NEW ISSUE
Book Entry Only

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein,(i) interest on the Offered Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Offered Bond for any period during which the Offered Bond is held by a person who, within the meaning of Section 147(a) of the Code is a "substantial user" of the facilities financed with the proceeds of the Offered Bonds or a "related person," and (ii)interest on the Offered Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In addition, in the opinion of Bond Counsel, under existing law, the Offered Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, are exempt from taxation of every kind and nature whatsoever by the State of Maryland, except that no opinion is expressed with respect to any exemption from Maryland franchise taxes or estate or inheritance taxes. See "TAX MATTERS" herein.

$6,385,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
Housing Revenue Bonds
Series 2005 A

Dated: Date of Delivery **Due: January 1 and July 1, as shown on inside cover page**

The Series 2005 A Bonds (the "Offered 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, which will act as securities depository for the Offered Bonds. Purchases of the Offered 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 January 1 and July 1 of each year, commencing July 1, 2005, by Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank), a New York banking corporation with trust powers and having a corporate trust office in Baltimore, Maryland, Trustee and Registrar, to DTC. DTC will remit such payments to participating financial organizations for subsequent disbursement to beneficial owners of the Offered Bonds. Additional information is contained under the caption "THE OFFERED BONDS" herein.

The Offered Bonds are subject to redemption prior to maturity at the times, under the conditions and at the prices set forth under the caption "THE OFFERED BONDS - Redemption Provisions" herein.

The Offered Bonds are special obligations of the Administration, an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department in the government of the State of Maryland, payable solely from the Revenues and property 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 Offered Bonds are offered for delivery when, as and if issued, and the delivery of the Offered Bonds is subject to the opinion of Hawkins Delafield & Wood LLP, Washington, D.C., Bond Counsel, as to the validity of, and the excludability from gross income for federal income tax purposes of interest on, the Offered Bonds. Certain legal matters will be passed upon for the Administration by an Assistant Attorney General of the State of Maryland as Counsel to the Department. It is expected that the Offered Bonds will be available for delivery to DTC on or about February 17, 2005.

January 31, 2005

MATURITY SCHEDULE

$6,385,000 Series 2005 A Bonds

Term Bonds

Maturity	Amount	Interest Rate	Price
July 1, 2015	$ 590,000	4.25%	100%
July 1, 2025	1,045,000	4.60%	100%
July 1, 2035	1,650,000	4.75%	100%
January 1, 2047	3,100,000	4.85%	100%

No dealer, broker, salesman or other person has been authorized by the Administration to give any information or to make any representations, other than those contained in this Private Placement Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Private Placement Memorandum 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 prior to the registration or qualification under the securities laws of any such jurisdiction. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Private Placement Memorandum 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.

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PRIVATE PLACEMENT MEMORANDUM
of the
Community Development Administration
Maryland Department of Housing and Community Development

Relating to
$6,385,000
Housing Revenue Bonds
Series 2005 A

INTRODUCTION

The purpose of this Private Placement Memorandum, which includes the cover page and Appendices hereto, 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 Housing Revenue Bonds, Series 2005 A (the "Offered Bonds").

Authorization

The Administration is authorized to issue the Offered Bonds pursuant to Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland, as amended (the "Act") and a Resolution Providing for the Issuance of Housing Revenue Bonds adopted by the Administration as of November 1, 1996 (the "Bond Resolution"). Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank), a New York banking corporation with trust powers and having a corporate trust office in Baltimore, Maryland, is the trustee (the "Trustee"). The Offered Bonds are issued pursuant to the Bond Resolution as supplemented by a Series Resolution Providing for the Issuance and Sale of Housing Revenue Bonds, Series 2005 A, to be adopted by the Administration as of February 1, 2005 (the "Series Resolution," and, together with the Bond Resolution, the "Resolutions"). The Trustee has not participated in the preparation of this Private Placement Memorandum.

Prior Bond Issues Under Bond Resolution

The Offered Bonds are the twenty-sixth Series of Housing Revenue Bonds issued by the Administration pursuant to the Bond Resolution. The Bond Resolution had outstanding Bonds having a principal amount of $468,260,000 as of October 1, 2004. The Bonds outstanding were issued to finance 68 mortgage loans for 64 multi-family residential rental facilities containing approximately 9,644 units, in addition to shared living and related facilities for special needs populations which are owned and sponsored by nonprofit organizations ("Group Homes") and single family residences. In addition, the Administration issued its Housing Revenue Bonds, Series 2004 D (the "Series 2004 D Bonds") on November 23, 2004, in the amount of $3,270,000. The Series 2004 D Bonds financed one mortgage loan for one residential facility containing approximately 70 units. The prior Series of 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 provides for the issuance of additional Bonds that will be on a parity with the Offered Bonds and will be equally and ratably secured under the Bond Resolution. The Bond Resolution also allows the issuance of Subordinate Bonds, which will not be on a parity with the Bonds. No Subordinate Bonds are outstanding under the Bond Resolution.

