2,823	164,488
2006 Series M	09/14/06	3.67%	9/12/2007	76,795	-	(76,795)	-	-	-	-
2006 Series N	09/14/06	3.72%	9/12/2007	103,205	-	(103,205)	-	-	-	-
2006 Series O	12/13/06	3.40% - 3.85%	2008 - 2017	10,000	-	-	-	10,000	-	10,000
2006 Series P	12/13/06	3.75% - 5.75%	2008 - 2037	85,000	-	-	(1,285)	83,715	1,740	85,455
2006 Series Q	12/13/06	3.59%	12/14/2007	95,120	-	(95,120)	-	-	-	-
2006 Series R	12/13/06	3.64%	12/14/2007	24,880	-	(24,880)	-	-	-	-
2006 Series S	12/13/06	6.07%	2037	25,000	-	-	(530)	24,470	-	24,470
2007 Series A	03/28/07	3.70% - 5.75%	2008 - 2047	270,000	-	-	(540)	269,460	9,684	279,144
2007 Series B	03/28/07	6.00%	2037	30,000	-	-	(485)	29,515	-	29,515
2007 Series C	06/20/07	3.60% - 3.95%	2009 - 2017	45,000	-	-	-	45,000	-	45,000
2007 Series D	06/20/07	3.80% - 5.50%	2008 - 2048	175,000	-	-	(655)	174,345	3,562	177,907
2007 Series E	06/20/07	4.88% - 6.11%	2008 - 2042	49,375	-	(310)	-	49,065	-	49,065
2007 Series F	06/20/07	Variable rate	2031	50,625	-	-	(295)	50,330	-	50,330
2007 Series G	08/09/07	3.60% - 4.30%	2008 - 2017	-	61,605	-	-	61,605	-	61,605
2007 Series H	08/09/07	3.85% - 5.20%	2008 - 2048	-	63,395	-	-	63,395	-	63,395
2007 Series I	08/09/07	5.23% - 6.56%	2008 - 2043	-	62,800	-	-	62,800	-	62,800
2007 Series J	08/09/07	Variable rate	2031	-	62,200	-	(115)	62,085	-	62,085
2007 Series K	12/12/07	3.25% - 3.85%	2009 - 2017	-	30,000	-	-	30,000	-	30,000
2007 Series L	12/12/07	3.37%	12/15/2008	-	30,000	-	-	30,000	-	30,000
2007 Series M	12/12/07	Variable rate	2043	-	30,000	-	-	30,000	-	30,000
2008 Series A	06/19/08	2.20% - 4.00%	2009 - 2017	-	60,000	-	-	60,000	-	60,000
Total				\$ 2,156,380	\$ 400,000	\$ (316,610)	\$ (79,970)	\$ 2,159,800	\$ 27,880	\$ 2,187,680

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 7 - BONDS PAYABLE (Continued)

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

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2006	Bond Activity			Debt Outstanding at June 30, 2007	Discounts/premiums and other deferred costs	Bonds payable at June 30, 2007
					New bonds issued	Scheduled maturity payments	Bonds redeemed			
Residential Revenue Bonds										
1997 Series A	08/01/97	5.60%	2017	\$ 4,925	\$ -	\$ -	\$ (4,925)	\$ -	\$ -	\$ -
1998 Series A	01/01/98	4.70% - 5.05%	2010 - 2017	4,640	-	-	-	4,640	-	4,640
1998 Series B	01/01/98	4.50% - 5.35%	2006 - 2030	35,700	-	(1,465)	(1,485)	32,750	15	32,765
1998 Series D	12/01/98	4.30% - 5.25%	2006 - 2029	37,950	-	(1,330)	(1,615)	35,005	-	35,005
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	05/01/99	4.35% - 5.40%	2006 - 2031	34,360	-	(1,000)	(1,225)	32,135	(11)	32,124
1999 Series E	08/01/99	4.80% - 5.70%	2006 - 2017	14,725	-	(1,400)	(1,955)	11,370	-	11,370
1999 Series H	12/01/99	6.15%	2025	10,190	-	-	(335)	9,855	-	9,855
2000 Series A	03/01/00	5.15% - 5.20%	2007 - 2008	1,035	-	-	(745)	290	-	290
2000 Series F	08/01/00	4.50% - 5.10%	2006 - 2013	10,795	-	(1,225)	(1,285)	8,285	-	8,285
2001 Series A	03/01/01	4.00% - 5.00%	2006 - 2017	13,430	-	(845)	(20)	12,565	-	12,565
2001 Series B	03/01/01	4.65% - 5.45%	2011 - 2032	30,450	-	-	(2,540)	27,910	-	27,910
2001 Series E	06/01/01	3.85% - 4.65%	2006 - 2012	10,765	-	(1,350)	-	9,415	-	9,415
2001 Series F	06/01/01	5.30% - 5.60%	2016 - 2032	58,690	-	-	(49,915)	8,775	-	8,775
2001 Series G	08/15/01	3.45% - 4.20%	2006 - 2011	6,645	-	(910)	-	5,735	-	5,735
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	36,440	-	-	(1,495)	34,945	-	34,945
2002 Series A	02/01/02	3.70% - 5.45%	2006 - 2033	6,720	-	(130)	(485)	6,105	-	6,105
2003 Series A	11/01/03	1.70% - 4.05%	2006 - 2015	8,790	-	(775)	-	8,015	-	8,015
2003 Series B	11/01/03	4.75% - 5.00%	2019 - 2026	11,075	-	-	(2,655)	8,420	435	8,855
2003 Series C	12/09/03	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series A	05/13/04	1.80% - 4.20%	2006 - 2016	10,710	-	(525)	-	10,185	-	10,185
2004 Series B	05/13/04	2.20% - 5.00%	2006 - 2028	15,025	-	(350)	(3,125)	11,550	445	11,995
2004 Series C	05/13/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series D	08/12/04	2.20% - 4.40%	2006 - 2016	12,960	-	(1,005)	-	11,955	-	11,955
2004 Series E	08/12/04	2.45% - 5.25%	2006 - 2030	23,010	-	(365)	(3,635)	19,010	482	19,492
2004 Series F	08/12/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series G	11/10/04	1.70% - 3.65%	2006 - 2016	13,445	-	(1,080)	-	12,365	-	12,365
2004 Series H	11/10/04	1.95% - 5.00%	2006 - 2029	23,500	-	(360)	(3,675)	19,465	693	20,158
2004 Series I	11/10/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series A	03/30/05	2.60% - 3.90%	2007 - 2016	12,640	-	-	-	12,640	-	12,640
2005 Series B	03/30/05	4.55% - 5.25%	2023 - 2029	26,465	-	-	(1,835)	24,630	764	25,394
2005 Series C	03/30/05	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series D	11/10/05	2.95% - 4.05%	2007 - 2017	13,485	-	-	-	13,485	-	13,485
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	46,305	-	-	(2,030)	44,275	918	45,193
2005 Series F	11/10/05	3.12%	11/24/2006	91,795	-	(91,795)	-	-	-	-
2005 Series G	11/10/05	3.20%	11/24/2006	103,205	-	(103,205)	-	-	-	-

(continued)

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2006	Bond Activity			Debt Outstanding at June 30, 2007	Discounts/premiums and other deferred costs	Bonds payable at June 30, 2007
					New bonds issued	Scheduled maturity payments	Bonds redeemed			
Residential Revenue Bonds (continued)										
2006 Series A	02/23/06	3.30% - 4.10%	2008 - 2017	\$ 12,020	\$ -	\$ -	\$ -	\$ 12,020	\$ -	\$ 12,020
2006 Series B	02/23/06	4.75% - 5.50%	2025 - 2037	47,980	-	-	(615)	47,365	889	48,254
2006 Series C	02/23/06	3.375%	3/7/2007	95,120	-	(95,120)	-	-	-	-
2006 Series D	02/23/06	3.40%	3/7/2007	24,880	-	(24,880)	-	-	-	-
2006 Series E	05/24/06	3.55% - 4.35%	2008 - 2017	23,540	-	-	-	23,540	-	23,540
2006 Series F	05/24/06	4.80% - 6.00%	2021 - 2039	56,460	-	-	(370)	56,090	2,539	58,629
2006 Series G	05/24/06	Variable rate	2040	40,000	-	-	-	40,000	-	40,000
2006 Series H	07/13/06	3.60% - 4.15%	2008 - 2017	-	17,670	-	-	17,670	-	17,670
2006 Series I	07/13/06	3.75% - 6.00%	2008 - 2041	-	142,330	-	(750)	141,580	4,547	146,127
2006 Series J	07/13/06	Variable rate	2040	-	60,000	-	-	60,000	-	60,000
2006 Series K	09/14/06	3.55% - 4.15%	2008 - 2017	-	15,000	-	-	15,000	-	15,000
2006 Series L	09/14/06	3.80% - 5.75%	2008 - 2041	-	165,000	-	(325)	164,675	3,040	167,715
2006 Series M	09/14/06	3.67%	9/12/2007	-	76,795	-	-	76,795	-	76,795
2006 Series N	09/14/06	3.72%	9/12/2007	-	103,205	-	-	103,205	-	103,205
2006 Series O	12/13/06	3.40% - 3.85%	2008 - 2017	-	10,000	-	-	10,000	-	10,000
2006 Series P	12/13/06	3.75% - 5.75%	2008 - 2037	-	85,000	-	-	85,000	1,851	86,851
2006 Series Q	12/13/06	3.59%	12/14/2007	-	95,120	-	-	95,120	-	95,120
2006 Series R	12/13/06	3.64%	12/14/2007	-	24,880	-	-	24,880	-	24,880
2006 Series S	12/13/06	6.07%	2037	-	25,000	-	-	25,000	-	25,000
2007 Series A	03/28/07	3.70% - 5.75%	2008 - 2047	-	270,000	-	-	270,000	9,851	279,851
2007 Series B	03/28/07	6.00%	2037	-	30,000	-	-	30,000	-	30,000
2007 Series C	06/20/07	3.60% - 3.95%	2009 - 2017	-	45,000	-	-	45,000	-	45,000
2007 Series D	06/20/07	3.80% - 5.50%	2008 - 2048	-	175,000	-	-	175,000	3,648	178,648
2007 Series E	06/20/07	4.88% - 6.11%	2008 - 2042	-	49,375	-	-	49,375	-	49,375
2007 Series F	06/20/07	Variable rate	2031	-	50,625	-	-	50,625	-	50,625
Total				\$ 1,132,535	\$ 1,440,000	\$ (329,115)	\$ (87,040)	\$ 2,156,380	\$ 30,106	\$ 2,186,486

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 8 - DEBT SERVICE REQUIREMENTS

As of June 30, 2008, the required principal payments for short-term debt and bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2008, and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 7) 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
2009	\$ 94,590	\$ 85,040
2010	91,860	44,575
2011	90,099	47,955
2012	88,158	52,535
2013	86,064	52,715
2014 - 2018	394,253	319,265
2019 - 2023	331,684	236,910
2024 - 2028	271,932	242,935
2029 - 2033	204,284	380,015
2034 - 2038	119,586	444,545
2039 - 2043	42,919	182,590
2044 - 2048	3,841	70,720
Totals	<u>\$ 1,819,270</u>	<u>\$ 2,159,800</u>

The interest calculations on outstanding variable rate bonds in the amount of \$342,415 are based on the variable rates in effect on June 30, 2008, 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. See Note 9 for additional information on interest rate exchange agreements (swaps) associated with the variable rate debt in the Fund.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 8 - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2007, the required principal payments for short-term debt and bonds (including mandatory sinking fund payments and special and option redemptions that occurred subsequent to June 30, 2007 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 7) 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
2008	\$ 90,165	\$ 338,665
2009	87,721	32,155
2010	86,490	33,680
2011	85,135	35,890
2012	83,679	38,120
2013 - 2017	394,099	198,555
2018 - 2022	344,945	250,385
2023 - 2027	282,326	254,445
2028 - 2032	215,531	319,900
2033 - 2037	126,728	387,790
2038 - 2042	31,971	228,555
2043 - 2047	3,749	36,365
2048 - 2052	49	1,875
Totals	<u>\$ 1,832,588</u>	<u>\$ 2,156,380</u>

The interest calculations on outstanding variable rate bonds in the amount of \$250,625 are based on the variable rates in effect on June 30, 2007, 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. See Note 9 for additional information on interest rate exchange agreements (swaps) associated with the variable rate debt in the Fund.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS)

Objective of the Swaps

As a means to lower its borrowing costs, CDA issues variable rate bonds. In order to protect against the potential increases in interest rates, CDA has entered into pay-fixed, receive-variable interest rate swap agreements in connection with certain variable rate bond series. CDA anticipates that the net swap payments and interest payments on underlying bonds will be lower than what CDA would have paid if it had issued fixed rate debt at the time of the underlying bond issuances. All of CDA's swaps are intended to be cash flow hedges.

Terms and Fair Value

The terms, including the fair values of the outstanding swaps as of June 30, 2008 and 2007, are provided on the following pages. The counterparty credit ratings for all outstanding swaps as of June 30, 2008 and 2007 are listed under the Credit Risk section. For each of the outstanding swap agreements the variable rates are reset monthly, and the final maturity dates of the underlying bonds and the final termination dates of the corresponding swap agreements are the same. The fair values are based on the market values and are affirmed by an independent advisor who used valuation methods and assumptions in accordance with the GASB Technical Bulletin No. 2003-1.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

As of June 30, 2008, the terms, including fair values of the outstanding swaps, were:

Swap Counter-party	Associated Bond Issue	Original Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received ⁽¹⁾	Fair Value	Swap Final Termination Date
Bear Stearns Financial Products (BSFP)	2004 Series I	\$20,000	\$20,000	9/1/2005	3.8525%	64% of LIBOR plus 0.29%	\$25	9/1/2035 ⁽²⁾⁽⁷⁾
UBS AG	2006 Series G	\$40,000	\$40,000	5/24/2006	4.403%	64% of LIBOR plus 0.29%	(\$2,365)	9/1/2040 ⁽³⁾
Bear Stearns Financial Products (BSFP)	2006 Series J	\$40,000	\$40,000	7/13/2006	4.403%	64% of LIBOR plus 0.29%	(\$2,235)	9/1/2040 ⁽³⁾⁽⁷⁾
Bear Stearns Financial Products (BSFP)	2006 Series J	\$20,000	\$20,000	7/13/2006	4.455%	64% of LIBOR plus 0.29%	(\$1,205)	9/1/2040 ⁽³⁾⁽⁷⁾
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	\$50,625	\$50,330	6/20/2007	5.2425%	LIBOR	(\$1,530)	3/1/2026 ⁽⁴⁾⁽⁶⁾
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	\$62,200	\$62,085	8/9/2007	5.7020%	LIBOR	(\$3,385)	9/1/2025 ⁽⁴⁾⁽⁶⁾
UBS AG	2007 Series M	\$30,000	\$30,000	12/12/2007	5.2150%	LIBOR	(\$460)	9/1/2043 ⁽⁵⁾

Notes to Table (continued on page 31):

- (1) "LIBOR" means the 1 month London Interbank Offered Rate.
- (2) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2014 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Notes to Table (continued from page 30):

- (3) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2016 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (4) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2017 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (5) CDA has the option to terminate this interest rate swap transaction without any termination payment up to the Maximum Optional Early Termination Amounts on September 1, 2008 and on each March 1 and September 1 thereafter. CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2017 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (6) The outstanding notional amount reflects the amount that amortized as of March 1, 2008.
- (7) On May 30, 2008, JP Morgan & Co. acquired The Bear Stearns Companies Inc. Notwithstanding this acquisition, Bear Stearns Financial Products remains in existence and continues as a swap provider on this swap agreement.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

As of June 30, 2007, the terms, including fair values of the outstanding swaps, were:

Swap Counter-party	Associated Bond Issue	Original Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received ⁽¹⁾	Fair Value	Swap Final Termination Date
Bear Stearns Financial Products (BSFP)	2004 Series I	\$20,000	\$20,000	9/1/2005	3.8525%	64% of LIBOR plus 0.29%	\$965	9/1/2035 ⁽²⁾
UBS AG	2006 Series G	\$40,000	\$40,000	5/24/2006	4.403%	64% of LIBOR plus 0.29%	(\$355)	9/1/2040 ⁽³⁾
Bear Stearns Financial Products (BSFP)	2006 Series J	\$40,000	\$40,000	7/13/2006	4.403%	64% of LIBOR plus 0.29%	(\$345)	9/1/2040 ⁽³⁾
Bear Stearns Financial Products (BSFP)	2006 Series J	\$20,000	\$20,000	7/13/2006	4.455%	64% of LIBOR plus 0.29%	(\$273)	9/1/2040 ⁽³⁾
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	\$50,625	\$50,625	6/20/2007	5.2425%	LIBOR	\$1,190	3/1/2026 ⁽⁴⁾

Notes to Table:

- (1) "LIBOR" means the 1 month London Interbank Offered Rate.
- (2) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2014 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (3) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2016 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (4) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2017 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Basis Risk

The swaps would expose CDA to basis risk should the relationship between the London Interbank Offered Rate and the Securities Industry and Financial Markets Association Rate converge. If a change occurs that results in the rates moving towards convergence, the expected cost savings may not be realized. In order to mitigate this risk, prior to the execution of the swap agreements, CDA and its independent financial advisor reviewed historical trading differentials between the Securities Industry and Financial Markets Association Rate and the London Interbank Offered Rate.

Credit Risk

Credit risk is the risk that a swap counterparty will not fulfill its obligations. The fair value of the swaps represented CDA's credit exposure to each counterparty as of June 30, 2008 and 2007. As of June 30, 2008, CDA was not exposed to credit risk under the swap agreements with BSFP, UBS AG or MLDP since the fair value of each counterparty's swap portfolio was negative. However, should the valuation of any of the individual swaps change, and the fair values turn positive, CDA may become exposed to credit risk in the amount of the swaps' fair values. To mitigate the potential for credit risk, the fair value of the swaps will be fully collateralized by the counterparties if a counterparty's credit quality falls below the designated credit rating thresholds. As of June 30, 2007, CDA had credit risk exposure to BSFP and MLDP in the amounts of \$347 and \$1,190, respectively. As of June 30, 2007, CDA was not exposed to credit risk under the swap agreement with UBS AG since the swap had a negative fair value.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

The credit rating details for each swap counterparty, including credit rating thresholds, and the total fair value amounts as of June 30, 2008 are summarized below:

Swap Counterparty	Outstanding Notional Amount	Current Credit Rating	Collateral Posting Credit Rating Threshold	Fair Value
Bear Stearns Financial Products (BSFP)	\$80,000	Aaa from Moody's AAA from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's	(\$3,415)
UBS AG	\$70,000	Aa1 from Moody's AA- from Standard and Poor's AA- from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	(\$2,825)
Merrill Lynch Derivative Products AG (MLDP)	\$112,415	Aaa from Moody's AAA from Standard and Poor's AAA from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	(\$4,915)

The credit rating details for each swap counterparty, including credit rating thresholds, and the total fair value amounts as of June 30, 2007 are summarized below:

Swap Counterparty	Outstanding Notional Amount	Current Credit Rating	Collateral Posting Credit Rating Threshold	Fair Value
Bear Stearns Financial Products (BSFP)	\$80,000	Aaa from Moody's AAA from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's	\$347
UBS AG	\$40,000	Aaa from Moody's AA+ from Standard and Poor's AA+ from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	(\$355)
Merrill Lynch Derivative Products AG (MLDP)	\$50,625	Aaa from Moody's AAA from Standard and Poor's AAA from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	\$1,190

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Termination Risk

Termination risk is the risk that, due to some event or exercise of a right, the swaps may terminate prior to the scheduled expiration which could result in a payment due from CDA. Furthermore, if a swap is terminated, the underlying variable rate bonds may be exposed to the rising variable interest rates.