Use of Proceeds of Offered Bonds

The Bond Resolution authorizes the Administration to issue Bonds to provide funds to finance or refinance loans, to refund Bonds or any other bonds, notes or other obligations, whether or not the Administration is the issuer thereof, to pay any Development cost (including, without limitation, capitalized interest and Bond issuance costs), for the funding of reserves, or for achieving any other of the Administration's purposes. Loans financed under the Bond Resolution, including, without limitation, the loan described under the heading "*The Offered Bonds*" below and in APPENDIX D - "DESCRIPTION OF LOANS AND DEVELOPMENTS" to this Private Placement Memorandum, are referred to at various times as either the "Loans" or the "Loan" as appropriate. The Loans finance various types of housing developments, including, without limitation, multi-family residential rental facilities, single family residences and Group Homes (collectively, the "Developments") within the State which promote sound community development and provide housing for occupancy, in substantial part, by persons or families of limited incomes. The Loans must also meet the requirements set forth in the Resolutions as more fully described under "SECURITY FOR THE BONDS - Loans."

The Offered Bonds. The Resolutions authorize the issuance of the Offered Bonds to provide the funds being used to (i) finance a loan in the principal amount of $6,169,000 (the "Series 2005 A Loan") and (ii) make a deposit to the Debt Service Reserve Fund in the amount of $216,000. The Series 2005 A Loan is being made to finance one Development and is expected to have Credit Enhancement under the FHA Risk-Sharing Program. See "Credit Enhancement of Rental Housing Loans - *Risk-Sharing Program*" below and APPENDIX F, "MORTGAGE INSURANCE AND SECURITY GUARANTY PROGRAMS - THE FHA INSURANCE PROGRAM - FHA Risk-Sharing Program."

Additional information about the Development to be financed with the proceeds of the Offered Bonds is set forth in APPENDIX D - "DESCRIPTION OF LOANS AND DEVELOPMENTS."

Security and Sources of Payment

Security for the Bonds. The Bonds (other than Subordinate Bonds) are equally and ratably secured by a pledge of and lien on: (1) proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of bonds), (2) the Loans made or purchased from Bond proceeds, (3) revenues from Loans (primarily payments of principal and interest on Loans), (4) Prepayments, Recovery Payments and Acquired Development Receipts, and (5) all moneys, investments and other assets held in Funds and Accounts established by or pursuant to the Bond Resolution and the earnings thereon. The Administration may direct the release of amounts from such Funds and Accounts free and clear of such pledge and security interest after satisfying the then current requirements for all Funds and Accounts and certain other conditions as provided in the Resolutions. See "SECURITY FOR THE BONDS."

Parity Bonds. **All Bonds are equally and ratably secured in the manner set forth in the preceding paragraph, and accordingly (i) the Series 2005 A Loan secures all Bonds as well as the Offered Bonds and (ii) the Offered Bonds are secured by the Loans made or purchased with the proceeds of any Series of Bonds. Correspondingly, the Offered Bonds may be redeemed from Recovery Payments from Loans financed from any Series of Bonds. See "THE OFFERED BONDS - Redemption Provisions" below. In addition, the rating on the Offered Bonds is based upon the performance of the aggregate Loan portfolio and, accordingly, the rating on the Offered Bonds could be downgraded even if the Series 2005 A Loan is performing.**

Loans. The Bond Resolution does *not* require that Loans be credit enhanced. Credit Enhancement of the Loans is described in Appendices D and F. Credit Enhancement of the Series 2005 A Loan is described below in "SECURITY FOR THE BONDS - Credit Enhancement." The Bond Resolution does *not* require that a Loan be secured by a mortgage. If a Loan is secured by a mortgage, the mortgage lien need *not* be a first lien.