According to the termination provisions of the swap agreements, CDA or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The counterparty can terminate the contract if the ratings on the related bonds fall below the credit rating thresholds. In addition, CDA has an option to terminate the swaps in part or in whole without any payment except for accrued interest on the respective Optional Termination Dates. Regardless of the above, CDA has a unilateral right to terminate swaps at any time upon adequate notification to the counterparty. If at the time of such termination a swap has a negative fair value, CDA would be liable to the counterparty for a payment equal to the swap's fair value along with any accrued interest.

Rollover Risk

CDA is exposed to rollover risk on the swap agreements if one terminates prior to the maturity of the associated debt. Each of CDA's swap agreements has the same final termination date as the final maturity date of the underlying bonds.

Amortization Risk

Amortization risk is the risk that the actual redemption pattern of the bonds may differ from the swap schedule, producing a mismatch between the principal amount of the bonds outstanding and the outstanding notional amount of the swap. To address this risk, CDA has structured all swap transactions to provide for optional termination on the respective Optional Termination Dates and automatic incremental amortization of the swap notional amounts. Mortgage loan prepayments can also be directed to the variable rate series to match the outstanding notional swap amount to the outstanding amount of the underlying bonds.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Tax Risk

Tax risk is the risk that the value of tax exemption may decline through tax law changes and that variable interest rates would then rise toward taxable levels and the expected cost savings of the swaps may not be realized.

Counterparty Risk

Counterparty risk is the risk that a counterparty will fail to make required payments. In order to limit this type of risk, CDA diversifies its exposure across several counterparties.

Swap Payments and Associated Debt

As of June 30, 2008, the following table provides a summary of debt service requirements for hedged variable rate bonds and net swap payments for the next five years and in 5-year increments thereafter. The interest calculations are based on the variable rates in effect on June 30, 2008, and may not be indicative of the actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year ending June 30,	Hedged Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2009	\$ 1,445	\$ 6,198	\$ 6,836	\$ 14,479
2010	-	5,697	6,909	12,606
2011	-	5,697	6,613	12,310
2012	-	5,710	6,255	11,965
2013	-	5,684	5,947	11,631
2014 - 2018	-	28,486	25,477	53,963
2019 - 2023	-	28,486	18,997	47,483
2024 - 2028	2,825	28,477	15,485	46,787
2029 - 2033	139,570	23,021	12,523	175,114
2034 - 2038	60,735	9,097	6,710	76,542
2039 - 2043	27,965	4,644	1,134	33,743
2044 - 2048	29,875	390	-	30,265
Totals	<u>\$ 262,415</u>	<u>\$ 151,587</u>	<u>\$ 112,886</u>	<u>\$ 526,888</u>

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

As of June 30, 2007, the following table provides a summary of debt service requirements for hedged variable rate bonds and net swap payments for the next five years and in 5-year increments thereafter. The interest calculations are based on the variable rates in effect on June 30, 2007, and may not be indicative of the actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year ending June 30,	Hedged Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2008	\$ -	\$ 6,405	\$ 417	\$ 6,822
2009	-	7,209	426	7,635
2010	-	7,226	426	7,652
2011	-	7,226	426	7,652
2012	-	7,243	418	7,661
2013 - 2017	-	36,113	2,121	38,234
2018 - 2022	-	36,129	2,121	38,250
2023 - 2027	920	36,129	2,121	39,170
2028 - 2032	74,005	33,149	1,887	109,041
2033 - 2037	58,760	13,641	1,197	73,598
2038 - 2042	36,940	2,987	333	40,260
Totals	<u>\$ 170,625</u>	<u>\$ 193,457</u>	<u>\$ 11,893</u>	<u>\$ 375,975</u>

NOTE 10 - BOND REFUNDINGS

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

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 11 - REBATE LIABILITY

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

Rebate liability activity for the years ended June 30, 2008 and 2007 was as follows:

	2008	2007
Beginning rebate liability	\$ 3,501	\$ 40
Change in estimated liability due to excess investment earnings	466	3,461
Change in estimated liability due to change in fair value of investments	47	-
Plus - refund due	27	-
Ending rebate liability	<u>\$ 4,041</u>	<u>\$ 3,501</u>

Total rebate liability is allocated as follows:

	2008	2007
Estimated liability due to excess investment earnings	\$ 3,994	\$ 3,501
Estimated liability due to change in fair value of investments	47	-
Ending rebate liability	<u>\$ 4,041</u>	<u>\$ 3,501</u>

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Rebate liability		
Beginning balance	\$ 3,501	\$ 40
Additions	540	3,461
Reductions	<u>-</u>	<u>-</u>
Ending balance	4,041	3,501
Less due within one year	<u>-</u>	<u>-</u>
Total long-term rebate liability	<u>4,041</u>	<u>3,501</u>
Bonds payable		
Beginning balance	2,186,486	1,140,406
Additions	400,000	1,463,147
Reductions	(396,580)	(416,155)
Change in deferred amounts for issuance discounts/premiums	<u>(2,226)</u>	<u>(912)</u>
Ending balance	2,187,680	2,186,486
Less due within one year	<u>(85,040)</u>	<u>(338,665)</u>
Total long-term bonds payable	<u>2,102,640</u>	<u>1,847,821</u>
Total long-term liabilities	<u><u>\$ 2,106,681</u></u>	<u><u>\$ 1,851,322</u></u>

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 13 - INTERFUND ACTIVITY

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

During the years ended June 30, 2008 and 2007, the Fund transferred the following amounts, as permitted, among Funds:

	<u>2008</u>	<u>2007</u>
Cost of issuance on bonds transferred from Single Family Program Bonds	<u>\$ 2,747</u>	<u>\$ 8,905</u>

As of June 30, 2008 and 2007, due (to) from other Funds consisted of the following:

	<u>2008</u>	<u>2007</u>
Mortgage loan receipts for participation loans due to Single Family Program Bonds	\$ (132)	\$ (195)
Mortgage loan purchase funds due from Single Family Program Bonds	<u>382</u>	<u>-</u>
	<u>\$ 250</u>	<u>\$ (195)</u>

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 14 - MORTGAGE INSURANCE

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

About 37% of all loans in the Fund are insured by agencies of the U.S. Government in an amount substantially equal to the unpaid principal amount of the loan. Approximately 62% of total loans are insured by private mortgage insurers or MHF at 35% of the loan amount. In the opinion of management, these coverage levels are sufficient so that no pool insurance or reserves are required. An allowance for loan losses has been established for loans insured by private mortgage insurers. Premiums are paid by single family mortgagors or CDA.

NOTE 15 - PENSION AND OTHER POST-RETIREMENT BENEFITS

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

NOTE 16 - COMMITMENTS

As of June 30, 2008, CDA had approximately \$207,985 in reservations for single family mortgages at interest rates ranging from 5.50% to 7.25%. CDA plans to purchase these loans with proceeds from the Fund.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 17 - SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2008, the following bond activity took place:

On September 2, 2008, CDA redeemed the following bonds:

1998 Series B	\$8,250
1999 Series H	\$105
2001 Series H	\$90
2004 Series B	\$350
2004 Series E	\$685
2004 Series H	\$510
2005 Series B	\$595
2005 Series E	\$290
2006 Series B	\$750
2006 Series F	\$620
2006 Series I	\$1,195
2006 Series L	\$815
2006 Series P	\$540
2006 Series S	\$580
2007 Series A	\$1,070
2007 Series D	\$395
2007 Series F	\$795
2007 Series J	\$525
2007 Series M	\$125

On September 4, 2008, CDA issued the following bonds:

2008 Series B	\$19,770
2008 Series C	\$80,230
2008 Series D	\$50,000

Effective September 4, 2008, CDA entered into an interest rate exchange agreement (swap) for a notional amount of \$50,000 on August 14, 2008. This agreement, a synthetic fixed rate contract, will hedge \$50,000 in variable rate debt in Residential Revenue Bonds, 2008 Series D issued on September 4, 2008.

Community Development Administration
Residential Revenue Bonds

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

June 30, 2008 and 2007

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

For investments (obligations of U.S. Government Agencies) held by the Fund as of June 30, 2008, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal year ended June 30,	Annual increases /decreases	Cumulative total
2000	\$ (227)	\$ (227)
2001	\$ 551	\$ 324
2002	\$ 97	\$ 421
2003	\$ 544	\$ 965
2004	\$ (674)	\$ 291
2005	\$ 403	\$ 694
2006	\$ (1,567)	\$ (873)
2007	\$ 1,062	\$ 189
2008	\$ 785	\$ 974

Reconciliation to the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2008:

Increase in fair value of investments held at June 30, 2008	\$ 785
Adjustment due to rebate liability (see Note 11)	<u>(47)</u>
Increase in fair value of investments, net of rebate, as reported on the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2008	<u><u>\$ 738</u></u>

Community Development Administration
Residential Revenue Bonds

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

June 30, 2008 and 2007

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

Increase in fair value of investments held at June 30, 2007	\$ 1,062
Adjustment due to rebate liability (see Note 11)	<u>-</u>
Increase in fair value of investments, net of rebate, as reported on the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2007	<u><u>\$ 1,062</u></u>

**COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS**

**Unaudited Interim Financial Statements
For the nine month period ended
March 31, 2009**

Community Development Administration
Residential Revenue Bonds

Balance Sheets
(in thousands)

As of March 31, 2009 and June 30, 2008

	3/31/2009 (Unaudited)	6/30/2008 (Audited)
Restricted assets		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	\$ 224,670	\$ 309,188
Investments	5,030	112,748
Single family mortgage loans	24,117	20,153
Real estate property owned, net of allowance for losses	2,030	804
Accrued interest and other receivables	15,567	13,060
Claims receivable on foreclosed loans, net of allowance for losses	14,751	6,113
Due from other Funds	-	250
Total restricted current assets	<u>286,165</u>	<u>462,316</u>
Restricted long-term assets		
Investments, net of current portion	19,805	25,515
Single family mortgage loans, net of current portion and allowance for loan losses	2,096,095	1,862,438
Deferred bond issuance costs	14,837	14,054
Total restricted long-term assets	<u>2,130,737</u>	<u>1,902,007</u>
Total restricted assets	<u><u>\$ 2,416,902</u></u>	<u><u>\$ 2,364,323</u></u>
Liabilities and net assets		
Current liabilities		
Accrued interest payable	\$ 9,344	\$ 34,082
Accounts payable	196	201
Rebate liability	50	-
Bonds payable and short-term debt	74,280	85,040
Due to other Funds	115	-
Total current liabilities	<u>83,985</u>	<u>119,323</u>
Long-term liabilities		
Rebate liability, net of current portion	4,149	4,041
Bonds payable, net of current portion	2,183,768	2,102,640
Total long-term liabilities	<u>2,187,917</u>	<u>2,106,681</u>
Total liabilities	<u>2,271,902</u>	<u>2,226,004</u>
Net assets		
Restricted	<u>145,000</u>	<u>138,319</u>
Total net assets	<u>145,000</u>	<u>138,319</u>
Total liabilities and net assets	<u><u>\$ 2,416,902</u></u>	<u><u>\$ 2,364,323</u></u>

See accompanying notes.

Community Development Administration
Residential Revenue Bonds

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

For the nine months ended March 31, 2009 and March 31, 2008

	3/31/2009 (Unaudited)	3/31/2008 (Unaudited)
Operating revenue		
Interest on mortgage loans	\$ 90,485	\$ 70,687
Interest income on investments, net of rebate	4,141	23,532
Increase in fair value of investments, net of rebate	439	1,210
Gain on foreclosure claims	15	33
Gain on real estate owned	14	-
Gain on early retirement of debt	1,233	696
Fee income	294	311
Other operating revenue	52	4
	<u>96,673</u>	<u>96,473</u>
Operating expenses		
Interest expense on bonds and short-term debt	82,721	78,839
Professional fees and other operating expenses	1,659	1,345
Provision for loan losses	5,287	2,709
Origination expenses	1,479	899
Real estate owned expenses	24	-
Amortization of bond issuance costs	403	729
	<u>91,573</u>	<u>84,521</u>
Operating income	5,100	11,952
Transfers of funds, net, as permitted by the various bond indentures	<u>1,581</u>	<u>2,361</u>
Changes in net assets	6,681	14,313
Net assets - restricted at beginning of period	<u>138,319</u>	<u>121,197</u>
Net assets - restricted at end of period	<u><u>\$ 145,000</u></u>	<u><u>\$ 135,510</u></u>

See accompanying notes.

Community Development Administration
Residential Revenue Bonds

Statements of Cash Flows
(in thousands)

For the nine months ended March 31, 2009 and March 31, 2008

	3/31/2009 (Unaudited)	3/31/2008 (Unaudited)
Cash flows from operating activities		
Principal and interest received on mortgage loans	\$ 142,402	\$ 129,364
Mortgage insurance claims received	5,914	2,872
Foreclosure expenses paid	(297)	(133)
Loan fees received	375	1,270
Loan fees disbursed	(5,768)	(10,530)
Purchase of mortgage loans	(310,007)	(493,026)
Professional fees and other operating expenses	(1,674)	(1,342)
Other operating revenue	52	4
Other reimbursements	31	-
Net cash from operating activities	<u>(168,972)</u>	<u>(371,521)</u>
Cash flows from investing activities		
Proceeds from maturities or sales of investments	137,113	434,205
Purchases of investments	(23,163)	(106,376)
Interest received on investments	5,967	32,267
Net cash from investing activities	<u>119,917</u>	<u>360,096</u>
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	190,000	340,000
Payments on bond principal	(117,740)	(378,875)
Bond issuance costs	(1,557)	(2,337)
Interest on bonds and short-term debt	(107,747)	(98,338)
Transfers among Funds	1,581	2,361
Net cash from noncapital financing activities	<u>(35,463)</u>	<u>(137,189)</u>
Net decrease in cash and cash equivalents on deposit with trustee	(84,518)	(148,614)
Cash and cash equivalents on deposit with trustee at beginning of period	309,188	543,151
Cash and cash equivalents on deposit with trustee at end of period	<u>\$ 224,670</u>	<u>\$ 394,537</u>

(continued)

Community Development Administration
Residential Revenue Bonds

Statements of Cash Flows - continued
(in thousands)

For the nine months ended March 31, 2009 and March 31, 2008

	3/31/2009 (Unaudited)	3/31/2008 (Unaudited)
Reconciliation of operating income to net cash from operating activities		
Operating income	\$ 5,100	\$ 11,952
Adjustments to reconcile operating income to net cash from operating activities		
(Increase) decrease in assets		
Mortgage loans	(236,980)	(423,546)
Real estate property owned	(1,734)	(233)
Accrued interest and other receivables	(2,507)	8,102
Claims receivable on foreclosed loans	(9,850)	(4,848)
Due from other Funds	250	-
(Decrease) increase in liabilities		
Accrued interest payable	(24,738)	(19,197)
Accounts payable	(5)	3
Rebate liability	158	113
Due to other Funds	115	(61)
Amortizations		
Deferred income and expense on loans	1,185	588
Investment discounts and premiums	75	(2,349)
Bond original issue discounts and premiums	(288)	(302)
Deferred bond issuance costs	403	729
Loan fees and expenses deferred	(5,393)	(9,260)
Provision for loan losses	5,287	2,709
Increase in fair value of investments	(597)	(1,296)
Gain on early retirement of debt	(1,233)	(696)
Interest received on investments	(5,967)	(32,267)
Interest on bonds and short-term debt	107,747	98,338
Net cash from operating activities	<u>\$ (168,972)</u>	<u>\$ (371,521)</u>

See accompanying notes.

Community Development Administration
Residential Revenue Bonds

Notes to Unaudited Interim Financial Statements

(in thousands)

March 31, 2009

1. Basis of presentation:

In the opinion of management, the accompanying interim financial statements of the Community Development Administration (CDA) Residential Revenue Bonds present fairly the financial position at March 31, 2009 and the results of its operations for the nine months ended March 31, 2009 and March 31, 2008.

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 March 31, 2009 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, 2008 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:

In accordance with GASB 31, CDA reflects investments at fair value. As of March 31, 2009, the fair value of the investments was \$24,835 of which \$23,264 was the cost of these investments and \$1,571 was the cumulative increase in fair value. The increase in fair value of investments, net of rebate, for the nine months ended March 31, 2009 was \$439 comprised of an increase in the investment fair value of \$597 offset by \$158 of increased estimated rebate liability.

3. Mortgage loans:

During the nine months ended March 31, 2009, CDA purchased single family loans in the amount of \$310,007.

4. Bonds Payable:

On September 2, 2008, CDA redeemed, prior to maturity, \$18,285 of Residential Revenue Bonds and realized a gain of \$378.

On September 4, 2008, CDA issued \$100,000 of Residential Revenue Bonds 2008 Series B and C bonds. Series B bonds have interest rates of 1.95% to 4.20% and maturity dates from September 1, 2009 to September 1, 2017. Series C bonds have interest rates of 4.45% to 5.65% and maturity dates from September 1, 2019 to September 1, 2048.

Also, on September 4, 2008, CDA issued \$50,000 of Residential Revenue Bonds 2008 Series D bonds which are variable rate bonds with a maturity date of September 1, 2038.

On December 17, 2008, CDA issued \$40,000 of Residential Revenue Bonds 2008 Series E and F bonds. Series E bonds have interest rates of 2.95% to 4.55% and maturity dates from September 1, 2010 to September 1, 2017. Series F bonds have interest rates of 4.75% to 5.90% and maturity dates from September 1, 2018 to September 1, 2038.

On March 2 and March 4, 2009, CDA redeemed, prior to maturity, \$2,970 and \$29,730, respectively, of Residential Revenue Bonds and realized a net gain of \$855.

5. Subsequent events:

On May 15, 2009, CDA transferred \$45,000 into the Collateral Reserve Fund of the Residential Revenue Bonds.

On May 20, 2009, CDA redeemed, prior to maturity, \$20,330 of Residential Revenue Bonds.

On August 18, 2009, CDA defeased the remaining bonds outstanding in the Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) indenture and transferred loans with a principal balance of \$51,639 as of 3/31/2009 and \$7,570 of cash and investments to the Collateral Reserve Fund of the Residential Revenue Bonds.

Community Development Administration
Residential Revenue Bonds

Notes to Unaudited Interim Financial Statements - continued

(in thousands)

March 31, 2009

6. Interest Rate Exchange Agreements (Swaps):

As a means to lower its borrowing costs, CDA issues variable rate bonds. In order to protect against potential increases in interest rates, CDA has entered into pay-fixed, receive-variable interest rate swap agreements. CDA anticipates that the net swap payments and interest payments on underlying bonds will be lower than what CDA would have paid if it had issued fixed rate debt at the time of the underlying bond issuances. All of CDA's swaps are intended to be cash flow hedges.

The terms, including the fair values of the outstanding swaps as of March 31, 2009, are provided in the table on the next page. For each of the outstanding swap agreements the variable rates are reset monthly, and the final maturity dates of the underlying bonds and the final termination dates of the corresponding swap agreements are the same. The fair values are based on the market values and are affirmed by an independent advisor who uses valuation methods and assumptions in accordance with the GASB Technical Bulletin No. 2003-1.

(See next page for table)

Community Development Administration
Residential Revenue Bonds

Notes to Unaudited Interim Financial Statements - continued
(in thousands)

March 31, 2009

6. Interest Rate Exchange Agreements (Swaps) continued:

Swap Counter-party	Associated Bond Issue	Original Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received (1)	Fair Value	Swap Final Termination Date
Bear Stearns Financial Products (BSFP)	2004 Series I	\$20,000	\$20,000	9/1/2005	3.8525%	64% of LIBOR plus .29%	(\$1,840)	9/1/2035 (2) (8)
UBS AG	2006 Series G	\$40,000	\$40,000	5/24/2006	4.4030%	64% of LIBOR plus .29%	(\$6,245)	9/1/2040 (3)
Bear Stearns Financial Products (BSFP)	2006 Series J	\$40,000	\$40,000	7/13/2006	4.4030%	64% of LIBOR plus .29%	(\$6,090)	9/1/2040 (3) (8)
Bear Stearns Financial Products (BSFP)	2006 Series J	\$20,000	\$20,000	7/13/2006	4.4550%	64% of LIBOR plus .29%	(\$3,185)	9/1/2040 (3) (8)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	\$50,625	\$48,240	6/20/2007	5.2425%	LIBOR	(\$7,025)	3/1/2026 (4) (7)(9)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	\$62,200	\$60,415	8/9/2007	5.7020%	LIBOR	(\$10,550)	9/1/2025 (4) (7)(9)
UBS AG	2007 Series M	\$30,000	\$29,550	12/12/2007	5.2150%	LIBOR	(\$3,405)	9/1/2043 (5)(7)
Merrill Lynch Derivative Products AG (MLDP)	2008 Series D	\$50,000	\$50,000	9/4/2008	3.6880%	64% of LIBOR plus .31%	(\$5,820)	9/1/2038 (6) (9)

Refer to next page for description of notes.

Community Development Administration
Residential Revenue Bonds

Notes to Unaudited Interim Financial Statements - continued
(in thousands)

March 31, 2009

6. Interest Rate Exchange Agreements (Swaps) continued:

Notes to Table

- (1) "LIBOR" means the 1 month London Interbank Offered Rate.
- (2) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2014 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (3) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2016 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (4) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2017 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (5) CDA has the option to terminate this interest rate swap transaction without any termination payment up to the Maximum Optional Early Termination Amounts on September 1, 2008 and on each March 1 and September 1 thereafter. CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2017 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (6) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2018 and on each March 1 and September 1 thereafter (Optional Par Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (7) The outstanding notional amount reflects the amount that amortized as of March 1, 2009.
- (8) On May 30, 2008, JP Morgan & Co. acquired The Bear Stearns Companies Inc. Notwithstanding this acquisition, Bear Stearns Financial Products remains in existence and continues as a swap provider on this swap agreement as of March 31, 2009. On May 14, 2009, all swap agreements were assigned to JPMorgan Chase Bank, N.A. All terms and conditions of the contracts remain in force.
- (9) On January 1, 2009, Bank of America Corporation acquired Merrill Lynch & Co., Inc. Notwithstanding this acquisition, Merrill Lynch Derivative Products AG remains in existence and continues as a swap provider on this swap agreement.

CDA was not exposed to credit risk to any of the counterparties since the total fair value for each counterparty was negative as of March 31, 2009.

The credit ratings for the swap counterparties, as of March 31, 2009, are:

<u>Swap</u> <u>Counterparty</u>	<u>Moody's</u> <u>Investors Service</u>	<u>Standard</u> <u>and Poor's</u>	<u>Fitch</u> <u>Ratings</u>
Bear Stearns Financial Products	Aaa	AAA	n/a
UBS AG	Aa2	A+	A+
Merrill Lynch Derivative Products AG	Aaa	AAA	AAA

For further description of risks and other information related to swaps, refer to the June 30, 2008 audited financial statements.

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APPENDIX I

**FINANCIAL STATEMENTS OF THE
MARYLAND HOUSING FUND**

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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

MARYLAND HOUSING FUND

JUNE 30, 2008 AND 2007

Maryland Housing Fund
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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Maryland Housing Fund (MHF) of the Department of Housing and Community Development (DHCD) of the State of Maryland as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of MHF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements present only the 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, 2008 and 2007, and the changes in its net assets and its cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Maryland Housing Fund of the Department of Housing and Community Development of the State of Maryland as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Baltimore, Maryland
September 29, 2008

Maryland Housing Fund
STATEMENTS OF NET ASSETS

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Unrestricted current assets		
Deposit with State Treasurer		
Operating account	\$ 3,437,534	\$ 4,060,093
Loans and interest receivable, net of allowance for loans and related losses	127,297	124,655
Acquired property	110,882	57,210
Other	5,808	16,200
	<u>3,681,521</u>	<u>4,258,158</u>
Total unrestricted current assets		
Restricted current assets		
Deposit with State Treasurer		
Reserve accounts	103,331,593	107,860,246
	<u>103,331,593</u>	<u>107,860,246</u>
Total restricted current assets		
Total current assets	<u>107,013,114</u>	<u>112,118,404</u>
Non-current assets		
Investment held for borrower	1,205,632	1,045,479
Loans and interest receivable, net of allowance for loans and related losses and current portion	413,242	448,245
	<u>1,618,874</u>	<u>1,493,724</u>
Total non-current assets		
Total assets	<u><u>\$ 108,631,988</u></u>	<u><u>\$ 113,612,128</u></u>

(continued)

Maryland Housing Fund

STATEMENTS OF NET ASSETS - CONTINUED

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 193,971	\$ 187,428
Accrued compensated absences	67,774	75,780
Accrued workers' compensation	465	775
Mortgage escrow accounts	405,351	369,056
Unearned premiums	1,296,955	880,126
Allowance for unpaid insurance losses	<u>7,732,290</u>	<u>6,173,790</u>
Total current liabilities	<u>9,696,806</u>	<u>7,686,955</u>
Non-current liabilities		
Accrued compensated absences, net of current portion	113,343	90,441
Accrued workers' compensation, net of current portion	2,535	4,225
Investment held for borrower	<u>1,205,632</u>	<u>1,045,479</u>
Total non-current liabilities	<u>1,321,510</u>	<u>1,140,145</u>
Total liabilities	<u>11,018,316</u>	<u>8,827,100</u>
Net assets		
Restricted net assets		
Multi-Family Reserve	44,698,739	44,698,739
Regular Single Family Reserve	33,773,875	32,273,875
Revitalization (Pilot) Reserve	2,224,450	2,224,450
Home and Energy Loan Reserve	500,000	500,000
Unallocated Reserve		
Committed	10,000,000	-
Uncommitted	<u>12,134,529</u>	<u>28,163,182</u>
Total restricted net assets	103,331,593	107,860,246
Unrestricted accumulated deficit	<u>(5,717,921)</u>	<u>(3,075,218)</u>
Total net assets	<u>97,613,672</u>	<u>104,785,028</u>
Total liabilities and net assets	<u>\$ 108,631,988</u>	<u>\$ 113,612,128</u>

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF REVENUES AND EXPENSES

Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenues		
Net premiums	\$ 1,533,796	\$ 1,717,641
Interest income on loans	541,016	562,444
Other income	<u>41,686</u>	<u>18,547</u>
Total operating revenues	<u>2,116,498</u>	<u>2,298,632</u>
Operating expenses		
General and administrative	2,812,748	2,861,378
Acquired property expenses	22,376	59,286
Net gains on sales of acquired property	(60,044)	(512,776)
Provision for (reduction in) insurance and loan losses	<u>1,984,121</u>	<u>(863,117)</u>
Total operating expenses	<u>4,759,201</u>	<u>1,544,771</u>
Operating (loss)/income	<u>(2,642,703)</u>	<u>753,861</u>
Non-operating revenues		
Restricted interest income on reserves	<u>5,471,347</u>	<u>5,471,758</u>
Total non-operating revenues	<u>5,471,347</u>	<u>5,471,758</u>
Change in net assets	<u><u>\$ 2,828,644</u></u>	<u><u>\$ 6,225,619</u></u>

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF CHANGES IN NET ASSETS

Years ended June 30, 2008 and 2007

	Restricted Net Assets					Unrestricted		Total
	Multi-Family Reserve	Regular Single Family Reserve	Revitalization (Pilot) Reserve	Home and Energy Loan Reserve	Unallocated Reserve		Accumulated Deficit	
					Committed	Uncommitted		
Balance at June 30, 2006	\$ 44,698,739	\$ 32,273,875	\$ 2,224,450	\$ 500,000	\$ -	\$ 22,691,424	\$ (3,829,079)	\$98,559,409
Interest income allocated at the discretion of DHCD Secretary	-	-	-	-	-	5,471,758	(5,471,758)	-
Change in net assets	-	-	-	-	-	-	6,225,619	6,225,619
Balance at June 30, 2007	44,698,739	32,273,875	2,224,450	500,000	-	28,163,182	(3,075,218)	104,785,028
Interest income allocated at the discretion of DHCD Secretary	-	1,500,000	-	-	-	3,971,347	(5,471,347)	-
Transfers in/(out)	-	-	-	-	10,000,000	(20,000,000)	-	(10,000,000)
Change in net assets	-	-	-	-	-	-	2,828,644	2,828,644
Balance at June 30, 2008	<u>\$ 44,698,739</u>	<u>\$ 33,773,875</u>	<u>\$ 2,224,450</u>	<u>\$ 500,000</u>	<u>\$ 10,000,000</u>	<u>\$ 12,134,529</u>	<u>\$ (5,717,921)</u>	<u>\$97,613,672</u>

See notes to financial statements

Maryland Housing Fund
STATEMENTS OF CASH FLOWS
Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Receipts from premiums	\$ 2,064,023	\$ 1,692,558
Premiums refunded	(101,963)	(117,514)
Receipts from loans	147,750	221,250
Receipts from mortgage escrows	142,982	152,961
Payments for mortgage escrows	(106,687)	(160,338)
Receipts from miscellaneous fees	45,255	17,546
Payments for general and administrative expenses	(2,795,458)	(2,899,297)
Sale proceeds from acquired property	115,201	1,514,717
Payments for acquired property	<u>(133,662)</u>	<u>(402,671)</u>
Net cash (used in) provided by operating activities	<u>(622,559)</u>	<u>19,212</u>
Cash flows from investing activities		
Receipts from interest earned on reserves	5,471,347	5,471,758
Transfer out	<u>(10,000,000)</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>(4,528,653)</u>	<u>5,471,758</u>
Net (decrease) increase in cash	(5,151,212)	5,490,970
Deposit with State Treasurer, balance - beginning of year	<u>111,920,339</u>	<u>106,429,369</u>
Deposit with State Treasurer, balance - end of year	<u><u>\$ 106,769,127</u></u>	<u><u>\$ 111,920,339</u></u>

(continued)

Maryland Housing Fund

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Reconciliation of operating income to net cash (used in) provided by operating activities:		
Operating (loss) income	\$ (2,642,703)	\$ 753,861
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Decrease in loans and interest receivable	32,361	16,999
(Increase) decrease in acquired property	(53,672)	674,505
(Increase) decrease in investments and other assets	(149,761)	16,439
Increase in accounts payable and other accrued liabilities	215,887	16,525
Increase (decrease) in allowance for unpaid insurance losses	1,558,500	(1,327,239)
Increase (decrease) in unearned premiums	416,829	(131,878)
Net cash (used in) provided by operating activities	<u>\$ (622,559)</u>	<u>\$ 19,212</u>

See notes to financial statements

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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 and pool 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 Reserve, and the Home and Energy Loan 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, 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 CDA's bondholders.

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, and except for claims arising from the Single Family Regular and Revitalization insurance issued before August 20, 1975, which claims are payable from all MHF insurance reserves).

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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 insures mortgages funded by CDA, the Housing Opportunities Commission of Montgomery County, and SunTrust Mortgage, Inc. These loans were originated prior to 2005.
- 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.
- Home and Energy Loan Program (HELP) insures a mortgage issued prior to 2005 for the purpose of rehabilitation and energy conservation in rental housing financed by CDA.
- Single Family mortgages funded through private lenders for permanent mortgages in publicly designated renewal or redevelopment areas. Certain CDA housing mortgage revenue bonds provide 100% coverage and are backed by the Multi-Family Reserve Fund. Insurance offered provides 100% coverage and is also backed by the Multi-Family Reserve Fund. MHF is not insuring any new loans under this program; MHF continues to manage the existing portfolio.
- Risk-Share Program insures CDA bond financed Multi-Family mortgages with credit enhancement under the Federal Housing Administration (FHA) Risk Sharing Program. Under the program, upon payment of a claim by FHA, CDA would be responsible for reimbursement to FHA of up to 50% of the claim. MHF would reimburse CDA for its share of such losses.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 1 - PROGRAM DESCRIPTION (CONTINUED)

- Bridge Loan Program insures short term loans made for part of the development costs of rental housing projects that are awarded federal low income housing tax credits.
- B. The Single-Family Reserve insures mortgages funded by private Maryland lending institutions and CDA. These programs include:
- Single Family Regular Program consists of mortgages originated prior to 2005. These mortgages may have primary insurance (MHF is liable for 25% of the mortgage balance) and/or pool insurance (MHF is liable for up to 75% of the mortgage balance). Pool insurance coverage is limited to 10% of lendable proceeds for the aggregate of revenue bond issues (stop-loss). In addition, the Wisconsin Mortgage Assurance Corporation, formerly the Mortgage Guaranty Insurance Corporation, has provided reinsurance for a portion of mortgage loans financed by one series of CDA's bonds. Notwithstanding the reinsurance provided by the Wisconsin Mortgage Assurance Corporation, the pool insurance coverage in force also includes coverage for mortgages financed by this series.
 - Mortgage Protection Program insures new 30 and 40 year mortgages funded through CDA bonds with primary coverage of 35% of mortgage balance 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.
- 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.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 1 - PROGRAM DESCRIPTION (CONTINUED)

- Healthy Neighborhood Program allocates up to \$1 million of the Reserve to provide 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.

- D. Home and Energy Loan Program (HELP) Reserve insures mortgages made for the purpose of rehabilitation and energy conservation in owner occupied housing financed by CDA's Home and Energy Loan Program and are liable for up to 100% of the loan amounts.
- 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.

A general reserve of \$10 million of the Unallocated Reserve has been committed to provide credit enhancement to private mortgage lenders as an incentive to refinance or restructure loans for Maryland borrowers who are in trouble with an existing loan.

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 are entirely supported by staff at DHCD to perform all necessary functions of MHF.

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.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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). MHF adopted GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." Consequently, MHF applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions and Accounting Research Bulletins (ARBS) of the Committee on Accounting Procedure issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict 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.

D. 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, 2008, acquired property consisted of \$110,882 of Single Family property and \$-0- of Multi-Family property. As of June 30, 2007, acquired property consisted of \$22,239 of Single Family property and \$34,971 of Multi-Family property.

E. 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.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Restricted Net Assets

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

G. Revenues and Expenses

MHF distinguishes operating revenues and expenses from non-operating items. 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. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. The interest earned on reserve accounts is restricted revenue.

H. Premium Income Recognition

Premium income on Multi-Family and Single Family loans is recognized on a straight-line basis over the benefit period covered by the premiums.

I. 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. Any adjustment is included on invoices and recorded in the period in which the adjustment is identified.

J. Reclassifications

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

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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. Additional information can be obtained from the State of Maryland Comprehensive Annual Financial Report. In June 2008, \$10,000,000 was transferred to DHCD's Homeownership, Rental Housing, and the Special Loan Programs pursuant to 2008 Senate Bill 983.

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.

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

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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, 2008 and 2007 is evaluated in accordance with GASB 40 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.

	<u>2008</u>	<u>2007</u>
Investment held for borrower (Obligations of U.S. Government Agencies)	<u>\$ 1,205,632</u>	<u>\$ 1,045,479</u>

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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, 2008 and 2007:

	2008	2007
Multi-Family	\$ 10,267,007	\$ 10,374,434
Single Family	56,177	69,486
Interest receivable on loans	6,942,203	6,428,207
	<u>17,265,387</u>	<u>16,872,127</u>
Allowance for possible losses on Multi-Family loans	(9,784,678)	(9,873,336)
Allowance for possible losses on interest receivable	<u>(6,940,170)</u>	<u>(6,425,891)</u>
Total allowance for possible losses	<u>(16,724,848)</u>	<u>(16,299,227)</u>
Loans and interest receivable, net of allowance for loans and related losses	<u>\$ 540,539</u>	<u>\$ 572,900</u>
Current portion, net of allowance	\$ 127,297	\$ 124,655
Non-current portion, net of allowance	<u>413,242</u>	<u>448,245</u>
Loans and interest receivable, net of allowance for loans and related losses	<u>\$ 540,539</u>	<u>\$ 572,900</u>

Changes in the allowance for possible losses on loans and interest receivable were as follows for the years ended June 30, 2008 and 2007:

	2008	2007
Balance, beginning of year	\$ 16,299,227	\$ 15,920,970
Provision charged to operations	<u>425,621</u>	<u>378,257</u>
Balance, end of year	<u>\$ 16,724,848</u>	<u>\$ 16,299,227</u>

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 5 - UNEARNED PREMIUMS

The unearned premiums for the unexpired terms of all policies in force or written as of June 30, 2008 and 2007, and the changes for the years then ended were as follows:

	2008			
	Unearned premiums at beginning of year	Premiums written	Premiums earned	Unearned premiums at end of year
Multi-Family Programs				
Construction and Permanent				
Mortgages	\$ 377,737	\$ 730,464	\$ 673,484	\$ 434,717
SHOP Loans	75,970	145,212	150,656	70,526
Multi-Family HELP	155	719	754	120
Total Multi-Family Programs	453,862	876,395	824,894	505,363
Single Family Programs				
Single Family Regular				
Primary	285,263	639,760	403,036	521,987
Pool	137,141	273,231	292,546	117,826
Revitalization (Pilot)	3,184	5,578	6,170	2,592
Single Family HELP	96	42	128	10
Community Development				
Administration under				
Multi-Family Reserve	580	1,204	1,293	491
Unallocated Committed	-	154,415	5,729	148,686
Total Single Family Programs	426,264	1,074,230	708,902	791,592
Total for the year ended June 30, 2008	\$ 880,126	\$ 1,950,625	\$ 1,533,796	\$ 1,296,955

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 5 - UNEARNED PREMIUMS (CONTINUED)

	2007		
	Unearned premiums at beginning of year	Premiums written	Unearned premiums at end of year
Multi-Family Programs			
Construction and Permanent			
Mortgages	\$ 496,839	\$ 702,034	\$ 821,136
SHOP Loans	33,779	111,162	68,971
Multi-Family HELP	187	929	961
Total Multi-Family Programs	530,805	814,125	891,068
Single Family Programs			
Single Family Regular			
Primary	308,093	450,345	473,175
Pool	168,206	312,330	343,395
Revitalization (Pilot)	4,148	7,200	8,164
Single Family HELP	151	370	425
Community Development			
Administration under			
Multi-Family Reserve	601	1,393	1,414
Total Single Family Programs	481,199	771,638	826,573
Total for the year ended June 30, 2007	\$ 1,012,004	\$ 1,585,763	\$ 1,717,641
			\$ 880,126

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2008 and 2007

NOTE 6 - NON-CURRENT OBLIGATIONS

Changes in non-current obligations for the years ended June 30, 2008 and 2007 were as follows:

	2008				Amount Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Compensated absences	\$ 166,221	\$ 14,896	\$ -	\$ 181,117	\$ 67,774
Workers' compensation	5,000	-	(2,000)	3,000	465
Investment due to borrower	1,045,479	160,153	-	1,205,632	-
Total for the year ended June 30, 2008	<u>\$1,216,700</u>	<u>\$175,049</u>	<u>\$ (2,000)</u>	<u>\$ 1,389,749</u>	<u>\$ 68,239</u>
	2007				Amount Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Compensated absences	\$ 181,918	\$123,597	\$ (139,294)	\$ 166,221	\$ 75,780
Workers' compensation	28,000	-	(23,000)	5,000	775
Investment due to borrower	979,667	65,812	-	1,045,479	-
Total for the year ended June 30, 2007	<u>\$1,189,585</u>	<u>\$189,409</u>	<u>\$ (162,294)</u>	<u>\$ 1,216,700</u>	<u>\$ 76,555</u>

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2008 and 2007

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. Financial Accounting Standards Board Statement No. 60 specifically excludes mortgage guaranty insurance from its guidance relating to the reserves for losses.

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, 2008, MHF has 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, 2008 was appropriately established on an aggregate basis and was adequate to cover the ultimate net cost of settling reported and unreported claims.