A portion of the Loans is insured by the Maryland Housing Fund ("MHF"), a mortgage insurance fund which is an agency in the Division of Credit Assurance of the Department. In early 1997, MHF ceased issuing new insurance commitments (except for pool insurance on single family mortgage loans subject to Federal Housing Administration ("FHA") primary insurance), in part as a result of concerns expressed by Moody's Investor Service, Inc. ("Moody's"). In 2002, MHF began insuring mortgage loans that finance or refinance the acquisition, construction or rehabilitation of Group Homes ("Group Home Loans"), and 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 FHA Risk-Sharing Program. Moody's has 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. See APPENDIX F - "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS." For information about MHF's financial condition, see APPENDIX J - "FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND."

Debt Service Reserve Fund. Moneys in the Debt Service Reserve Fund are available to pay principal of and interest on the Bonds in the event funds in the Revenue Fund are insufficient for such purpose. The Debt Service Reserve Requirement, as of any date of calculation, is the aggregate of the amounts specified as the Debt Service Reserve Requirement for each Series of Bonds in the applicable Series Resolution. As of September 30, 2004, the available balance in the Debt Service Reserve Fund was $7,503,750 of which $930,430 were cash equivalents. The fair value of investments was $6,573,320 of which $5,530,692 was the book value of investments and $1,042,628 was the increase in fair value. See "SECURITY FOR THE BONDS - Debt Service Reserve Fund" below. The balance on deposit in the Debt Service Reserve Fund satisfies the current Debt Service Reserve Requirement of $5,565,000.

A $216,000 deposit will be made to the Debt Service Reserve Fund in connection with the issuance of the Offered Bonds.

Limited Obligation of Administration

The Bonds are special obligations of the Administration payable solely from the Revenues and property 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. In addition, payment of principal, interest and redemption premium, if any, on the Bonds is not guaranteed by the State, the Administration, GNMA, FHA or any other party.

General Information Relating to Offered Bonds

The Offered Bonds will be dated the date of their delivery (the "Delivery Date"). The Offered Bonds will mature in the years and amounts and will bear interest from the Delivery Date at such rates, payable semiannually by the Trustee, on January 1 and July 1 of each year, commencing July 1, 2005, all as set forth on the inside cover page of this Private Placement Memorandum. If any such dates are not business days, then payments will be made on the next business day. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Offered Bonds will be issuable only as fully registered bonds in the denominations of $5,000, or any integral multiple thereof. The Offered Bonds may be transferred or exchanged for Offered Bonds of like maturity in any authorized denominations at the offices of the Trustee.

Additional Information

Certain capitalized terms used herein are defined in APPENDIX A-1 - "DEFINITIONS FROM THE BOND RESOLUTION" and APPENDIX A-2 - "DEFINITIONS FROM FANNIE MAE SERIES RESOLUTIONS." Capitalized terms not otherwise defined herein are used as defined in the Resolutions.

Brief descriptions of the Offered Bonds and the security for the Offered Bonds are included in this Private Placement Memorandum. Descriptions of the Department and the Administration, the Administration's program of financing Loans under the Bond Resolution (the "Program"), the Loans and the Developments can be found in Appendices B, C and D, respectively. APPENDIX E contains a description of the outstanding indebtedness of the Administration. APPENDIX F summarizes certain mortgage insurance and security guaranty programs of the FHA, the Federal Home Loan Mortgage Corporation ("FHLMC"), GNMA, Fannie Mae and the MHF, while APPENDIX G summarizes certain federal housing subsidy programs. Certain provisions of the Bond Resolution are summarized in APPENDIX H. The financial statements of the Program and MHF are included in APPENDICES I and J, respectively. A description of the Book Entry System is provided in APPENDIX K. The proposed form of the opinion of Bond Counsel is included as APPENDIX L.

This Introduction is only a brief description of the matters described herein. Prospective purchasers of the Offered Bonds should read this entire Private Placement Memorandum, including the appendices hereto, in order to make an informed investment decision. **The appendices to and footnotes in this Private Placement Memorandum constitute a part of this Private Placement Memorandum and contain information that any potential investor should read in conjunction with the other parts of this Private Placement Memorandum in order to make an informed investment decision.** This Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change.

All references herein to the Resolutions and other documents and agreements are qualified in their entirety by reference to such Resolutions, documents and agreements, and references herein to the Offered Bonds are qualified in their entirety by reference to the form thereof, copies of which are available for inspection at the offices of the Administration located at 100 Community Place, Crownsville, Maryland 21032. Inquiries for documents or concerning this Private Placement Memorandum should be directed to Anne P. Konrad, Director, Finance, at 410-514-7326 or konrad@dhcd.state.md.us.