Maryland Housing Fund
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 7 - ALLOWANCE FOR UNPAID INSURANCE LOSSES (CONTINUED)

Changes in allowance for unpaid insurance losses were as follows:

	<u>Multi-Family</u>	<u>Single Family</u>	<u>Total</u>
Balance at June 30, 2006	\$ 4,691,101	\$ 2,809,928	\$ 7,501,029
Reduction in provision	(507,807)	(733,565)	(1,241,372)
Charge-offs	<u>-</u>	<u>(85,867)</u>	<u>(85,867)</u>
Balance at June 30, 2007	4,183,294	1,990,496	6,173,790
Increase in provision	<u>1,106,701</u>	<u>451,799</u>	<u>1,558,500</u>
Balance at June 30, 2008	<u><u>\$ 5,289,995</u></u>	<u><u>\$ 2,442,295</u></u>	<u><u>\$ 7,732,290</u></u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Multi-Family Mortgages

MHF insured mortgage loans as of June 30, 2008, net of partial claim payments, were as follows:

	<u>Number</u>	<u>Current Balances</u>
CDA Construction and Permanent Mortgages	47	\$ 84,424,992
Loans financed by the Housing Opportunities Commission of Montgomery County	4	9,606,886
Loans financed by SunTrust Mortgage, Inc.	2	3,311,288
CDA SHOP Loans	135	16,267,853
CDA Multi-Family HELP Program	1	105,385
CDA Single Family Loans under Multi-Family Reserves	<u>17</u>	<u>331,898</u>
	<u>206</u>	<u><u>\$ 114,048,302</u></u>

As of June 30, 2008, MHF had committed to insure \$3,497,166 on two mortgages.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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, 2008, were as follows:

		Insured Mortgages		
		Original Commitments		Current Balances
		Number	Amount	Amount Contingent Liability
Primary insurance coverage				
Single Family Regular				
25% insured	2,535	\$ 136,004,321	\$ 94,363,384	\$ 23,590,846
35% insured	63	13,364,442	13,053,092	4,568,582
Revitalization (Pilot) Program				
100% insured	67	2,167,431	1,478,712	1,478,712
2.5% insured	33	7,888,826	7,796,054	194,901
Single Family HELP Program (up to 100% insured)				
	1	8,350	252	252
Unallocated Committed 35% insured				
	21	5,558,878	5,423,274	1,898,146
Total	2,720	\$ 164,992,248	\$ 122,114,768	\$ 31,731,439
Single Family Regular Pool insurance coverage				
	3,813	\$ 208,434,917	\$ 140,937,226	\$ 20,500,000

As of June 30, 2008, MHF had committed primary insurance coverage on 110 mortgages in the amount of \$25,948,489.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

For pool insurance, as of June 30, 2008, MHF was contingently liable as insurer for an amount not to exceed \$20,500,000. Coverage is limited to 10% of lendable proceeds for the aggregate of revenue bond issues (stop-loss). The amount significantly decreased in fiscal year 2007 based on an analysis CDA did on current lendable proceeds. For a portion of the insured loan portfolio, FHA has the primary only insurance coverage and MHF has only the pool insurance coverage. In addition, the Wisconsin Mortgage Assurance Corporation, formerly the Mortgage Guaranty Insurance Corporation, has provided reinsurance for a portion of mortgage loans financed by one series of CDA's bonds.

NOTE 9 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of the State are covered under the retirement plans of the State Retirement and Pension System of Maryland (System) and are also entitled to certain healthcare benefits upon retirement. MHF's only liability 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 System is considered part of the State's financial reporting entity, and is not considered a part of MHF's reporting entity. The System prepares a separate Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland at 120 East Baltimore Street, Baltimore, Maryland 21202.

MARYLAND HOUSING FUND
INTERIM FINANCIAL STATEMENTS
As of March 31, 2009
(UNAUDITED)

Maryland Housing Fund
STATEMENTS OF NET ASSETS
March 31, 2009 and June 30, 2008
(UNAUDITED)

	<u>3/31/2009</u>	<u>6/30/2008</u>
ASSETS		
Current assets		
Unrestricted current assets		
Deposit with State Treasurer		
Operating account	\$ 4,905,735	\$ 3,437,534
Investments	274,797	-
Loans and interest receivable, net of allowance for loans and related losses	120,053	127,297
Acquired property	22,239	110,882
Other	15,060	5,808
Total unrestricted current assets	<u>5,337,884</u>	<u>3,681,521</u>
Restricted current assets		
Deposit with State Treasurer		
Reserve accounts	<u>105,914,034</u>	<u>103,331,593</u>
Total restricted current assets	<u>105,914,034</u>	<u>103,331,593</u>
Total current assets	<u>111,251,918</u>	<u>107,013,114</u>
Non-current assets		
Investment held for borrower	1,164,932	1,205,632
Loans and interest receivable, net of allowance for loans and related losses and current portion	<u>398,034</u>	<u>413,242</u>
Total non-current assets	<u>1,562,966</u>	<u>1,618,874</u>
Total assets	<u><u>\$ 112,814,884</u></u>	<u><u>\$108,631,988</u></u>

(continued)

Maryland Housing Fund
STATEMENTS OF NET ASSETS - CONTINUED
March 31, 2009 and June 30, 2008
(UNAUDITED)

	<u>3/31/2009</u>	<u>6/30/2008</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 368,173	\$ 193,971
Accrued compensated absences	67,774	67,774
Accrued workers' compensation	465	465
Mortgage escrow accounts	404,108	405,351
Unearned premiums	3,098,077	1,296,955
Allowance for unpaid insurance losses	<u>15,558,851</u>	<u>7,732,290</u>
Total current liabilities	<u>19,497,448</u>	<u>9,696,806</u>
Non-current liabilities		
Accrued compensated absences, net of current portion	113,343	113,343
Accrued workers' compensation, net of current portion	2,535	2,535
Investment held for borrower	<u>1,164,932</u>	<u>1,205,632</u>
Total non-current liabilities	<u>1,280,810</u>	<u>1,321,510</u>
Total liabilities	<u>20,778,258</u>	<u>11,018,316</u>
Net assets		
Restricted net assets		
Multi-Family Reserve	44,698,739	44,698,739
Regular Single Family Reserve	33,773,875	33,773,875
Revitalization (Pilot) Reserve	2,224,450	2,224,450
Home and Energy Loan Reserve	500,000	500,000
General Reserve	10,000,000	10,000,000
Unallocated Reserve	<u>14,991,767</u>	<u>12,134,529</u>
Total restricted net assets	106,188,831	103,331,593
Unrestricted accumulated deficit	<u>(14,152,205)</u>	<u>(5,717,921)</u>
Total net assets	<u>92,036,626</u>	<u>97,613,672</u>
Total liabilities and net assets	<u><u>\$ 112,814,884</u></u>	<u><u>\$ 108,631,988</u></u>

See notes to financial statements

Maryland Housing Fund
STATEMENTS OF REVENUES AND EXPENSES
As of March 31, 2009 and 2008
(UNAUDITED)

	<u>3/31/2009</u>	<u>3/31/2008</u>
Operating revenues		
Net premiums	\$ 1,417,944	\$ 1,165,266
Interest income on loans	402,275	404,935
Other income	<u>39,148</u>	<u>24,001</u>
Total operating revenues	<u>1,859,367</u>	<u>1,594,202</u>
 Operating expenses		
General and administrative	2,100,000	2,175,000
Acquired property expenses	27,605	29,755
Net loss (gain) on sales of acquired property	17,658	(47,951)
Provision for (reduction in) insurance and loan losses	<u>8,148,388</u>	<u>(48,773)</u>
Total operating expenses	<u>10,293,651</u>	<u>2,108,031</u>
Operating loss	<u>(8,434,284)</u>	<u>(513,829)</u>
 Non-operating revenues		
Restricted interest income on reserves	<u>2,857,238</u>	<u>4,250,629</u>
Total non-operating revenues	<u>2,857,238</u>	<u>4,250,629</u>
Change in net assets	<u>\$ (5,577,046)</u>	<u>\$ 3,736,800</u>

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF CHANGES IN NET ASSETS

For the nine months ended March 31, 2009 and years ended June 30, 2008 and 2007

(Unaudited)

	Restricted Net Assets						Unrestricted	
	Multi-Family Reserve	Regular Single Family Reserve	Revitalization (Pilot) Reserve	Home and Energy Loan Reserve	General Reserve	Unallocated Reserve	Accumulated Deficit	Total
Balance at June 30, 2007	\$ 44,698,739	\$32,273,875	\$ 2,224,450	\$ 500,000	\$ -	\$ 28,163,182	\$ (3,075,218)	\$104,785,028
Interest income allocated at the discretion of DHCD Secretary	-	1,500,000	-	-	-	3,971,347	(5,471,347)	-
Transfers in (out)	-	-	-	-	10,000,000	(20,000,000)	-	(10,000,000)
Change in net assets	-	-	-	-	-	-	2,828,644	2,828,644
Balance at June 30, 2008	44,698,739	33,773,875	2,224,450	500,000	10,000,000	12,134,529	(5,717,921)	97,613,672
Interest income allocated at the discretion of DHCD Secretary	-	-	-	-	-	2,857,238	(2,857,238)	-
Change in net assets	-	-	-	-	-	-	(5,577,046)	(5,577,046)
Balance at March 31, 2009	\$ 44,698,739	\$33,773,875	\$ 2,224,450	\$ 500,000	\$10,000,000	\$ 14,991,767	\$ (14,152,205)	\$ 92,036,626

See notes to financial statements

Maryland Housing Fund
STATEMENTS OF CASH FLOWS
As of March 31, 2009 and 2008
(UNAUDITED)

	<u>3/31/2009</u>	<u>3/31/2008</u>
Cash flows from operating activities		
Receipts from premiums	\$ 3,277,518	\$ 1,151,819
Premiums refunded	(60,057)	(69,774)
Receipts from loans	102,898	105,887
Receipts from mortgage escrows	106,804	107,380
Payments for mortgage escrows	(108,047)	(106,687)
Receipts from miscellaneous fees	38,093	27,506
Payments for general and administrative expenses	(1,922,232)	(399,776)
Sale proceeds from acquired property	70,985	79,893
Payments for acquired property	(37,761)	(16,403)
Net cash provided by operating activities	<u>1,468,201</u>	<u>879,845</u>
Cash flows from investing activities		
Receipts from interest earned on reserves	<u>2,582,441</u>	<u>3,789,719</u>
Net cash provided by investing activities	<u>2,582,441</u>	<u>3,789,719</u>
Net increase in cash	4,050,642	4,669,564
Deposit with State Treasurer, balance - beginning of year	<u>106,769,127</u>	<u>111,920,339</u>
Deposit with State Treasurer, balance - end of period	<u><u>\$ 110,819,769</u></u>	<u><u>\$ 116,589,903</u></u>
Reconciliation of operating income to net cash (used in) provided by operating activities		
Operating loss	\$ (8,434,284)	\$ (513,829)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Decrease in loans and interest receivable	22,452	24,184
Decrease in acquired property	88,643	34,971
Decrease (increase) in investments and other assets	31,448	(160,223)
Increase in accounts payable and other accrued liabilities	132,259	1,960,392
Increase (decrease) in allowance for unpaid insurance losses	7,826,561	(372,005)
Increase (decrease) in unearned premiums	<u>1,801,122</u>	<u>(93,645)</u>
Net cash provided by operating activities	<u><u>\$ 1,468,201</u></u>	<u><u>\$ 879,845</u></u>

See notes to financial statements

Maryland Housing Fund
NOTES TO FINANCIAL STATEMENTS
March 31, 2009 and June 30, 2008
(Unaudited)

1. GENERAL DISCLOSURE

In the opinion of management, the accompanying financial statements of the Maryland Housing Fund present fairly the financial position at March 31, 2009 and the results of its operations for the nine months ended March 31, 2009. These statements are unaudited, and certain information and footnote disclosures normally included in the audited annual financial statements have been omitted.

2. 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 periods ended March 31, 2009 and June 30, 2008:

	3/31/2009	6/30/2008
Multi-Family	\$ 10,189,261	\$ 10,267,007
Single Family	50,030	56,177
Interest receivable on loans	<u>7,325,472</u>	<u>6,942,203</u>
	<u>17,564,763</u>	<u>17,265,387</u>
Allowance for possible losses on Multi-Family loans	(9,721,499)	(9,784,678)
Allowance for possible losses on interest receivable	<u>(7,325,177)</u>	<u>(6,940,170)</u>
Total allowance for possible losses	<u>(17,046,676)</u>	<u>(16,724,848)</u>
Loans and interest receivable, net of allowance for loans and related losses	<u>\$ 518,087</u>	<u>\$ 540,539</u>
Current portion, net of allowance	\$ 120,053	\$ 127,297
Non-current portion, net of allowance	<u>398,034</u>	<u>413,242</u>
Loans and interest receivable, net of allowance for loans and related losses	<u>\$ 518,087</u>	<u>\$ 540,539</u>

Changes in the allowance for possible losses on loans and interest receivable were as follows for the periods ended March 31, 2009 and June 30, 2008:

	3/31/2009	6/30/2008
Balance, beginning of period	\$ 16,724,848	\$ 16,299,227
Provision charged to operations	<u>321,828</u>	<u>425,621</u>
Balance, end of period	<u>\$ 17,046,676</u>	<u>\$ 16,724,848</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2009 and June 30, 2008

(Unaudited)

3. ALLOWANCE FOR UNPAID INSURANCE LOSSES

Changes in allowance for unpaid insurance losses were as follows:

	<u>Multi-Family</u>	<u>Single Family</u>	<u>Total</u>
Balance at June 30, 2007	\$ 4,183,294	\$ 1,990,496	\$ 6,173,790
Increase in provision	<u>1,106,701</u>	<u>451,799</u>	<u>1,558,500</u>
Balance at June 30, 2008	5,289,995	2,442,295	7,732,290
Increase in provision	<u>1,477,522</u>	<u>6,349,039</u>	<u>7,826,561</u>
Balance at March 31, 2009	<u><u>\$ 6,767,517</u></u>	<u><u>\$ 8,791,334</u></u>	<u><u>\$ 15,558,851</u></u>

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APPENDIX J
INVESTMENTS HELD IN THE RESIDENTIAL REVENUE BOND FUNDS
As of March 31, 2009

<u>Principal Balance</u>	<u>Guaranteed Investment Contract Provider and Other Investments</u>	<u>Rate of Earnings</u>	<u>Maturity</u>	
	<u>Program Fund</u>			<u>Program Fund Series</u>
\$9,799,575	Money Market Funds	Varies	On demand	2006 Series K and L
\$2,618,653	Money Market Funds	Varies	On demand	2007 Series A
\$100,345	Money Market Funds	Varies	On demand	2007 Series C and D
\$212,465	Money Market Funds	Varies	On demand	2007 Series I and J
\$8,290,160	Money Market Funds	Varies	On demand	2007 Series K
\$162,822	Money Market Funds	Varies	On demand	2007 Series M
\$11,997,031	Money Market Funds	Varies	On demand	2008 Series A
\$12,120,317	Money Market Funds	Varies	On demand	2008 Series B, C and D
\$26,778,242	Money Market Funds	Varies	On demand	2008 Series E and F
	<u>Revenue (Float) Fund</u>			
\$73,321,996	Money Market Funds	Varies	On demand	
\$5,029,769	Westdeutsche Landesbank Gironzentrale, New York Branch	5.96%	9/1/2029	
	<u>Reserve Fund</u>			
\$38,791,040	Money Market Funds	Varies	On demand	
\$2,334,039 (1)	Federal Farm Credit Bonds	5.25%	8/13/2019	
\$1,231,569	Westdeutsche Landesbank Gironzentrale, New York Branch	5.22%	9/1/2029	
\$3,728,576 (1)	Federal Home Loan Mortgage Corp.	6.75%	9/15/2029	
\$1,176,471	Westdeutsche Landesbank Gironzentrale, New York Branch	5.82%	9/1/2031	
\$2,584,461 (1)	Federal Home Loan Mortgage Corp.	6.25%	7/15/2032	
	<u>Collateral Reserve Fund (2)</u>			
\$918,878	Money Market Funds	Varies	On demand	
\$8,750,000	Westdeutsche Landesbank Gironzentrale, New York Branch	5.96%	9/1/2029	
	<u>Warehouse Loan Fund (3)</u>			
\$33,148,765	Money Market Funds	Varies	On demand	
	<u>Other Funds</u>			
\$6,410,557	Money Market Funds	Varies	On demand	

- (1) In keeping with the provisions of GASB 31, these investments are reported at fair value. The total book value at March 31, 2009 for the investments referenced was \$7,076,683 and the increase in fair value of these investments was \$1,570,393.
- (2) The Collateral Reserve Fund was established under the Bond Resolution at the time the 1997 Residential Revenue Bonds Series A and Series B were issued.
- (3) The Warehouse Loan Fund was established by transferring \$45,000,000 in excess revenues from the 1980 General Certificate (Single Family Program Bonds). It provides an interim funding source for loans purchased between issuances of Residential Revenue Bonds.

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APPENDIX K

RESIDENTIAL REVENUE BOND PROGRAM LOAN PORTFOLIO BY BOND SERIES AND INTEREST RATE as of March 31, 2009^{(1) (2)}

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
Collateral Reserve Fund			106	8,764,712	57	2,539,059
	4.000%	(3)	106	8,764,712	57	3,539,059
1997 Series A			198	16,992,005	47	3,011,910
	4.000%		41	3,633,437	17	1,053,501
	6.000%		2	173,590	1	62,087
	6.400%		154	13,140,565	28	1,856,779
	7.500%		1	44,413	1	39,542
1997 Series B			999	81,171,892	260	15,807,019
	4.000%		210	17,674,896	103	6,584,429
	5.500%	(4), (4.1)	48	3,436,397	15	820,725
	6.400%		732	59,127,375	140	8,255,097
	6.900%		9	933,224	2	146,767
1998 Series A			61	4,552,300	25	1,481,665
	5.000%		49	3,602,864	22	1,331,656
	6.100%		12	949,436	3	150,009
1998 Series B			899	74,306,563	227	14,113,301
	5.500%	(4), (4.2)	201	16,692,492	63	4,099,143
	6.100%		665	54,369,384	158	9,495,609
	6.250%		9	1,033,541	2	182,545
	6.500%		3	297,847	0	0
	6.750%		21	1,913,299	4	336,004
1998 Series D			708	61,727,224	199	13,685,605
	4.000%	(4), (4.3)	33	1,909,980	15	673,148
	5.500%	(4), (4.4)	647	56,978,406	180	12,662,056
	5.500%		11	982,596	0	0
	6.375%		17	1,856,242	4	350,401
1999 Series C			25	2,584,548	10	969,780
	5.000%		20	1,982,759	8	776,362
	6.125%		1	124,287	0	0
	6.900%		4	477,502	2	193,418
1999 Series D			592	56,333,589	124	9,059,759
	6.000%		150	13,996,588	37	2,541,167
	6.125%		353	33,902,866	71	5,246,412
	6.500%		89	8,434,135	16	1,272,180
1999 Series E			597	22,351,652	203	3,564,301
	4.750%	(5), (5.8)	85	394,307	57	243,329
	4.950%	(5), (5.7)	37	989,443	22	497,725
	5.750%	(5), (5.1)	287	3,771,241	99	1,130,930

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
	4.950%		3	290,716	1	118,664
	6.000%		1	161,100	0	0
	6.125%		5	565,650	1	103,632
	6.750%		73	6,559,151	7	429,516
	7.000%		106	9,620,044	16	1,040,504
1999 Series F			596	56,193,694	89	6,415,086
	6.125%		1	80,600	0	0
	6.500%		265	24,041,780	49	3,525,783
	6.750%		69	6,780,630	12	867,042
	6.900%		2	234,547	0	0
	7.000%		214	20,439,573	24	1,818,372
	7.250%		9	924,241	1	54,160
	7.500%		36	3,692,323	3	149,728
1999 Series H			614	58,868,174	87	6,539,130
	6.000%		158	16,020,135	44	3,523,913
	6.250%		1	64,450	0	0
	7.000%		254	23,728,090	27	1,874,987
	7.250%		142	13,335,578	13	913,488
	7.500%		59	5,719,921	3	226,741
2000 Series A			83	7,818,452	10	663,560
	6.900%		75	7,002,330	9	585,387
	7.000%		1	64,648	0	0
	7.500%		7	751,474	1	78,173
2000 Series B			744	68,248,330	172	10,607,396
	5.000%	(5), (5.3)	71	1,265,057	41	644,354
	5.000%		25	2,528,717	10	863,249
	5.050%	(5), (5.6)	17	375,455	10	175,756
	5.750%		98	11,039,408	30	2,724,948
	5.875%		123	11,767,170	41	3,491,735
	6.900%		157	15,753,125	14	865,596
	7.250%		253	25,519,399	26	1,841,759
2000 Series C			63	5,975,178	5	407,628
	7.125%		1	39,979	0	0
	7.250%		62	5,935,199	5	407,628
2000 Series D			729	72,613,685	124	9,602,856
	4.750%		3	291,990	0	0
	5.000%	(5), (5.3)	71	5,750,253	41	2,928,879
	5.750%		26	2,821,884	8	659,837
	5.875%		36	3,765,184	9	864,161
	6.000%		13	1,460,445	2	137,388
	6.250%		14	1,479,231	1	140,729
	6.900%		8	874,569	0	0
	7.000%		7	643,123	0	0
	7.125%		335	34,038,611	43	3,369,187
	7.250%		199	19,866,106	19	1,417,849
	7.500%		17	1,622,289	1	84,827

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2000 Series F			162	14,922,531	25	1,950,317
	6.000%		1	147,300	1	120,666
	6.750%		143	13,074,753	21	1,599,324
	7.000%		12	1,167,793	0	0
	7.125%		6	532,685	3	230,327
2000 Series G			880	63,725,157	262	13,032,608
	5.000%	(4), (4.5)	347	27,059,330	98	6,484,754
	5.000%	(5), (5.4)	189	3,755,747	98	1,715,838
	5.500%		2	129,312	1	49,681
	5.875%		88	8,037,054	29	2,298,037
	6.900%		1	87,500	0	0
	6.750%		23	2,681,774	3	284,695
	7.000%		96	9,293,184	17	1,232,074
	7.125%		45	4,333,000	7	484,864
	7.250%		42	3,960,526	5	264,607
	7.500%		47	4,387,730	4	218,057
2000 Series H			618	53,429,090	133	6,955,503
	4.750%	(5), (5.8)	85	1,636,729	57	1,010,036
	5.500%		28	2,353,445	15	1,169,830
	5.875%		29	3,461,107	6	630,500
	6.000%		27	2,552,760	8	658,347
	6.125%		1	148,100	0	0
	6.250%		17	1,979,952	1	130,998
	6.375%		94	8,970,879	18	1,358,762
	6.500%		2	181,700	1	77,707
	6.600%		3	273,077	0	0
	6.750%		21	2,103,350	4	322,333
	7.000%		82	7,663,564	14	976,276
	7.125%		2	182,379	0	0
	7.250%		49	5,175,460	2	108,063
	7.500%		178	16,746,588	7	512,653
2001 Series A			443	15,488,359	251	7,494,864
	4.000%	(5), (5.2)	392	14,406,838	223	6,977,998
	4.750%	(5), (5.5)	51	1,081,521	28	516,866
2001 Series B			464	38,677,739	209	14,497,648
	4.750%	(5), (5.8)	85	5,491,320	57	3,388,727
	5.875%	(4), (4.6)	117	10,873,159	35	2,687,982
	5.000%	(5), (5.4)	189	15,022,989	98	6,863,354
	5.875%		14	1,448,897	6	520,292
	6.125%		59	5,841,374	13	1,037,293
2001 Series E			141	13,490,845	53	4,291,591
	5.500%		18	1,544,567	4	300,540
	5.750%		44	4,470,263	14	1,184,418
	5.875%		79	7,476,015	35	2,806,633
2001 Series F			751	64,962,862	262	18,274,636
	4.000%	(4), (4.8)	104	5,671,011	58	2,757,655
	4.950%	(5), (5.7)	37	3,049,101	22	1,533,807
	5.050%	(5), (5.6)	17	1,256,956	10	588,399

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
	5.750%	(5), (5.1)	287	24,782,543	99	7,431,859
	5.250%		2	201,888	1	67,887
	5.750%		2	185,850	0	0
	5.875%		39	4,184,509	13	1,163,504
	6.000%	(4), (4.7)	58	5,690,025	12	993,259
	6.125%		2	201,633	0	0
	6.250%		136	13,362,933	36	2,838,470
	6.375%		42	3,830,881	6	457,526
	6.000%		2	197,476	1	58,364
	6.500%		1	94,242	1	80,818
	6.750%		4	409,076	2	211,659
	6.900%		2	180,206	0	0
	7.000%		4	351,960	0	0
	7.125%		8	917,816	0	0
	7.250%		4	394,755	1	91,427
2001 Series G			101	9,909,563	35	3,010,334
	5.000%		13	1,430,799	4	402,790
	5.750%		17	1,795,404	6	464,257
	5.875%		71	6,683,360	25	2,143,287
2001 Series H			664	38,792,365	388	18,033,042
	4.000%	(5), (5.2)	392	20,955,436	223	10,149,832
	4.750%	(5), (5.5)	51	3,424,816	28	1,636,743
	5.000%		27	2,782,283	16	1,489,138
	5.250%		6	683,303	2	122,855
	5.500%		56	4,330,052	27	1,906,629
	5.500%	(5), (5.9)	85	1,593,518	76	1,346,128
	5.750%		41	4,426,872	14	1,183,371
	5.875%		6	596,085	2	198,346
2002 Series A			154	7,795,314	122	4,938,195
	4.950%		23	2,443,293	12	1,085,139
	5.000%		4	398,607	2	162,917
	5.050%		7	739,784	3	282,114
	5.500%		4	315,855	1	59,845
	5.750%		2	209,609	1	115,138
	5.875%		1	78,746	1	77,970
	6.000%	(5), (5.10)	113	3,609,420	102	3,155,072
2003 Series A			79	9,224,370	42	4,518,352
	4.000%		3	173,550	3	155,730
	4.950%		74	8,751,820	39	4,362,622
	5.050%		1	170,600	0	0
	5.750%		1	128,400	0	0
2003 Series B			142	15,582,439	90	8,778,079
	4.000%		14	767,050	13	631,256
	4.950%		122	14,177,671	75	8,017,526
	5.000%		2	156,400	1	64,329
	5.050%		3	409,918	0	0
	5.500%		1	71,400	1	64,968

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2003 Series C			167	19,315,068	100	10,337,576
	4.000%		2	109,600	2	98,158
	4.950%		161	18,775,840	97	10,174,446
	5.050%		3	284,628	1	64,971
	5.250%		1	145,000	0	0
2004 Series A			90	10,360,109	57	6,043,362
	4.000%		1	54,800	0	0
	4.950%		89	10,305,309	57	6,043,362
2004 Series B			183	19,346,007	115	10,808,168
	4.000%		13	748,950	9	465,811
	4.750%		29	2,279,721	24	1,604,897
	4.950%		140	16,177,065	81	8,609,863
	5.050%		1	140,271	1	127,597
2004 Series C			172	19,335,622	96	10,079,614
	4.950%		172	19,335,622	96	10,079,614
2004 Series D			108	12,549,774	67	6,925,993
	4.875%		24	2,515,629	16	1,509,546
	4.950%		83	9,977,645	51	5,416,446
	5.000%		1	56,500	0	0
2004 Series E			233	26,846,480	150	15,970,635
	4.750%		20	1,582,179	13	948,399
	4.875%		21	2,051,624	13	1,219,129
	4.950%		156	18,716,672	104	11,604,469
	5.250%		35	4,391,866	19	2,100,232
	5.500%		1	104,139	1	98,406
2004 Series F			158	19,324,293	105	11,889,919
	4.875%		12	1,215,300	10	949,702
	4.950%		59	6,876,147	41	4,389,723
	5.125%		19	2,626,708	12	1,728,873
	5.250%		19	2,666,673	12	1,446,451
	5.500%		49	5,939,465	30	3,375,170
2004 Series G			113	12,996,789	65	6,817,677
	5.000%		7	473,413	6	363,551
	5.500%		106	12,523,376	59	6,454,127
2004 Series H			219	26,715,004	142	16,154,211
	4.875%		62	6,900,204	46	4,848,730
	4.950%		34	4,406,672	18	2,257,878
	5.000%		1	77,100	1	71,593
	5.125%		13	1,586,951	9	1,022,179
	5.250%		17	2,429,990	8	999,944
	5.500%		70	8,495,723	46	5,178,846
	5.625%		22	2,818,364	14	1,775,040
2004 Series I			159	19,277,983	100	11,260,150
	5.125%		15	1,760,213	13	1,333,358
	5.500%		144	17,517,770	87	9,926,792

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2005 Series A			113	12,313,633	82	7,927,604
	4.875%		73	7,239,216	57	5,165,843
	4.950%		2	264,864	1	104,453
	5.125%		2	315,300	0	0
	5.250%		6	755,648	3	270,308
	5.500%		1	248,035	0	0
	5.625%		29	3,490,570	21	2,387,001
2005 Series B			240	27,446,136	174	18,561,566
	4.875%		45	4,876,412	36	3,678,733
	5.000%		29	2,154,101	27	1,864,045
	5.250%		4	465,972	4	437,241
	5.500%		51	5,948,622	33	3,853,046
	5.625%		111	14,001,029	74	8,728,501
2005 Series C			162	19,403,566	127	14,720,278
	4.875%		35	4,705,721	28	3,629,362
	5.000%		31	2,482,096	26	1,935,172
	5.250%		9	1,318,226	7	1,004,816
	5.500%		30	3,798,298	21	2,726,235
	5.625%		57	7,099,225	45	5,424,692
2005 Series D			85	12,859,954	69	9,843,465
	4.875%		16	1,688,555	14	1,389,349
	5.000%		14	1,082,256	12	851,061
	5.250%		5	643,049	5	608,381
	5.625%		9	1,118,504	7	785,285
	5.875%		27	5,743,059	19	4,033,957
	5.950%		14	2,584,531	12	2,175,432
2005 Series E			315	43,519,211	278	36,741,026
	4.875%		93	11,478,520	86	10,058,430
	5.000%		6	809,399	6	777,233
	5.250%		10	1,436,811	9	1,280,090
	5.500%		101	14,110,261	86	11,593,760
	5.500%	(5), (5.9)	85	11,531,901	76	9,741,599
	5.625%		5	758,386	2	408,528
	5.875%		15	3,393,933	13	2,881,386
2006 Series A			73	11,607,921	64	9,824,065
	4.875%		31	4,539,939	30	4,253,663
	5.000%		1	95,380	1	90,080
	5.250%		3	311,363	2	218,485
	5.500%		29	4,777,178	24	3,772,633
	5.875%		9	1,884,061	7	1,489,204
2006 Series B			279	47,295,765	251	41,001,987
	4.875%		99	15,693,099	95	14,543,893
	5.000%		2	397,114	2	384,009
	5.250%		12	2,296,906	12	2,218,938
	5.500%		133	21,842,494	115	18,412,334
	5.625%		1	97,500	1	95,445
	5.875%		31	6,750,357	25	5,133,125

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
	6.000%		1	218,295	1	214,244
2006 Series E			121	22,807,005	110	20,788,352
	4.875%		40	7,394,737	37	6,935,277
	5.25%		17	3,581,720	17	3,498,651
	5.50%		48	8,701,963	42	7,690,540
	5.75%		8	1,783,396	7	1,574,655
	5.88%		8	1,345,189	7	1,089,229
2006 Series F			310	57,464,822	288	52,196,422
	4.875%		112	19,524,451	100	17,256,966
	4.950%		20	3,481,781	19	3,224,277
	5.000%		3	692,550	3	675,414
	5.250%		31	6,329,094	30	5,925,263
	5.375%		1	254,900	1	249,530
	5.500%		94	17,703,212	89	16,142,501
	5.625%		3	584,273	3	566,139
	5.750%		27	4,588,477	25	4,114,273
	5.875%		10	2,271,150	9	2,042,327
	6.000%		6	1,392,284	6	1,363,235
	6.375%		3	642,650	3	636,496
2006 Series G			195	38,789,329	178	34,927,639
	4.875%		24	4,026,353	20	3,446,796
	4.950%		26	4,544,864	26	4,400,317
	5.075%		1	127,500	1	124,605
	5.250%		17	3,066,442	16	2,824,953
	5.375%		1	239,000	1	234,777
	5.500%		44	8,908,671	37	7,523,595
	5.625%		3	711,900	3	706,115
	5.750%		37	8,485,120	36	7,947,270
	5.875%		2	603,000	2	602,305
	6.000%		24	4,857,829	22	4,308,278
	6.125%		2	331,000	2	327,518
	6.250%		3	472,650	3	467,475
	6.375%		5	896,000	3	509,740
	6.500%		2	536,000	2	528,531
	6.625%		2	346,000	2	345,492
	6.750%		1	337,000	1	330,540
	7.000%		1	300,000	1	299,333
2006 Series H			113	16,917,935	102	14,788,333
	6.000%	(5), (5.10)	113	16,917,935	102	14,788,333
2006 Series I			849	142,911,431	787	130,117,866
	4.875%		52	10,111,460	50	9,654,470
	4.950%		47	8,730,918	46	8,247,364
	5.000%		2	421,053	2	411,418
	5.075%		1	93,000	1	90,820
	5.250%		39	6,826,240	36	5,978,640
	5.375%		16	3,096,756	14	2,740,961
	5.500%		148	26,649,861	138	24,237,499
	5.625%		28	6,295,185	28	6,235,653
	5.750%		102	19,024,465	97	17,326,576

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
	5.875%		33	7,539,675	28	6,331,113
	6.000%		82	15,850,793	74	14,166,514
	6.000%	(5), (5.10)	113	2,076,304	102	1,814,942
	6.125%		29	7,007,450	27	6,361,825
	6.250%		131	23,814,238	123	22,053,496
	6.375%		9	1,793,763	7	1,423,773
	6.500%		4	851,000	3	709,365
	6.625%		11	2,203,270	9	1,810,643
	6.750%		2	526,000	2	522,794
2006 Series J			300	58,250,788	279	52,873,680
	4.875%		6	808,113	6	783,566
	4.950%		8	1,658,181	7	1,515,135
	5.250%		4	778,075	4	748,671
	5.375%		5	1,180,400	5	1,171,294
	5.500%		57	9,633,855	56	9,352,571
	5.625%		7	1,439,192	6	1,186,802
	5.750%		39	7,161,201	39	7,018,156
	5.875%		14	2,317,434	14	2,283,437
	6.000%		39	7,978,734	31	6,360,479
	6.125%		11	2,759,240	6	1,373,785
	6.250%		70	13,749,955	66	12,656,402
	6.375%		6	1,341,170	6	1,310,779
	6.500%		3	422,931	3	417,619
	6.625%		8	2,022,950	7	1,713,964
	6.750%		2	558,939	2	552,052
	7.125%		16	3,315,418	16	3,303,968
	7.500%		2	446,000	2	446,000
	7.625%		3	679,000	3	679,000
2006 Series K			22	4,832,161	22	4,800,370
	5.625%		4	732,320	4	721,345
	5.750%		9	1,847,367	9	1,831,624
	6.125%		2	462,825	2	462,825
	6.375%		5	1,300,649	5	1,299,484
	6.625%		1	266,000	1	265,897
	7.125%		1	223,000	1	219,195
2006 Series L			830	163,506,275	794	154,435,216
	4.875%		2	233,111	2	224,299
	4.950%		14	2,672,136	13	2,459,442
	5.000%		11	1,072,794	11	1,025,415
	5.075%		1	197,500	1	194,441
	5.250%		70	12,886,053	69	12,471,746
	5.375%		9	2,124,925	9	2,097,098
	5.500%		169	31,225,328	163	29,757,089
	5.625%		22	5,017,636	20	4,358,906
	5.750%		151	30,566,646	144	28,889,993
	5.875%		8	1,842,094	8	1,816,799
	6.000%		94	19,062,754	91	18,219,231
	6.125%		21	4,445,810	20	4,237,127
	6.250%		197	38,151,991	184	35,135,521
	6.375%		18	4,349,952	18	4,315,869
	6.500%		11	2,448,466	11	2,438,988

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
	6.625%		24	5,473,533	23	5,222,488
	6.750%		8	1,735,546	7	1,570,764
2006 Series O			49	9,707,644	49	9,582,610
	5.250%		6	1,090,530	6	1,074,101
	5.375%		1	113,700	1	111,614
	5.500%		12	2,549,192	12	2,526,095
	5.750%		12	2,130,840	12	2,104,397
	6.000%		7	1,544,282	7	1,521,257
	6.250%		5	949,650	5	939,301
	6.500%		2	310,400	2	306,335
	6.625%		2	685,150	2	669,700
	6.750%		2	333,900	2	329,812
2006 Series P			554	84,666,902	532	80,189,138
	4.950%		4	491,324	4	485,281
	5.000%		6	551,854	6	528,680
	5.250%		49	8,678,384	45	7,872,790
	5.375%		4	824,400	4	811,113
	5.500%		104	20,278,967	100	19,134,685
	5.625%		5	1,081,611	5	1,060,402
	5.750%		73	15,635,164	71	15,125,474
	5.875%		7	1,423,768	7	1,409,281
	6.000%		108	21,827,068	106	20,940,251
	6.125%		8	1,445,545	7	1,292,200
	6.250%		3	611,800	3	605,070
	6.250%	(5), (5.11)	147	3,366,396	140	3,143,064
	6.375%		11	2,566,628	10	2,266,464
	6.500%		14	3,341,083	14	3,304,934
	6.625%		8	1,865,110	8	1,834,877
	6.750%		3	677,800	2	374,573
2006 Series S			147	24,465,406	140	22,842,336
	6.250%	(5), (5.11)	147	24,465,406	140	22,842,336
2007 Series A			1,427	268,524,348	1,381	257,432,232
	4.950%		1	210,491	1	209,945
	5.000%		4	386,785	4	360,612
	5.250%		33	6,399,246	32	6,108,965
	5.375%		3	631,900	3	628,920
	5.500%		264	51,135,869	254	49,166,403
	5.625%		18	2,804,574	17	2,582,322
	5.750%		244	54,066,795	240	52,760,360
	5.875%		21	4,327,312	20	4,106,905
	6.000%		237	49,476,748	232	47,986,388
	6.125%		22	4,220,849	21	4,068,311
	6.250%		148	30,699,603	143	29,476,678
	6.250%	(5), (5.12)	166	3,475,600	162	3,333,155
	6.375%		65	14,121,211	61	13,146,800
	6.500%		83	18,906,030	78	17,391,208
	6.625%		45	10,575,155	43	9,951,765
	6.750%		60	13,834,015	57	12,921,259
	6.875%		4	780,744	4	773,780
	7.000%		6	1,732,021	6	1,724,782