THE OFFERED BONDS

General Description

The Offered Bonds will be dated the Delivery Date. The Offered Bonds will be issuable only as fully registered bonds in book entry form in the denominations of $5,000, or any integral multiple thereof. The Offered Bonds 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. The Offered Bonds will mature in the years and amounts set forth on the inside cover page of this Private Placement Memorandum and will bear interest from the Delivery Date, payable semiannually on January 1 and July 1 of each year, commencing July 1, 2005, by the Trustee. If any such dates are not business days, then payments will be made on the next business day. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Application of Offered Bond Proceeds

The proceeds of the sale of the Offered Bonds will be applied to finance (i) the Series 2005 A Loan and (ii) a deposit to the Debt Service Reserve Fund in the amount of $216,000. See "INTRODUCTION - Use of Proceeds of Offered Bonds." Costs of issuance will be paid from funds provided by the Borrower and other funds of the Administration.

Redemption Provisions

Optional Redemption

The Offered Bonds are subject to redemption, at the option of the Administration, in whole or in part, at any time on and after July 1, 2015, each at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption. In addition, the Offered Bonds are subject to special redemption as described below under the caption "Special Optional Redemption" including from voluntary prepayments of any Loan.

Special Optional Redemption

The Offered Bonds are subject to special redemption without premium at the principal amount thereof, plus accrued interest thereon, at the option of the Administration, in whole or in part, at any time, from:

(1) Recovery Payments relating to Loans financed from *any* Series of Bonds, including, but not limited to, voluntary prepayments, condemnation proceeds, mortgage insurance payments, hazard insurance proceeds, foreclosure proceeds, prepayments of Guaranteed Securities resulting from HUD's override of prepayment restrictions in an FHA insured mortgage in accordance with HUD's policies and procedures, and payments accepted by the Administration in order to refinance Developments which are in default or would have been in default but for the forbearance of the Administration,

(2) amounts on deposit in the Revenue Fund in excess of accrued Debt Service on all outstanding Bonds and any account funding requirements as of the date of transfer,

(3) amounts resulting from any reduction in the Debt Service Reserve Fund, and

(4) proceeds of the Offered Bonds not used to finance Loans.

Sinking Fund Redemption

The Offered Bonds maturing on July 1, 2015, are subject to mandatory redemption in part by lot on July 1, 2007, and on each July 1 and January 1 thereafter to and including July 1, 2015, at the principal amount thereof, plus accrued interest thereon, if any, to the date of such redemption, on the dates and in the principal amounts as follows:

Year (January 1)	Principal Amount	Year (July 1)	Principal Amount
		2007	$30,000
2008	$30,000	2008	30,000
2009	30,000	2009	30,000
2010	30,000	2010	35,000
2011	35,000	2011	35,000
2012	35,000	2012	35,000
2013	35,000	2013	40,000
2014	40,000	2014	40,000
2015	40,000	2015†	40,000

†Final Maturity

The Offered Bonds maturing on July 1, 2025, are subject to mandatory redemption in part by lot on January 1, 2016, and on each July 1 and January 1 thereafter to and including July 1, 2025, at the principal amount thereof, plus accrued interest thereon, if any, to the date of such redemption, on the dates and in the principal amounts as follows:

Year (January 1)	Principal Amount	Year (July 1)	Principal Amount
2016	$40,000	2016	$45,000
2017	45,000	2017	45,000
2018	45,000	2018	45,000
2019	50,000	2019	50,000
2020	50,000	2020	50,000
2021	50,000	2021	55,000
2022	55,000	2022	55,000
2023	55,000	2023	60,000
2024	60,000	2024	60,000
2025	65,000	2025†	65,000

†Final Maturity

The Offered Bonds maturing on July 1, 2035, are subject to mandatory redemption in part by lot on January 1, 2026, and on each July 1 and January 1 thereafter to and including July 1, 2035, at the principal amount thereof, plus accrued interest thereon, if any, to the date of such redemption, on the dates and in the principal amounts as follows:

Year (January 1)	**Principal Amount**	**Year (July 1)**	**Principal Amount**
2026	$65,000	2026	$65,000
2027	70,000	2027	70,000
2028	70,000	2028	75,000
2029	75,000	2029	75,000
2030	80,000	2030	80,000
2031	85,000	2031	85,000
2032	85,000	2032	90,000
2033	90,000	2033	95,000
2034	95,000	2034	100,000
2035	100,000	2035†	100,000