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
	7.125%		2	489,900	2	484,173
	7.250%		1	249,500	1	249,500
2007 Series B			166	29,434,166	162	28,227,820
	6.250%	(5), (5.12)	166	29,434,166	162	28,227,820
2007 Series C			719	43,558,065	710	42,385,159
	5.500%		21	2,846,368	21	2,815,087
	5.750%		21	4,090,406	20	3,951,952
	5.875%		3	502,160	3	492,786
	6.000%	(5), (5.17)	53	495,363	53	489,390
	6.000%		13	3,185,341	13	3,160,702
	6.125%	(5), (5.22)	49	2,186,557	49	2,171,810
	6.250%		11	2,474,034	11	2,466,729
	6.250%	(5), (5.21)	147	4,951,091	147	4,903,662
	6.375%		16	3,613,115	16	3,565,713
	6.500%		22	4,491,579	21	4,096,036
	6.500%	(5), (5.18)	103	3,151,385	101	3,050,479
	6.625%		12	2,635,249	12	2,624,177
	6.750%		9	1,882,186	8	1,694,795
	6.750%	(5), (5.20)	90	1,790,590	89	1,744,220
	6.875%		3	687,334	3	687,171
	7.000%		4	1,195,383	4	1,189,377
	7.000%	(5), (5.19)	88	1,470,143	87	1,434,737
	7.125%		1	234,740	1	234,740
	7.250%		1	213,000	1	205,862
	7.250%	(5), (5.16)	52	1,462,041	50	1,405,735
2007 Series D			1,179	171,353,483	1,147	164,986,148
	5.500%	(5), (5.14)	163	4,174,757	160	4,027,105
	5.625%		12	2,183,412	12	2,159,840
	5.750%		50	9,268,369	50	9,147,166
	5.875%		2	308,999	2	302,770
	6.000%		103	18,354,834	101	17,587,378
	6.125%		12	2,971,354	12	2,945,572
	6.250%		70	14,022,667	70	13,894,775
	6.250%	(5), (5.13)	200	3,651,140	194	3,505,825
	6.375%		47	9,988,384	43	8,981,115
	6.500%		111	22,220,138	105	20,846,544
	6.625%		47	11,275,581	47	11,193,608
	6.750%		125	26,555,438	121	25,638,120
	6.875%		36	8,010,313	35	7,680,656
	6.875%	(5), (5.15)	34	782,894	33	749,764
	7.000%		86	18,757,373	85	18,450,875
	7.125%		30	7,240,612	27	6,546,136
	7.250%		45	10,236,818	44	9,981,927
	7.375%		1	255,000	1	255,000
	7.625%		4	869,400	4	866,464
	7.750%		1	226,000	1	225,508
2007 Series E			319	47,977,342	309	45,937,257
	5.625%		6	1,329,942	6	1,317,958
	5.750%		8	1,611,893	8	1,600,471
	6.123%		9	2,022,144	9	2,014,042

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
	6.250%	(5), (5.13)	200	23,606,706	194	22,667,161
	6.625%		10	2,089,101	9	1,714,090
	6.875%	(5), (5.15)	34	7,117,227	33	6,816,043
	7.250%	(5), (5.16)	52	10,200,329	50	9,807,493
2007 Series F			465	50,393,137	456	49,031,944
	6.500%	(5), (5.14)	163	22,914,354	160	22,103,923
	5.500%	(5), (5.13)	200	9,621,985	194	9,239,030
	6.000%	(5), (5.17)	53	8,916,461	53	8,808,952
	6.125%	(5), (5.22)	49	8,940,338	49	8,880,038
2007 Series G			295	58,957,023	288	57,262,744
	5.750%		10	1,639,424	10	1,609,106
	5.875%		3	555,934	3	549,976
	6.000%		25	3,787,825	24	3,549,617
	6.125%		1	174,900	1	171,855
	6.250%		35	6,628,516	35	6,582,649
	6.375%		2	333,900	2	326,269
	6.500%		33	6,529,214	32	6,444,033
	6.625%		6	1,495,698	6	1,476,701
	6.750%		42	8,873,216	42	8,804,801
	6.875%		19	4,353,102	17	3,888,771
	7.000%		45	8,889,245	44	8,639,314
	7.125%		25	5,590,389	23	5,140,911
	7.250%		46	9,544,660	46	9,517,870
	7.625%		3	561,000	3	560,873
2007 Series H			416	60,893,787	410	59,328,574
	5.500%		11	1,833,541	11	1,808,104
	5.750%		13	2,416,354	13	2,392,019
	5.875%	(5), (5.23)	143	6,257,948	142	6,116,593
	5.875%		5	668,521	5	662,360
	6.000%		19	2,984,572	19	2,923,788
	6.125%		10	2,223,072	10	2,214,625
	6.250%		44	8,742,574	42	8,306,033
	6.375%		2	472,698	2	469,185
	6.500%		25	5,225,915	25	5,177,172
	6.625%		9	1,799,703	8	1,530,198
	6.750%		40	7,517,445	39	7,301,245
	6.875%		17	3,754,520	17	3,705,629
	7.000%		51	10,578,037	50	10,321,115
	7.125%		6	1,436,495	6	1,431,059
	7.250%		19	4,587,392	19	4,575,040
	7.500%		1	252,500	1	252,500
	7.750%		1	142,500	1	141,907
2007 Series I			316	61,238,649	312	59,761,181
	5.63%		11	1,749,717	11	1,728,162
	5.75%		41	7,819,504	41	7,739,055
	5.88%		30	6,277,392	30	6,216,777
	6.00%		6	1,166,659	6	1,160,577
	6.13%		25	6,128,968	25	6,094,843
	6.38%		8	1,914,810	7	1,645,567
	6.500%	(5), (5.18)	103	18,537,582	101	17,944,017

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
	6.63%		3	452,926	3	449,618
	6.75%		1	228,000	1	227,999
	7.000%	(5), (5.19)	88	16,963,091	87	16,554,566
2007 Series J			394	60,771,034	392	59,697,732
	5.500%		3	419,183	3	413,187
	6.375%		6	1,418,450	6	1,410,686
	6.625%		3	692,834	3	692,045
	6.750%		2	543,347	2	536,295
	6.750%	(5), (5.20)	90	13,813,132	89	13,455,428
	6.250%	(5), (5.21)	147	22,851,219	147	22,632,316
	5.875%	(5), (5.23)	143	21,032,868	142	20,557,775
2007 Series K			262	20,855,435	259	20,471,297
	5.500%		6	969,173	6	959,798
	5.625%		8	1,234,198	8	1,229,459
	5.750%		9	1,711,090	9	1,701,821
	5.875%	(5), (5.24)	179	5,568,953	177	5,464,974
	5.875%		1	213,522	1	213,522
	6.000%		11	2,009,507	11	2,006,605
	6.125%		13	2,596,787	13	2,585,844
	6.250%		8	1,375,039	8	1,362,481
	6.375%		6	1,331,847	6	1,323,023
	6.500%		1	366,817	1	365,805
	6.625%		13	2,194,456	12	1,975,061
	6.750%		6	1,169,679	6	1,168,630
	7.000%		1	114,367	1	114,273
2007 Series M			179	29,238,310	177	28,692,393
	5.875%	(5), (5.24)	179	29,238,310	177	28,692,393
2008 Series A			253	46,137,376	248	44,957,349
	5.500%		4	598,287	4	593,255
	5.625%		1	137,740	1	136,797
	5.750%		3	802,692	3	797,142
	5.875%		50	9,186,172	49	8,994,840
	6.000%		6	893,788	6	888,438
	6.125%		26	4,739,102	24	4,322,940
	6.250%		114	19,182,458	114	19,088,614
	6.375%		12	2,609,492	12	2,598,939
	6.500%		13	2,624,889	13	2,618,464
	6.625%		1	325,700	1	323,056
	6.750%		8	1,902,275	8	1,894,266
	7.000%		12	2,418,530	10	1,987,291
	7.250%		2	445,185	2	443,261
	7.500%		1	271,066	1	270,048
2008 Series B			98	18,760,309	98	18,627,876
	5.000%		12	2,076,892	12	2,057,104
	5.750%		15	2,829,320	15	2,808,456
	6.000%		5	910,227	5	905,007
	6.125%		18	3,652,498	18	3,621,823
	6.250%		33	6,060,562	33	6,025,576
	6.375%		12	2,567,374	12	2,547,734

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
	6.875%		3	663,436	3	662,176
2008 Series C			407	76,434,800	399	74,069,898
	5.500%		7	796,551	7	787,332
	5.625%		4	726,989	4	720,351
	5.750%		6	1,474,310	6	1,463,470
	5.875%		168	30,785,091	168	30,519,784
	6.000%		8	1,166,422	8	1,160,269
	6.125%		21	4,106,054	21	4,090,027
	6.250%		123	23,325,889	122	23,024,570
	6.375%		11	2,463,088	11	2,450,576
	6.500%		17	4,276,577	17	4,265,564
	6.625%		14	2,624,415	13	2,325,936
	6.750%		18	2,961,185	15	2,189,290
	7.000%		10	1,728,229	7	1,072,730
2008 Series D			213	37,690,185	210	36,865,186
	5.750%		1	256,287	1	254,936
	5.875%		25	4,245,349	25	4,224,673
	6.000%		12	2,187,664	12	2,178,620
	6.125%		10	1,939,537	10	1,932,151
	6.250%		98	17,577,789	98	17,498,935
	6.375%		13	1,988,638	13	1,980,175
	6.500%		15	3,056,348	15	3,050,600
	6.625%		4	767,773	3	567,070
	6.750%		22	3,464,364	21	3,185,143
	6.875%		1	185,000	1	184,706
	7.000%		7	1,159,881	6	947,950
	7.250%		2	393,786	2	393,281
	7.500%		2	295,048	2	294,387
	7.750%		1	172,721	1	172,560
2008 Series E			74	12,261,092	74	12,234,048
	5.625%		1	157,712	1	157,202
	5.750%		3	658,976	3	657,389
	5.875%		11	1,930,902	11	1,925,758
	6.000%		9	1,269,750	9	1,267,551
	6.125%		1	142,348	1	142,071
	6.250%		4	682,288	4	679,518
	6.375%		8	1,348,233	8	1,345,578
	6.500%		3	659,397	3	658,352
	6.625%		4	801,465	4	799,677
	6.750%		19	2,715,115	19	2,710,241
	7.000%		6	1,010,073	6	1,007,406
	7.500%		5	884,833	5	883,305

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
Lifeline (6)			75	19,264,352	74	19,028,315
	6.250%		4	993,505	4	989,581
	6.500%		60	15,682,574	59	15,460,998
	6.625%		1	250,000	1	246,822
	6.750%		2	556,141	2	553,562
	7.000%		6	1,321,813	6	1,318,174
	7.250%		1	237,352	1	236,443
	7.375%		1	222,967	1	222,736
Total All Series ⁽²⁾			21,890	3,043,078,539	13,247	2,106,689,634

Notes:

- (1) For information on the status of remaining funds from prior Series of Bonds, see "Existing Portfolio and Available Funds Under the Bond Resolution - Status of Available Funds" above.
- (2) Individual amounts may not add up to the total amount because of rounding. The total number of loans for all series is adjusted to prevent double counting of participation loans financed from multiple bond series under the Bond Resolution. (For detail on participation loans see Footnote (5)).
- (3) The Collateral Reserve Fund is a fund established under the Bond Resolution at the time the 1997 Series A Bonds and the 1997 Series B Bonds were issued.
- (4) See Page K-15 for more detail.
- (5) See Page K-16, K-17, and K-18 for more detail.
- (6) These loans are currently held in the Warehouse Loan Fund and may be purchased into a taxable series of bonds. (See Residential Revenue Bond Program -- Status of Available Proceeds, footnote 4, for a description of the Warehouse Loan Fund.)

(4) The mortgage rate paid by the borrower is derived from a blend of proceeds from a series of Residential Revenue Bonds and proceeds from the 1999 First Series Bonds issued under the General Certificate and loaned at 0.00%. (See the below table for detail)

Footnote #	Indenture	Blended Series	Interest Rate by Series	Interest Rate to Borrower	Original Number of Loans	Original Amount of All Loans	Number of Current Loans	Outstanding Principal Amount
(4.1)	Residential Revenue Bond	1997 Series B	6.40%	5.50%	48	\$ 3,436,397	15	\$820,725
	1980 General Certificate	1999 First Series	0.00%			562,319		134,301
(4.2)	Residential Revenue Bond	1998 Series B	6.10%	5.50%	201	16,692,492	63	4,099,143
	1980 General Certificate	1999 First Series	0.00%			1,821,006		447,181
(4.3)	Residential Revenue Bond	1998 Series D	5.96%	4.00%	33	1,909,980	15	673,148
	1980 General Certificate	1999 First Series	0.00%			935,890		329,842
(4.4)	Residential Revenue Bond	1998 Series D	5.96%	5.50%	647	56,978,406	180	12,662,056
	1980 General Certificate	1999 First Series	0.00%			4,765,453		1,059,005
(4.5)	Residential Revenue Bond	2000 Series G	6.75%,7.5%	5.00%	347	27,059,330	98	6,484,754
	1980 General Certificate	1999 First Series	0.00%			11,858,237		2,810,308
(4.6)	Residential Revenue Bond	2001 Series B	6.625%	5.875%	117	10,873,159	35	2,687,982
	1980 General Certificate	1999 First Series	0.00%			1,388,069		343,148
(4.7)	Residential Revenue Bond	2001 Series F	6.625%	6.00%	58	5,690,025	12	993,259
	1980 General Certificate	1999 First Series	0.00%			592,714		103,465
(4.8)	Residential Revenue Bond	2001 Series F	6.625%	4.00%	104	5,671,011	58	2,757,655
	1980 General Certificate	1999 First Series	0.00%			3,721,595		1,809,708

(5) The mortgage rate paid by the borrower is derived from a blend of proceeds from different series of Residential Revenue Bonds. *(See the below table for detail)* Total number of loans is adjusted to avoid a double count of the number of loans financed with proceeds of different series issued under the Residential Revenue Bond Resolution.

Footnote #	Indenture	Blended Series	Interest Rate by Series	Interest Rate to Borrower	Original Number of Loans	Original Amount of All Loans	Number of Current Loans	Outstanding Principal Amount
(5.1)	Residential Revenue Bond	2001 Series F	6.625%	5.75%	287	\$24,782,543	99	\$7,431,859
	Residential Revenue Bond	1999 Series E	0.00%			3,771,241		1,130,930
(5.2)	Residential Revenue Bond	2001 Series H	6.750%	4.00%	392	20,955,436	223	10,149,832
	Residential Revenue Bond	2001 Series A	0.00%			14,406,838		6,977,998
(5.3)	Residential Revenue Bond	2000 Series D	6.100%	5.00%	71	5,750,253	41	2,928,879
	Residential Revenue Bond	2000 Series B	0.00%			1,265,057		644,354
(5.4)	Residential Revenue Bond	2001 Series B	6.250%	5.00%	189	15,022,989	98	6,863,354
	Residential Revenue Bond	2000 Series G	0.00%			3,755,747		1,715,838
(5.5)	Residential Revenue Bond	2001 Series H	6.250%	4.75%	51	3,424,816	28	1,636,743
	Residential Revenue Bond	2001 Series A	0.00%			1,081,521		516,866
(5.6)	Residential Revenue Bond	2001 Series F	6.560%	5.05%	17	1,256,956	10	588,399
	Residential Revenue Bond	2000 Series B	0.00%			375,455		175,756
(5.7)	Residential Revenue Bond	2001 Series F	6.560%	4.95%	37	3,049,101	22	1,533,807
	Residential Revenue Bond	1999 Series E	0.00%			989,443		497,725
(5.8)	Residential Revenue Bond	2001 Series B	6.500%	4.75%	85	5,491,320	57	3,388,727
	Residential Revenue Bond	2000 Series H	0.00%			1,636,729		1,010,036
	Residential Revenue Bond	1999 Series E	0.00%			394,307		243,329

Footnote #	Indenture	Blended Series	Interest Rate by Series	Interest Rate to Borrower	Original Number of Loans	Original Amount of All Loans	Number of Current Loans	Outstanding Principal Amount
(5.9)	Residential Revenue Bond	2005 Series E	6.260%	5.50%	85	11,531,901	76	9,741,599
	Residential Revenue Bond	2001 Series H	0.00%			1,593,518		1,346,128
(5.10)	Residential Revenue Bond	2006 Series H	7.110%	6.00%	113	16,917,935	102	14,788,333
	Residential Revenue Bond	2006 Series I	7.110%			2,076,304		1,814,942
	Residential Revenue Bond	2002 Series A	0.00%			3,609,420		3,155,072
(5.11)	Residential Revenue Bond	2006 Series P	0.000%	6.25%	147	3,366,396	140	3,143,064
	Residential Revenue Bond	2006 Series S	7.11%			24,465,406		22,842,336
(5.12)	Residential Revenue Bond	2007 Series A	0.000%	6.25%	166	3,475,600	162	3,333,155
	Residential Revenue Bond	2007 Series B	6.988%			29,434,166		28,227,820
(5.13)	Residential Revenue Bond	2007 Series D	0.000%	6.25%	200	3,651,140	194	3,505,825
	Residential Revenue Bond	2007 Series E	0.00%			23,606,706		22,667,161
	Residential Revenue Bond	2007 Series F	6.97%			9,621,985		9,239,030
(5.14)	Residential Revenue Bond	2007 Series D	0.000%	5.50%	163	4,174,757	160	4,027,105
	Residential Revenue Bond	2007 Series F	6.97%			22,914,354		22,103,923
(5.15)	Residential Revenue Bond	2007 Series D	0.000%	6.88%	34	782,894	34	749,764
	Residential Revenue Bond	2007 Series E	7.623%			7,117,227		6,816,043
(5.16)	Residential Revenue Bond	2007 Series C	0.000%	7.25%	52	1,462,041	52	1,405,735
	Residential Revenue Bond	2007 Series E	7.62%			10,200,329		9,807,493

Footnote #	Indenture	Blended Series	Interest Rate by Series	Interest Rate to Borrower	Original Number of Loans	Original Amount of All Loans	Number of Current Loans	Outstanding Principal Amount
(5.17)	Residential Revenue Bond	2007 Series C	0.000%	6.00%	53	495,363	53	489,390
	Residential Revenue Bond	2007 Series F	7.62%			8,916,461		8,808,952
(5.18)	Residential Revenue Bond	2007 Series C	0.000%	6.50%	103	18,537,582	103	17,944,017
	Residential Revenue Bond	2007 Series I	7.62%			3,151,385		3,050,479
(5.19)	Residential Revenue Bond	2007 Series C	0.000%	7.00%	88	16,963,091	88	16,554,566
	Residential Revenue Bond	2007 Series I	7.62%			1,470,143		1,434,737
(5.20)	Residential Revenue Bond	2007 Series C	0.000%	6.75%	90	13,813,132	90	13,455,428
	Residential Revenue Bond	2007 Series J	7.62%			1,790,590		1,744,220
(5.21)	Residential Revenue Bond	2007 Series C	0.000%	6.25%	147	22,851,219	147	22,632,316
	Residential Revenue Bond	2007 Series J	7.62%			4,951,091		4,903,662
(5.22)	Residential Revenue Bond	2007 Series C	0.000%	6.13%	49	8,940,338	49	8,880,038
	Residential Revenue Bond	2007 Series F	7.62%			2,186,557		2,171,810
(5.23)	Residential Revenue Bond	2007 Series H	0.000%	5.88%	143	21,032,868	143	20,557,775
	Residential Revenue Bond	2007 Series J	7.62%			6,257,948		6,116,593
(5.24)	Residential Revenue Bond	2007 Series M	0.000%	5.88%	179	29,238,310	179	28,692,393
	Residential Revenue Bond	2007 Series K	6.99%			5,568,953		5,464,974

APPENDIX L

RESIDENTIAL REVENUE BOND PROGRAM LOAN PORTFOLIO BY BOND SERIES AND LOAN TYPE

as of March 31, 2009

Source of Funds	Original Number of Loans	Original Principal Amount \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
Collateral Reserve ⁽³⁾	106	8,764,712	57	3,539,059
30 Year Amortization	106	8,764,712	57	3,539,059
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
1997 Series A	198	16,992,005	47	3,011,910
30 Year Amortization	198	16,992,005	47	3,011,910
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
1997 Series B ⁽¹⁾	999	81,171,892	260	15,807,019
30 Year Amortization	999	81,171,892	260	15,807,019
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
1998 Series A	61	4,552,300	25	1,481,665
30 Year Amortization	61	4,552,300	25	1,481,665
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
1998 Series B ⁽¹⁾	899	74,306,563	227	14,113,301
30 Year Amortization	899	74,306,563	227	14,113,301
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0