†Final Maturity

The Offered Bonds maturing on January 1, 2047, are subject to mandatory redemption in part by lot on January 1, 2036, and on each July 1 and January 1 thereafter to and including January 1, 2047, at the principal amount thereof, plus accrued interest thereon, if any, to the date of such redemption, on the dates and in the principal amounts as follows:

Year (January 1)	**Principal Amount**	**Year (July 1)**	**Principal Amount**
2036	$105,000	2036	$110,000
2037	110,000	2037	115,000
2038	115,000	2038	120,000
2039	120,000	2039	125,000
2040	125,000	2040	130,000
2041	135,000	2041	135,000
2042	140,000	2042	145,000
2043	145,000	2043	150,000
2044	155,000	2044	160,000
2045	160,000	2045	165,000
2046	170,000	2046	175,000
2047†	90,000		

†Final Maturity

Reduction of Sinking Fund Installments. If Offered Bonds that are subject to sinking fund redemption are purchased by the Administration or redeemed (except pursuant to a Sinking Fund Installment), the Administration shall determine which Sinking Fund Installments are to be reduced and the amount of any such reduction, provided that the aggregate of such reductions shall equal the aggregate principal amount of Offered Bonds so purchased or redeemed.

Additional Special Optional Redemption Considerations.

Transferred Loans and Group Home Loans. Many of the Loans that are pledged to secure the payment of the Bonds are loans that were initially financed with proceeds of bonds issued under earlier resolutions of the Administration that no longer have outstanding bonds. Those Loans, referred to as Transferred Loans, were acquired with the proceeds of the Administration's Series 1996 A Bonds and are currently subject to prepayment at the option of their respective Borrowers at any time without payment of any premium. In addition, Group Home Loans financed with the proceeds of the Series 1996 B Bonds are subject to prepayment at any time without penalty or premium. See "SECURITY FOR THE BONDS - Single Family and Group Home Loans."

Section 8. In the event the Administration receives an insurance claim payment in connection with the restructuring of a Loan for a Development receiving Section 8 assistance, Bonds may be redeemed. See also additional information relating to recent developments affecting the Section 8 program under the heading "Section 8 Program - *Expiring HAP Contracts and Recent Developments*" in APPENDIX G. The Administration cannot accurately predict when special redemption of Offered Bonds may occur in the future due to potential Prepayments of such Loans. For detailed information regarding all of the Loans, including the Transferred Loans and the Group Home Loans, see APPENDIX D - "DESCRIPTION OF LOANS AND DEVELOPMENTS."

Selection of Bonds to be Purchased or Redeemed

Any Bonds to be purchased or redeemed, except by a Sinking Fund Installment, will be purchased or redeemed only upon receipt by the Trustee of a certificate signed by an Authorized Officer which sets forth the following:

(1) the Series of Bonds to be purchased or redeemed;

(2) the maturities within such Series from which Bonds are to be purchased or redeemed;

(3) the principal amount and maximum price of Bonds within such maturities to be purchased or redeemed; and

(4) if any of the Bonds to be purchased or redeemed are Term Bonds, the years in which the applicable Sinking Fund Installments are to be reduced.

If fewer than all of the Bonds of a Series having the same maturity are called for redemption, the particular Bonds or portions of Bonds to be redeemed are to be selected by the Trustee by lot or in such random manner of selection as the Trustee shall determine. All Bonds called for redemption will cease to accrue interest on the specified redemption date and shall no longer be considered Outstanding under the Bond Resolution, provided that funds sufficient for the redemption of those Bonds are deposited with the Trustee. Upon presentation and surrender of Bonds called for redemption at the place or places of payment, together with a written instrument of transfer duly executed by the owner thereof or by the owner's attorney duly authorized in writing, such Bonds are to be paid and redeemed.

Purchase of Bonds

The Administration may purchase or cause to be purchased any Bonds of any particular Series or maturity in lieu of redemption of such Bonds or for any other purpose pursuant to written instructions given by the Administration to the Trustee, provided that, if the purchase price of any Bonds exceeds the then applicable Redemption Price and accrued interest to the date of purchase, such written instructions shall be accompanied by a Cash Flow Certificate which takes into account any redemption or cancellation of Bonds so purchased. Such purchases shall be made in such manner as directed by the Administration. The Administration may from time to time in its discretion invite tenders for sale of Bonds to the Administration or a person designated by the Administration, either by public offer or private invitation, at such prices or bidding procedures as may be determined by the Administration. Such tender invitations may be made in lieu of redemption of Bonds or for any other purpose.

Notice of Redemption

Notice of redemption of the Offered Bonds is to be given not less than 30 days before the date fixed for redemption, as provided in the Series Resolution. Failure to give any such notice, however, will not affect the validity of any proceedings for redemption of other Bonds of such Series.

DTC and Book Entry

The Offered Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership interests in the Offered Bonds will only be available in book entry form. Purchasers of beneficial ownership interests in the Offered Bonds will not receive certificates representing their interests in the Offered Bonds purchased. See "APPENDIX K - BOOK ENTRY SYSTEM."

Principal of, premium, if any, and interest on the Offered Bonds are payable, so long as the Offered Bonds are in book entry form, through a securities depository as described in APPENDIX K.

SECURITY FOR THE BONDS

Provisions of the Bond Resolution

Pursuant to the Bond Resolution, the security for the Bonds (including the Offered 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) Loans made, purchased or otherwise financed from such proceeds,

(3) Revenues (primarily payments of principal and interest on Loans),

(4) Recovery Payments (which include Prepayments) and Acquired Development Receipts,

(5) 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 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

(6) 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 Resolutions, (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 - Additional Bonds; Subordinate Bonds."

The Bonds are special obligations of the Administration payable solely from the Revenues and property 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.

Credit Enhancement of the Series 2005 A Loan

The Series 2005 A Loan is expected to have Credit Enhancement under the FHA Risk-Sharing Program. See "Credit Enhancement of Rental Housing Loans - *Risk-Sharing Program*" below and APPENDIX F, "MORTGAGE INSURANCE AND SECURITY GUARANTY PROGRAMS - THE FHA INSURANCE PROGRAM - FHA Risk-Sharing Program."

Credit Enhancement of Rental Housing Loans

As of September 30, 2004, the Loans financing rental housing developments ("Rental Housing Loans") were insured or credit enhanced as follows:

Insurer or Guarantor		Number of Loans Insured	Number of Units Insured	Percent of Total Units Insured	Outstanding Loan Amount(3)	Percent of Outstanding Loan Amount
FHA		3	415	4.30%	$12,848,002	3.14%
FHLMC	(2)	7	857	8.89%	16,609,825	4.06%
Fannie Mae	(6)	2	284	2.94%	14,993,215	3.67%
GNMA		30	5,607	58.14%	318,263,512	77.82%
MHF		21	2,101	21.79%	37,790,573	9.24%
Risk Sharing Program	(1)	2	260	2.70%	7,611,374	1.86%
Uninsured	(5)	3	120	1.24%	838,268	0.20%
Totals:	(4)	**68**	**9,644**	**100.00%**	**$408,954,769**	**100.00%**

(1) Two outstanding Loans, with a current outstanding principal balance of $7,611,374, financed the Bolton House Development. Those two Loans are insured under the FHA Risk-Sharing Program. Upon payment of a claim by FHA, the Administration would be responsible for reimbursement to FHA of up to 50% of such claim. The Administration will receive a payment from MHF on the amount of any payment made to FHA.

(2) Loans insured by MHF and reinsured by FHLMC. See "FHLMC Reinsurance Agreement" below.

(3) The "Outstanding Loan Amount" for these projects represents Bond proceeds disbursed as of September 30, 2004.

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

(5) Hickory Ridge was financed with 2 Loans, one of which is credit enhanced by GNMA and the other of which is uninsured. Units in the Hickory Ridge project are included in the GNMA totals. Har Sinai House was financed with 2 Loans; one of which is credit enhanced by MHF and the other of which is uninsured. The units in the Har Sinai House project are included in the MHF totals.

(6) The Series 2004 D Bonds, issued on November 23, 2004, in the amount of $3,270,000, financed one Fannie Mae-enhanced Loan for one residential rental facility containing approximately 70 units.

Pursuant to the Bond Resolution, the Administration may, in its discretion, materially modify, amend, alter, cancel or release Credit Enhancement of any Loan, provided the Administration has filed with the Trustee a Cash Flow Certificate taking such modification, amendment, alteration, cancellation or release into account and a certificate of an Authorized Officer to the effect that any such modification, amendment, alteration, cancellation or release will not adversely affect the rating on the Bonds as in effect immediately before the date of such certification.