Source of Funds	Original Number of Loans	Original Principal Amount \$⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$⁽²⁾
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
1998 Series D ⁽¹⁾	708	61,727,224	199	13,685,605
30 Year Amortization	708	61,727,224	199	13,685,605
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
1999 Series C	25	2,584,548	10	969,780
30 Year Amortization	25	2,584,548	10	969,780
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
1999 Series D	592	56,333,589	124	9,059,759
30 Year Amortization	592	56,333,589	124	9,059,759
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
1999 Series E ⁽¹⁾	597	22,351,652	203	3,564,301
30 Year Amortization	597	22,351,652	203	3,564,301
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
1999 Series F	596	56,193,694	89	6,415,086
30 Year Amortization	596	56,193,694	89	6,415,086
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
1999 Series H	614	58,868,174	87	6,539,130
30 Year Amortization	614	58,868,174	87	6,539,130
40 Year Amortization	0	0	0	0

Source of Funds	Original Number of Loans	Original Principal Amount \$⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$⁽²⁾
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2000 Series A	83	7,818,452	10	663,560
30 Year Amortization	83	7,818,452	10	663,560
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2000 Series B ⁽¹⁾	744	68,248,330	172	10,607,396
30 Year Amortization	744	68,248,330	172	10,607,396
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2000 Series C	63	5,975,178	5	407,628
30 Year Amortization	63	5,975,178	5	407,628
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2000 Series D ⁽¹⁾	729	72,613,685	124	9,602,856
30 Year Amortization	729	72,613,685	124	9,602,856
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2000 Series F	162	14,922,531	25	1,950,317
30 Year Amortization	162	14,922,531	25	1,950,317
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0

Source of Funds	Original Number of Loans	Original Principal Amount \$⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$⁽²⁾
2000 Series G ⁽¹⁾	880	63,725,157	262	13,032,608
30 Year Amortization	880	63,725,157	262	13,032,608
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2000 Series H	618	53,429,090	133	6,955,503
30 Year Amortization	618	53,429,090	133	6,955,503
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2001 Series A ⁽¹⁾	443	15,488,359	251	7,494,864
30 Year Amortization	443	15,488,359	251	7,494,864
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2001 Series B ⁽¹⁾	464	38,677,739	209	14,497,648
30 Year Amortization	464	38,677,739	209	14,497,648
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2001 Series E	141	13,490,845	53	4,291,591
30 Year Amortization	141	13,490,845	53	4,291,591
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2001 Series F ⁽¹⁾	751	64,962,862	262	18,274,636
30 Year Amortization	751	64,962,862	262	18,274,636
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0

Source of Funds	Original Number of Loans	Original Principal Amount \$⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$⁽²⁾
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2001 Series G	101	9,909,563	35	3,010,334
30 Year Amortization	101	9,909,563	35	3,010,334
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2001 Series H ⁽¹⁾	664	38,792,365	388	18,033,042
30 Year Amortization	660	38,688,287	384	17,929,079
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	4	104,078	4	103,962
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2002 Series A ⁽¹⁾	154	7,795,314	122	4,938,195
30 Year Amortization	106	6,062,084	80	3,453,632
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	2	78,245	2	78,092
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	39	1,389,286	34	1,198,033
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	7	265,699	6	208,438
2003 Series A	79	9,224,370	42	4,518,352
30 Year Amortization	79	9,224,370	42	4,518,352
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2003 Series B	142	15,582,439	90	8,778,079
30 Year Amortization	142	15,582,439	90	8,778,079
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0

Source of Funds	Original Number of Loans	Original Principal Amount \$⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$⁽²⁾
2003 Series C	167	19,315,068	100	10,337,576
30 Year Amortization	167	19,315,068	100	10,337,576
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2004 Series A	90	10,360,109	57	6,043,362
30 Year Amortization	90	10,360,109	57	6,043,362
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2004 Series B	183	19,346,007	115	10,808,168
30 Year Amortization	183	19,346,007	115	10,808,168
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2004 Series C	172	19,335,622	96	10,079,614
30 Year Amortization	172	19,335,622	96	10,079,614
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2004 Series D	108	12,549,774	67	6,925,993
30 Year Amortization	108	12,549,774	67	6,925,993
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2004 Series E	233	26,846,480	150	15,970,635
30 Year Amortization	233	26,846,480	150	15,970,635
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0

Source of Funds	Original Number of Loans	Original Principal Amount \$⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$⁽²⁾
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2004 Series F	158	19,324,293	105	11,889,919
30 Year Amortization	158	19,324,293	105	11,889,919
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2004 Series G	113	12,996,789	65	6,817,677
30 Year Amortization	113	12,996,789	65	6,817,677
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2004 Series H	219	26,715,004	142	16,154,211
30 Year Amortization	219	26,715,004	142	16,154,211
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2004 Series I	159	19,277,983	100	11,260,150
30 Year Amortization	159	19,277,983	100	11,260,150
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2005 Series A	113	12,313,633	82	7,927,604
30 Year Amortization	113	12,313,633	82	7,927,604
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0

Source of Funds	Original Number of Loans	Original Principal Amount \$⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$⁽²⁾
2005 Series B	240	27,446,136	174	18,561,566
30 Year Amortization	239	27,301,986	173	18,417,416
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	1	144,150	1	144,150
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2005 Series C	162	19,403,566	127	14,720,278
30 Year Amortization	153	17,699,366	119	13,259,714
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	9	1,704,200	8	1,460,564
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2005 Series D	85	12,859,954	69	9,843,465
30 Year Amortization	62	7,987,588	52	6,108,644
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	23	4,872,366	17	3,734,821
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2005 Series E ⁽¹⁾	315	43,519,211	278	36,741,026
30 Year Amortization	263	34,010,543	229	27,667,891
40 Year Amortization	3	725,877	3	708,462
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	49	8,782,791	46	8,364,673
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2006 Series A	73	11,607,921	64	9,824,065
30 Year Amortization	55	7,982,051	48	6,608,395
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	18	3,625,870	16	3,215,670
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization		0	0	0
2006 Series B	279	47,295,765	251	41,001,987
30 Year Amortization	204	32,580,368	184	28,166,240
40 Year Amortization	3	625,545	3	611,017
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0

Source of Funds	Original Number of Loans	Original Principal Amount \$(²)	Number of Outstanding Loans	Outstanding Principal Balance \$(²)
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	72	14,089,852	64	12,224,731
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2006 Series E	121	22,807,005	110	20,788,352
30 Year Amortization	73	12,449,955	63	10,601,726
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	48	10,357,050	47	10,186,626
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2006 Series F	310	57,464,822	288	52,196,422
30 Year Amortization	208	35,734,145	191	31,598,541
40 Year Amortization	8	1,878,123	8	1,833,521
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	1	186,000	1	185,949
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	93	19,666,554	88	18,578,411
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2006 Series G	195	38,789,329	178	34,927,639
30 Year Amortization	117	21,124,098	107	18,739,775
40 Year Amortization	6	1,472,512	5	1,232,894
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	70	15,648,965	64	14,411,884
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	2	543,754	2	543,086
2006 Series H ⁽¹⁾	113	16,917,935	102	14,788,333
30 Year Amortization	65	8,794,007	60	7,829,945
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	2	366,745	2	366,029
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	39	6,511,807	34	5,615,374
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	7	1,245,376	6	976,984
2006 Series I ⁽¹⁾	849	142,911,431	787	130,117,866
30 Year Amortization	529	81,906,827	492	73,673,561
40 Year Amortization	25	5,097,266	25	5,002,356
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	3	370,010	2	44,922
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	277	53,664,286	254	49,562,417
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	15	1,873,043	14	1,834,610

Source of Funds	Original Number of Loans	Original Principal Amount \$(²)	Number of Outstanding Loans	Outstanding Principal Balance \$(²)
2006 Series J	300	58,250,788	279	52,873,680
30 Year Amortization	166	28,843,945	156	26,262,405
40 Year Amortization	19	3,873,357	18	3,448,346
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	1	239,900	1	239,775
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	103	22,603,694	94	20,555,353
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	11	2,689,892	10	2,367,800
2006 Series K	22	4,832,161	22	4,800,370
30 Year Amortization	10	1,930,030	10	1,904,053
40 Year Amortization	2	309,880	2	308,090
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	8	2,160,826	8	2,156,802
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	2	431,425	2	431,425
2006 Series L	830	163,506,275	794	154,435,216
30 Year Amortization	394	66,181,880	372	60,476,073
40 Year Amortization	30	6,183,813	28	5,636,327
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	18	4,176,236	18	4,164,241
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	349	77,701,469	337	74,929,711
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	39	9,262,877	39	9,228,864
2006 Series O	49	9,707,644	49	9,582,610
30 Year Amortization	20	3,324,174	20	3,220,670
40 Year Amortization	1	113,700	1	111,614
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	2	404,900	2	404,689
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	24	5,246,273	24	5,229,942
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	2	618,597	2	615,696
2006 Series P ⁽¹⁾	554	84,666,902	532	80,189,138
30 Year Amortization	240	28,562,824	229	26,369,941
40 Year Amortization	25	4,931,957	24	4,715,904
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	13	2,230,882	13	2,220,913
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	233	40,293,567	226	39,062,803
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	43	8,647,671	40	7,819,577
2006 Series S ⁽¹⁾	147	24,465,406	140	22,842,336
30 Year Amortization	77	11,629,406	72	10,460,589
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	3	469,370	3	463,559

Source of Funds	Original Number of Loans	Original Principal Amount \$(²)	Number of Outstanding Loans	Outstanding Principal Balance \$(²)
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	59	10,940,533	57	10,496,349
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	8	1,426,098	8	1,421,839
2007 Series A ⁽¹⁾	1,427	268,524,348	1,381	257,432,232
30 Year Amortization	495	75,338,923	476	70,560,808
40 Year Amortization	85	16,594,794	82	15,854,311
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	69	14,118,147	67	13,495,189
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	604	123,789,714	587	120,221,457
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	174	38,682,770	169	37,300,466
2007 Series B ⁽¹⁾	166	29,434,166	162	28,227,820
30 Year Amortization	86	13,822,476	84	13,086,743
40 Year Amortization	0	0	0	0
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	9	1,645,563	9	1,634,007
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	57	11,234,588	55	10,784,834
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	14	2,731,539	14	2,722,236
2007 Series C ⁽¹⁾	719	43,558,065	710	42,385,159
30 Year Amortization	364	17,991,830	358	17,011,148
40 Year Amortization	110	5,567,323	110	5,511,030
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	14	2,144,917	14	2,132,275
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	143	12,295,079	142	12,244,294
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	88	5,558,916	86	5,486,412
2007 Series D ⁽¹⁾	1,179	171,353,483	1,147	164,986,148
30 Year Amortization	611	71,109,840	593	67,448,431
40 Year Amortization	91	17,989,708	89	17,521,048
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	43	7,597,196	43	7,580,456
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	312	51,057,135	304	49,629,276
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	122	23,599,605	118	22,806,937
2007 Series E ⁽¹⁾	319	47,977,342	309	45,937,257
30 Year Amortization	179	24,538,404.00	173	23,130,917.30
40 Year Amortization	27	5,038,895.47	27	5,002,847.80
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	10	1,257,462.46	10	1,253,346.99
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	75	11,992,329.94	73	11,695,262.50
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	28	5,150,249.74	26	4,854,882.15

Source of Funds	Original Number of Loans	Original Principal Amount \$⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$⁽²⁾
2007 Series F ⁽¹⁾	465	50,393,137	456	49,031,944
30 Year Amortization	281	25,784,470	275	24,832,441
40 Year Amortization	23	4,336,168	23	4,309,133
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	12	1,307,084	12	1,305,260
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	111	13,496,240	109	13,167,633
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	38	5,469,175	37	5,417,477
2007 Series G	295	58,957,023	288	57,262,744
30 Year Amortization	112	20,220,650	109	19,496,362
40 Year Amortization	37	6,515,461	37	6,458,072
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	14	2,870,173	13	2,747,991
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	81	16,974,649	79	16,436,119
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	51	12,376,090	50	12,124,200
2007 Series H ⁽¹⁾	416	60,893,787	410	59,328,574
30 Year Amortization	305	37,618,993	299	36,128,957
40 Year Amortization	35	6,966,120	35	6,913,129
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	5	948,782	5	943,732
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	47	10,498,406	47	10,486,349
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	24	4,861,486	24	4,856,408
2007 Series I ⁽¹⁾	316	61,238,649	312	59,761,181
30 Year Amortization	182	34,172,445	179	33,007,515
40 Year Amortization	62	12,075,448	62	11,988,725
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	1	70,859	1	70,859
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	36	7,016,015	36	7,006,769
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	35	7,903,882	34	7,687,313
2007 Series J ⁽¹⁾	394	60,771,034	392	59,697,732
30 Year Amortization	296	43,528,749	294	42,523,605
40 Year Amortization	34	5,562,430	34	5,513,107
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	3	627,905	3	627,487
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	34	5,994,418	34	5,983,082
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	27	5,057,532	27	5,050,451
2007 Series K ⁽¹⁾	262	20,855,435	259	20,471,297
30 Year Amortization	239	16,223,366	236	15,856,325
40 Year Amortization	21	4,132,069	21	4,116,127
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0

Source of Funds	Original Number of Loans	Original Principal Amount \$⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$⁽²⁾
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	2	500,000	2	498,845
2007 Series M ⁽¹⁾	179	29,238,310	177	28,692,393
30 Year Amortization	176	28,671,727	174	28,128,443
40 Year Amortization	3	566,583	3	563,950
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
2008 Series A	253	46,137,376	248	44,957,349
30 Year Amortization	226	40,088,797	221	38,936,383
40 Year Amortization	24	5,387,614	24	5,360,311
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	3	660,965	3	660,656
2008 Series B	98	18,760,309	98	18,627,876
30 Year Amortization	78	14,660,805	78	14,557,344
40 Year Amortization	19	3,850,093	19	3,821,121
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	1	249,411	1	249,411
2008 Series C	407	76,434,800	399	74,069,898
30 Year Amortization	367	67,239,999	359	64,905,002
40 Year Amortization	37	8,568,683	37	8,538,884
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	1	189,150	1	189,150
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	2	436,968	2	436,862
2008 Series D	213	37,690,185	210	36,865,186
30 Year Amortization	195	33,896,165	192	33,077,302
40 Year Amortization	17	3,527,310	17	3,521,174
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	1	266,710	1	266,710
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0

Source of Funds	Original Number of Loans	Original Principal Amount \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2008 Series E	74	12,261,092	74	12,234,048
30 Year Amortization	67	10,823,830	67	10,798,903
40 Year Amortization	7	1,437,262	7	1,435,144
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	0	0	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	0	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	0	0	0	0
Refinance Loans ⁽⁴⁾	75	19,264,352	74	19,028,315
30 Year Amortization	20	4,102,184	19	3,925,041
40 Year Amortization	45	12,246,571	45	12,193,821
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	1	225,000	1	224,984
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	3	729,400	3	729,400
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	6	1,961,197	6	1,955,069
Total All Series ⁽²⁾	21,890	3,043,078,539	13,247	2,106,689,634

Notes

(1) Loans under this bond series include participation interests purchased with this series bond proceeds. For more information about participation loans see Participations in Mortgage Loans section on page B-1 and Residential Revenue Bond Program Loan Portfolio by Bond Series and Interest Rate in Appendix K.

(2) Individual amounts may not add up to the total amount because of rounding. The total number of loans for all series is adjusted to prevent double counting of participation loans financed from multiple bond series under the Bond Resolution. (For detail on participation loans see Footnote (5) of Appendix K).

(3) The Collateral Reserve Fund is a fund established under the Bond Resolution at the time the 1997 Series A Bonds and the 1997 Series B Bonds were issued.

(4) These loans are currently held in the Warehouse Loan Fund and may be purchased into a taxable series of bonds. (See Residential Revenue Bond Program -- Status of Available Proceeds, footnote 4, for a description of the Warehouse Loan Fund.)

APPENDIX M

RESIDENTIAL REVENUE BOND PROGRAM PREPAYMENT SPEED OF MORTGAGE LOAN PORTFOLIO BY BOND ISSUANCE

Prepayments on mortgage loans are commonly measured relative to a prepayment standard model. The Securities Industry and Financial Markets Association (formerly the Public Securities Association) standard prepayment model (commonly referred to as the “PSA Prepayment Model” or “PSA”) represents an assumed monthly rate of prepayment of the then outstanding principal balance of a pool of new mortgage loans. PSA does not purport to be either an historic description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans. One hundred percent (100%) PSA assumes prepayment rates of 0.2 percent per year of the then-unpaid principal balance of such mortgage loans in the first months of the life of the mortgage loans and an additional 0.2 percent per year in each month thereafter (for example, 0.4 percent per year in the second month) until the 30th month. Beginning in the 30th month and in each month thereafter during the life of the mortgage loans, 100% PSA assumes a constant prepayment rate of six percent per year. Multiples of PSA are calculated from this prepayment rate series. For example, 200% PSA assumes prepayment rates will be 0.4 percent per year in month one, 0.8 percent per year in month two, reaching 12% per year in month 30 and remaining constant at 12% per year thereafter. The following Average Prepayment Speed tables express the prepayment speed of mortgage loans of the Administration’s Residential Revenue Bonds as a percent of PSA based on actual prepayments and assuming all mortgage loans were originated in the month when the greatest number of mortgage loans was originated.

The Average Prepayment Speed tables provide historic PSA prepayment speeds. The Administration makes no representation as to the percentage of the principal balance of the loans that will be prepaid as of any date or as to the overall rate of prepayment of such mortgage loans. The Administration makes no representation as to the speed with which any series of Bonds will be redeemed with prepayments.

For information on cross-call practices, see “THE OFFERED BONDS – Redemption Provisions – Cross-Call Practices” in the Official Statement. For additional information please refer to the website, www.dhcd.state.md.us and click CDA Bonds – Investor Information. In the section labeled NRMSIR Filings, the Administration has provided additional information on its cross-calling practices and the sources for the redemption of bonds in “Other Informational Filings”. Furthermore, the recent and historical quarterly NRMSIR filings include a Ten Year Rule table, a schedule of debt outstanding with the effective yields of bonds, and the mortgage loan portfolio detail by bond series and interest rate.