FHA Mortgage Insurance. Certain of the Loans are insured under a multi-family mortgage insurance program administered by HUD, acting through FHA, as established pursuant to Sections 221(d)(3), 221(d)(4) and 223(f) of Title II of the National Housing Act and the regulations thereunder (the "FHA Loans"). The Administration, as an FHA-approved mortgagee for the FHA Loans, is eligible to receive FHA insurance benefits in the event of a default under the FHA Loans. A mortgagee is entitled to receive the benefits of the mortgage insurance after the mortgagor has defaulted and such default (as defined in the FHA regulations) has continued for a period of thirty (30) days subject to certain requirements. FHA insurance benefits received in the event of any claim under the FHA insurance contract will be subject to certain deductions. In particular, the Administration is entitled to settlement of an FHA insurance claim in an amount equal to 99% of the amount of the principal balance of the defaulted FHA Loan outstanding as of the date of default, after adjustment for certain expenses and for deposits or assets held by the Administration for the benefit of the related Development and not assigned to FHA. Since interest is paid one month in arrears in FHA mortgage transactions, the mortgagee will not, in the event of a claim for insurance benefits, be reimbursed for interest that had accrued in the month preceding the date of default and that was due and payable on such date. In addition, processing claims for FHA insurance benefits involves certain time delays. Deductions in addition to those described above, processing delays and the procedures, all of which must be followed in filing and perfecting a claim for FHA insurance benefits, are described in APPENDIX F under the caption "THE FHA INSURANCE PROGRAM."

Risk-Sharing Program. The Risk-Sharing Program is administered by HUD, acting through FHA, pursuant to Section 542(c) of the Housing and Community Development Act of 1992 (the "Risk Sharing Act") and applicable HUD Regulations found at 24 C.F.R. Part 266. The Risk Sharing Act authorizes the Secretary of HUD ("HUD Secretary") to enter into risk-sharing agreements with qualified state or local housing finance agencies ("HFAs") to enable HFAs to underwrite and process loans for which HUD, acting through FHA, will provide full mortgage insurance for eligible developments. Under this program, FHA endorses mortgages on qualified multi-family projects for insurance. HUD delegates to the HFA certain loan underwriting, loan management and property disposition functions. Upon default of an insured loan, FHA is required to make an initial payment in the amount of the unpaid principal and interest due to the date of claim. The HFA is required to reimburse HUD an agreed percentage of any loss resulting upon disposition of the property (but in any event within five years, subject to extension in the discretion of HUD).

The Administration has received designation as both a Level I and a Level II participant in the Risk-Sharing Program with an initial allocation of 475 affordable multifamily housing units eligible for insurance. As a Level I participant, the Administration will assume 50% or more of the liability for any losses incurred by HUD upon payment under its insurance following disposition of the property, the exact percentage being determined separately with respect to each project. As a Level II participant, the Administration will assume (i) 25% of the liability for such losses with respect to projects having a loan to value or loan to replacement cost ratio greater than or equal to 75%, or (ii) 10% of such liability with respect to projects having a loan to value or loan to replacement cost ratio less than 75%.

The Administration currently expects that its participation in the Risk-Sharing Program will be in connection with new Loans financed by Bonds on a case-by-case basis and in connection with loans which have existing MHF insurance and are being refinanced in a manner so as to reduce the dollar amount of MHF's insurance exposure with respect to such loans. MHF is expected to reimburse the Administration for the Administration's share of any loss incurred under the Risk-Sharing Program.

MHF Multi-Family Mortgage Insurance. Certain of the Loans are insured by MHF, an agency of the Department, pursuant to State law (the "MHF Loans"). For more information relating to the financial condition of MHF, see APPENDIX F - "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS - THE MHF INSURANCE PROGRAM" and APPENDIX J - "FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND."

The Administration, as an MHF approved mortgagee for the MHF Loans, is eligible to receive MHF insurance benefits in the event of a default under the MHF Loans. The standard coverage for public agency mortgagees, such as the Administration, is up to 100% of the loan amount. When a public agency of the State is mortgagee, it may upon default and with MHF's consent assign the mortgage and its rights thereunder to MHF, which shall pay the appropriate claim amount upon recordation of the assignment and upon the assignment to MHF of all claims of the mortgagee against the mortgagor. After the mortgagor has been in default for six months, either MHF or the mortgagee, without the other's consent, may require the assignment of the mortgage to MHF. In certain cases, however, it has been the practice of MHF to defer payment of claims to the Administration pending resolution of defaults. MHF, upon such assignment, has all rights of the mortgagee to pursue the mortgagor for any deficiency, loss, or periodic payments. In those instances where the mortgagee is a public agency, if the mortgage is not assigned to MHF upon the default, MHF is obligated to make such periodic payments as are due under the terms of the insured mortgage with the exception of late charges and mortgage insurance premiums. Such periodic payments continue until the default is cured or the loan is foreclosed upon or assigned to MHF. See APPENDIX F - "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS - THE MHF INSURANCE PROGRAM - MULTI-FAMILY INFORMATION - Certain Additional Expected Multi-Family Claims."