AVERAGE PREPAYMENT SPEEDS AS PERCENTAGE OF PSA(1)

Bond Series	<u>1997 A & B</u>	<u>1998 A & B</u>	<u>1998 D</u>	<u>1999 C & D</u>	<u>1999 E & F</u>	<u>1999 H</u>	<u>2000 A & B</u>	<u>2000 C & D</u>	<u>2000 F & G</u>	<u>2000 H</u>	<u>2001 A & B</u>
Original WAC (2)	5.85%	5.94%	5.48%	6.12%	6.72%	6.83%	6.59%	6.86%	6.10%	6.78%	5.02%
6-month period ending (3)											
Jun-98	0%										
Dec-98	33%										
Jun-99	38%	18%	0%								
Dec-99	14%	16%	0%	0%							
Jun-00	22%	49%	14%	10%	18%						
Dec-00	42%	19%	17%	20%	26%	37%	0%				
Jun-01	69%	62%	42%	82%	35%	32%	0%	0%	26%	185%	
Dec-01	94%	100%	22%	50%	165%	266%	150%	260%	89%	338%	0%
Jun-02	135%	93%	70%	50%	116%	191%	158%	192%	54%	277%	48%
Dec-02	171%	192%	95%	126%	441%	535%	390%	548%	380%	379%	18%
Jun-03	312%	256%	239%	341%	703%	666%	509%	663%	443%	675%	101%
Dec-03	516%	436%	368%	719%	909%	806%	615%	759%	540%	783%	183%
Jun-04	422%	444%	335%	425%	658%	593%	508%	601%	430%	623%	235%
Dec-04	403%	472%	470%	503%	755%	638%	572%	682%	455%	715%	289%
Jun-05	514%	446%	543%	419%	593%	608%	550%	564%	472%	775%	273%
Dec-05	489%	577%	558%	542%	891%	907%	618%	643%	544%	627%	431%
Jun-06	376%	432%	341%	568%	660%	501%	752%	516%	337%	398%	244%
Dec-06	392%	344%	287%	377%	447%	395%	492%	510%	349%	501%	309%
Jun-07	201%	329%	284%	325%	340%	207%	350%	393%	318%	451%	205%
Dec-07	189%	186%	193%	310%	371%	550%	195%	235%	261%	239%	173%
Jun-08	189%	136%	135%	268%	235%	458%	108%	194%	309%	124%	240%
Dec-08	68%	72%	230%	203%	301%	314%	190%	118%	215%	160%	88%
3-month period ending (4)											
Mar-09	138%	152%	171%	85%	90%	218%	419%	111%	106%	221%	59%
WAC at 3/31/2009 (6)	5.39%	5.86%	5.45%	6.07%	6.47%	6.51%	6.08%	6.30%	5.71%	6.11%	4.82%

- Note:**
- (1) The above table expresses the prepayment speed of mortgage loans of CDA's Residential Revenue Bonds assuming all mortgage loans were originated in the month when the greatest number of mortgage loans were originated. Prepayment speeds are expressed as percentages of the PSA standard prepayment model. The table only includes bond issues in which more than 90% of lendable proceeds have been used to originate mortgage loans.
 - (2) Weighted Average Coupon Rate (WAC) as stated is calculated based on the original mortgage loan interest rates at the time of loan purchase
 - (3) Prepayment rates as listed are average prepayment rates over each 6-month period
 - (4) Prepayment rates as listed are average prepayment rates over the indicated 3-month period
 - (5) These bond issues have unused proceeds. To the extent these funds are used to buy mortgage loans the historic prepayment speeds may change
 - (6) Weighted Average Coupon Rate (WAC) as stated is calculated based on the outstanding principal balance of mortgage loans as of March 31, 2009

AVERAGE PREPAYMENT SPEEDS AS PERCENTAGE OF PSA(1)

Bond Series	<u>2001</u> <u>E & F</u>	<u>2001</u> <u>G & H</u>	<u>2002</u> <u>A</u>	<u>2003</u> <u>A, B & C</u>	<u>2004</u> <u>A, B & C</u>	<u>2004</u> <u>D, E & F</u>	<u>2004</u> <u>G, H & I</u>	<u>2005</u> <u>A, B & C</u>	<u>2005</u> <u>D & E</u>	<u>2006</u> <u>A & B</u>	<u>2006</u> <u>E, F & G</u>
Original WAC ⁽²⁾	5.74%	4.82%	5.06%	4.93%	4.93%	5.04%	5.36%	5.32%	5.41%	5.33%	5.37%
6-month period ending (3)											
Jun-98											
Dec-98											
Jun-99											
Dec-99											
Jun-00											
Dec-00											
Jun-01											
Dec-01											
Jun-02	18%										
Dec-02	35%	0%									
Jun-03	199%	153%									
Dec-03	397%	200%	0%								
Jun-04	346%	381%	0%	0%	0%						
Dec-04	562%	243%	590%	304%	148%	0%					
Jun-05	456%	251%	118%	314%	299%	375%	204%	293%			
Dec-05	531%	452%	448%	426%	301%	400%	484%	107%	0%		
Jun-06	409%	198%	391%	153%	359%	221%	262%	271%	127%	0%	
Dec-06	340%	232%	291%	351%	292%	314%	293%	293%	148%	354%	51%
Jun-07	350%	291%	445%	278%	220%	208%	318%	218%	138%	101%	57%
Dec-07	182%	171%	474%	110%	158%	172%	274%	209%	157%	165%	144%
Jun-08	141%	179%	240%	173%	120%	111%	154%	93%	51%	70%	48%
Dec-08	155%	165%	242%	104%	134%	119%	141%	65%	42%	107%	55%
3-month period ending (4)											
Mar-09	93%	44%	542%	29%	193%	130%	85%	145%	0%	24%	83%
WAC at 3/31/2009 ⁽⁶⁾	5.59%	4.73%	5.67%	4.92%	4.92%	5.03%	5.34%	5.30%	5.40%	5.30%	5.37%

- Note:**
- (1) The above table expresses the prepayment speed of mortgage loans of CDA's Residential Revenue Bonds assuming all mortgage loans were originated in the month when the greatest number of mortgage loans were originated. Prepayment speeds are expressed as percentages of the PSA standard prepayment model. The table only includes bond issues in which more than 90% of lendable proceeds have been used to originate mortgage loans.
 - (2) Weighted Average Coupon Rate (WAC) as stated is calculated based on the original mortgage loan interest rates at the time of loan purchase
 - (3) Prepayment rates as listed are average prepayment rates over each 6-month period
 - (4) Prepayment rates as listed are average prepayment rates over the indicated 3-month period
 - (5) These bond issues have unused proceeds. To the extent these funds are used to buy mortgage loans the historic prepayment speeds may change
 - (6) Weighted Average Coupon Rate (WAC) as stated is calculated based on the outstanding principal balance of mortgage loans as of March 31, 2009

AVERAGE PREPAYMENT SPEEDS AS PERCENTAGE OF PSA(1)

Bond Series	<u>2006 H, I & J</u>	<u>2006 K & L</u>	<u>2006 O, & P</u>	<u>2006 S</u>	<u>2007 A</u>	<u>2007 C & D</u>	<u>2007 E & F</u>	<u>2007 G & H</u>
Original WAC (2)	5.23%	5.86%	5.72%	6.25%	5.99%	6.56%	6.36%	6.75%
6-month period ending (3)								
Jun-98								
Dec-98								
Jun-99								
Dec-99								
Jun-00								
Dec-00								
Jun-01								
Dec-01								
Jun-02								
Dec-02								
Jun-03								
Dec-03								
Jun-04								
Dec-04								
Jun-05								
Dec-05								
Jun-06								
Dec-06	24%							
Jun-07	60%	75%	32%					
Dec-07	133%	76%	80%	51%	10%	0%	67%	0%
Jun-08	90%	72%	68%	249%	31%	54%	53%	45%
Dec-08	58%	26%	34%	28%	31%	56%	25%	48%
3-month period ending (4)								
Mar-09	113%	61%	16%	88%	123%	11%	127%	41%
WAC at 3/31/2009 (6)	5.81%	5.86%	5.81%	6.25%	5.99%	6.37%	6.35%	6.63%

- Note:**
- (1) The above table expresses the prepayment speed of mortgage loans of CDA's Residential Revenue Bonds assuming all mortgage loans were originated in the month when the greatest number of mortgage loans were originated. Prepayment speeds are expressed as percentages of the PSA standard prepayment model. The table only includes bond issues in which more than 90% of lendable proceeds have been used to originate mortgage loans.
 - (2) Weighted Average Coupon Rate (WAC) as stated is calculated based on the original mortgage loan interest rates at the time of loan purchase
 - (3) Prepayment rates as listed are average prepayment rates over each 6-month period
 - (4) Prepayment rates as listed are average prepayment rates over the indicated 3-month period
 - (5) These bond issues have unused proceeds. To the extent these funds are used to buy mortgage loans the historic prepayment speeds may change
 - (6) Weighted Average Coupon Rate (WAC) as stated is calculated based on the outstanding principal balance of mortgage loans as of March 31, 2009

AVERAGE PREPAYMENT SPEEDS AS PERCENTAGE OF PSA (1)

Bond Series	<u>2007 I & J</u>	<u>2007 K & L</u>	<u>2007 M</u>	<u>2008 A</u>	<u>2008 B, C, D</u>
Original WAC ⁽²⁾	6.32%	6.04%	5.88%	6.24%	6.16%
6-month period					
ending (3)					
Jun-98					
Dec-98					
Jun-99					
Dec-99					
Jun-00					
Dec-00					
Jun-01					
Dec-01					
Jun-02					
Dec-02					
Jun-03					
Dec-03					
Jun-04					
Dec-04					
Jun-05					
Dec-05					
Jun-06					
Dec-06					
Jun-07					
Dec-07					
Jun-08	0%	0%			
Dec-08	26%	0%	0%	0%	0%
3-month period					
ending (4)					
Mar-09	178%	0%	185%	198%	217%
WAC at 3/31/2009 (6)	6.32%	6.04%	5.88%	6.24%	6.15%

- Note:**
- (1) The above table expresses the prepayment speed of mortgage loans of CDA's Residential Revenue Bonds assuming all mortgage loans were originated in the month when the greatest number of mortgage loans were originated. Prepayment speeds are expressed as percentages of the PSA standard prepayment model. The table only includes bond issues in which more than 90% of lendable proceeds have been used to originate mortgage loans.
 - (2) Weighted Average Coupon Rate (WAC) as stated is calculated based on the original mortgage loan interest rates at the time of loan purchase
 - (3) Prepayment rates as listed are average prepayment rates over each 6-month period
 - (4) Prepayment rates as listed are average prepayment rates over the indicated 3-month period
 - (5) These bond issues have unused proceeds. To the extent these funds are used to buy mortgage loans the historic prepayment speeds may change
 - (6) Weighted Average Coupon Rate (WAC) as stated is calculated based on the outstanding principal balance of mortgage loans as of March 31, 2009

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APPENDIX N

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL FOR 2007 SERIES M BONDS AND 2009 SERIES B BONDS

[Letterhead of Ballard Spahr LLP, Washington, D.C.]

[CLOSING DATE]

Community Development Administration
Department of Housing and Community Development
State of Maryland
100 Community Place
Crownsville, Maryland 21032

\$29,050,000
Community Development Administration
Maryland Department of Housing and Community Development
Residential Revenue Bonds
2007 Series M (Non-AMT) (Variable Rate)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Community Development Administration (the “Administration”), an agency in the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the government of the State of Maryland (the “State”), in connection with its remarketing of \$29,050,000 aggregate principal amount of its Residential Revenue Bonds, 2007 Series M (Non-AMT) (Variable Rate) (the “2007 Series M Bonds”). The proceeds of the 2007 Series M Bonds were used to make or purchase mortgage loans (the “Mortgage Loans”) to finance the acquisition of single-family residences located in the State.

The 2007 Series M Bonds were issued under and pursuant to (1) Sections 4-101 through 4-255 of Housing and Community Development Article of the Annotated Code of Maryland, as amended (the “Act”), (2) the Residential Revenue Bond Resolution (the “Bond Resolution”), originally adopted by the Administration as of August 1, 1997 and amended and restated as of July 15, 2005, and accepted by Manufacturers and Traders Trust Company, Baltimore, Maryland, as trustee (the “Trustee”), and (3) the Series Resolution Providing for the Issuance and Sale of \$30,000,000 Principal Amount of Residential Revenue Bonds 2007 Series M (Federally Taxable)(Variable Rate), adopted as of December 1, 2007, as amended and restated as of September 1, 2009 (the “Series Resolution”), pursuant to which the 2007 Series M Bonds were authorized to be issued. The Bond Resolution and the Series Resolution are referred to collectively as the Resolutions. Capitalized terms used herein and not defined herein have the respective meanings given to them in the Resolutions.

The 2007 Series M Bonds mature, bear interest and are subject to redemption and to tender as provided therein and in the Resolutions. The 2007 Series M Bonds are issuable initially as fully registered bonds without coupons in the denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. Principal of, premium, if any, and interest on the 2007 Series M Bonds will be paid as provided in the Resolutions by the Trustee to the persons in whose names the 2007 Series M Bonds are registered on the registration books of the Administration maintained by the Trustee.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met on a continuing basis subsequent to the delivery of the 2007 Series M Bonds for interest on the

2007 Series M Bonds to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the 2007 Series M Bonds to be subject to inclusion in gross income retroactively to the date of issuance of the 2007 Series M Bonds. We have examined the Resolutions and other relevant single family housing program documents of the Administration which, in our opinion, establish procedures under which, if followed, such requirements would be met. The Administration has covenanted in the Resolutions to comply with all of the applicable requirements of the Code.

In connection with the issuance of the 2007 Series M Bonds, we have examined and considered the Act, the Resolutions, the Code, a specimen of the 2007 Series M Bonds and such other opinions, documents, certificates, letters and matters of law as we have deemed necessary to render the opinions set forth below.

Based upon the foregoing we are of the opinion that:

1. The Administration was duly created and validly exists under the provisions of the Act as an agency in the Division of Development Finance of the Department with full power to issue the 2007 Series M Bonds for the purposes of financing the Mortgage Loans.

2. The Resolutions have been duly adopted and executed by the Administration, are valid and binding upon the Administration, are in full force and effect and are enforceable in accordance with their terms. The 2007 Series M Bonds are entitled to the benefit and security of the Resolutions for the payment thereof in accordance with the terms of the Resolutions.

3. The 2007 Series M Bonds have been duly authorized, executed and issued in accordance with the Constitution and the laws of the State, including the Act, now in force and represent valid and binding special obligations of the Administration, enforceable in accordance with their terms and the terms of the Resolutions subject to any applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights and the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, the application of equitable principals where equitable remedies are sought and limitation on enforcement of judgments against public bodies. The 2007 Series M Bonds are payable from the revenues and assets of the Administration pledged therefor pursuant to the Resolutions.

4. The form of the specimen 2007 Series M Bonds is consistent with the form of the 2007 Series M Bonds provided in the authorizing Series Resolution.

5. The 2007 Series M Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized in their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State or by its political subdivisions, municipal corporations or public units of any kind under existing law, except that no opinion is expressed as to such exemption from Maryland estate or inheritance taxes.

6. Assuming continuing compliance by the Administration with its covenants in the Resolutions to comply with the Code, interest on the 2007 Series M Bonds is excludable from the gross income of the holders thereof for federal income tax purposes. We are further of the opinion that interest on the 2007 Series M Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT") and is not includible in adjusted current earnings for purposes of corporate AMT. Bond Counsel expresses no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the 2007 Series M Bonds.

Ownership of tax-exempt obligations, including the 2007 Series M Bonds, may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of social security or railroad retirement

benefits, certain S corporations and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the 2007 Series M Bonds should consult their own tax advisor as to such consequences.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We call to your attention that the 2007 Series M Bonds are special obligations of the Administration and will be payable solely from the revenues and assets of the Administration pledged for the payment thereof under the Resolutions, including the Mortgage Loans pledged thereunder, and the rights thereunder to any income, revenues, issues, profits and insurance proceeds and other sums of money payable thereunder. The Administration has no taxing power. The 2007 Series M Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department.

We express no opinion herein with respect to the accuracy or completeness of the Official Statement prepared in respect of the 2007 Series M Bonds or as to any other matter not set forth herein.

Very truly yours,

[Letterhead of Ballard Spahr LLP, Washington, D.C.]

[CLOSING DATE]

Community Development Administration
Department of Housing and Community Development
State of Maryland
100 Community Place
Crownsville, Maryland 21032

\$45,000,000
Community Development Administration
Maryland Department of Housing and Community Development
Residential Revenue Bonds
2009 Series B (Non-AMT)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Community Development Administration (the “Administration”), an agency in the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the government of the State of Maryland (the “State”), in connection with its issuance and sale of \$45,000,000 aggregate principal amount of its Residential Revenue Bonds 2009 Series B (Non-AMT) (the “2009 Series B Bonds”). With the proceeds of the 2009 Series B Bonds, the Administration will make a deposit into the 2009 Series B Program Account of the Program Fund under the Bond Resolution (as defined herein) and a deposit into the Reserve Fund. Funds in the Program Fund will be made available to make or purchase mortgage loans (the “Mortgage Loans”) to finance the acquisition of single-family residences located in the State.

The 2009 Series B Bonds are being issued under and pursuant to (1) Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the “Act”), (2) the Residential Revenue Bond Resolution (the “Bond Resolution”), originally adopted by the Administration as of August 1, 1997 and amended and restated as of July 15, 2005, and accepted by Manufacturers and Traders Trust Company, Baltimore, Maryland, as trustee (the “Trustee”), and (3) the Series Resolution Providing for the Issuance and Sale of \$45,000,000 Principal Amount of Residential Revenue Bonds 2009 Series B (Non-AMT), adopted as of September 1, 2009 (the “Series Resolution”), pursuant to which the 2009 Series B Bonds are authorized to be issued. The Bond Resolution and the Series Resolution are referred to collectively as the Resolutions. Capitalized terms used herein and not defined herein have the respective meanings given to them in the Resolutions.

The 2009 Series B Bonds mature, bear interest and are subject to redemption as provided therein and in the Resolutions. The 2009 Series B Bonds are issuable as fully registered bonds without coupons in the denominations of \$5,000 each or any integral multiple thereof. Principal of, premium, if any, and interest on the 2009 Series B Bonds will be paid as provided in the Resolutions by the Trustee to the persons in whose names the 2009 Series B Bonds are registered on the registration books of the Administration maintained by the Trustee.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met on a continuing basis subsequent to the delivery of the 2009 Series B Bonds for interest on the 2009 Series B Bonds to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the 2009 Series B Bonds to be subject to inclusion in gross income retroactively to the date of issuance of the 2009 Series B Bonds. We have examined the Resolutions and other relevant single-family housing program documents of the Administration which, in our opinion, establish procedures under which, if followed, such requirements would be met. The

Administration has covenanted in the Resolutions to comply with all of the applicable requirements of the Code.

In connection with the issuance of the 2009 Series B Bonds, we have examined and considered the Act, the Resolutions, the Code, a specimen of the 2009 Series B Bonds and such other opinions, documents, certificates, letters and matters of law as we have deemed necessary to render the opinions set forth below.

Based upon the foregoing we are of the opinion that:

1. The Administration was duly created and validly exists under the provisions of the Act as an agency in the Division of Development Finance of the Department with full power to issue the 2009 Series B Bonds for the purposes of financing the Mortgage Loans.

2. The Resolutions have been duly adopted and executed by the Administration, are valid and binding upon the Administration, are in full force and effect and are enforceable in accordance with their terms. The 2009 Series B Bonds are entitled to the benefit and security of the Resolutions for the payment thereof in accordance with the terms of the Resolutions.

3. The 2009 Series B Bonds have been duly authorized, executed and issued in accordance with the Constitution and the laws of the State, including the Act, now in force and represent valid and binding special obligations of the Administration, enforceable in accordance with their terms and the terms of the Resolutions, subject to any applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights and the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, the application of equitable principles where equitable remedies are sought and limitation on enforcement of judgments against public bodies. The 2009 Series B Bonds are payable from the revenues and assets of the Administration pledged therefor pursuant to the Resolutions.

4. The form of the specimen 2009 Series B Bonds is consistent with the form of the 2009 Series B Bonds provided in the authorizing Series Resolution.

5. The 2009 Series B Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized in their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State or by its political subdivisions, municipal corporations or public units of any kind under existing law, except that no opinion is expressed as to such exemption from Maryland estate or inheritance taxes.

6. Assuming continuing compliance by the Administration with its covenants in the Resolutions to comply with the Code, interest on the 2009 Series B Bonds is excludable from the gross income of the holders thereof for federal income tax purposes. We are further of the opinion that interest on the 2009 Series B Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT") and is not includible in adjusted current earnings for purposes of corporate AMT. Bond Counsel expresses no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the 2009 Series B Bonds.

Ownership of tax-exempt obligations, including the 2009 Series B Bonds, may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits, certain S corporations and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the 2009 Series B Bonds should consult their own tax advisor as to such consequences.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We call to your attention that the 2009 Series B Bonds are special obligations of the Administration and will be payable solely from the revenues and assets of the Administration pledged for the payment thereof under the Resolutions, including the Mortgage Loans pledged thereunder, and the rights thereunder to any income, revenues, issues, profits and insurance proceeds and other sums of money payable thereunder. The Administration has no taxing power. The 2009 Series B Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department.

We express no opinion herein with respect to the accuracy or completeness of the Official Statement prepared in respect of the 2009 Series B Bonds or as to any other matter not set forth herein.

Very truly yours,

COMMUNITY DEVELOPMENT ADMINISTRATION • MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
RESIDENTIAL REVENUE BONDS, 2007 SERIES M (NON-AMT) (VARIABLE RATE) AND 2009 SERIES B (NON-AMT)



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