In early 1997, MHF ceased issuing new insurance commitments (except for pool insurance on single family mortgage loans subject to FHA primary insurance), in part as a result of concerns expressed by Moody's. In 2002, MHF began insuring Group Home Loans, and 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 FHA Risk-Sharing Program. Moody's has 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. See APPENDIX F - "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS."

The financial statements of MHF are contained in APPENDIX J. 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. An insurance claim under MHF's Multi-Family Program is payable only from the Multi-Family Reserve, MHF operating funds and the Unallocated Reserve, and not from any other funds, assets or reserves of MHF as may be identified in the financial statements.

Because of a decrease in revenues for the State for fiscal year 2003, the Maryland Department of Legislative Services asked MHF and the Administration whether, consistent with contractual obligations with bondholders, there were funds available for transfer to the State. The Administration reviewed the appropriate documents and had discussions with representatives of Moody's. The Administration was 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. Accordingly, MHF transferred $10,000,000 of Unallocated Reserve to the State in June 2003. For more information about the MHF Reserves, see APPENDIX F - "MANAGEMENT'S PRESENTATION OF THE MHF PROGRAM - OPERATING INCOME AND RESERVES."

FHLMC Reinsurance Agreement. On December 28, 1994, MHF, the Department and the Administration entered into a Reinsurance Agreement with the Federal Home Loan Mortgage Corporation ("FHLMC"), a corporation chartered by Congress under the laws of the United States, for the purpose of ceding to and fully reinsuring with FHLMC the mortgage insurance obligations of MHF for certain multi-family loans insured by MHF. Under the Reinsurance Agreement, FHLMC has agreed to fully reinsure loans without any contingent liability for MHF. For additional information about the FHLMC Reinsurance Agreement, see "MULTI-FAMILY INFORMATION - FHLMC Reinsurance Agreement" in APPENDIX F.

GNMA Mortgage-Backed Securities. GNMA is a wholly-owned corporate instrumentality of the United States within HUD with its principal office in Washington, D.C. A security guaranteed by GNMA (a "Guaranteed Security") is a "fully modified pass through" mortgage-backed security which requires monthly payments by an FHA-approved lender, as the issuer of the Guaranteed Security (the "Lender"), to the registered holder of the Guaranteed Security of principal of and interest on such Guaranteed Security when due, whether or not the Lender receives payments on the mortgage note underlying such Guaranteed Security, plus any prepayments of principal of the mortgage note received by the Lender. GNMA guarantees timely payment of principal of and interest on Guaranteed Securities. Section 306(g) of Title III of the National Housing Act provides that "the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection."

Fannie Mae Stand-by Guaranty Program. A description of this program is provided in "MULTI-FAMILY INFORMATION - FANNIE MAE STAND-BY GUARANTY PROGRAM" in APPENDIX F hereto.

See APPENDIX D - "DESCRIPTION OF LOANS AND DEVELOPMENTS" for a description of the Credit Enhancement applicable to each Loan. See APPENDIX F for additional information concerning mortgage insurance and credit enhancement. **Neither MHF, FHA, GNMA, Fannie Mae, FHLMC, nor any other Credit Enhancer insures or guarantees the Bonds. The assets of MHF, FHA, GNMA, Fannie Mae, FHLMC, or other Credit Enhancers are not available to the Administration or the Trustee to satisfy obligations to the holders of the Bonds. The obligations of MHF, FHA, GNMA, Fannie Mae, FHLMC, and other Credit Enhancers are limited to the payment of mortgage insurance claims, credit enhancement or guaranties as described herein.**

Housing Subsidy Payments for Rental Housing Developments

As of September 30, 2004, the multi-family rental housing developments financed by Rental Housing Loans received federal housing subsidy payments under the Section 8 and Section 236 programs as follows:

Housing Subsidy Program	Number of Developments (1)	Number of Units (2)	Subsidized Units	Percent of Units Subsidized	Outstanding Loan Amount (3)	Percent of Total Outstanding Loan Amount
None (4)	30	5,160	0	0.00%	$278,327,728	68.05%
Section 236	8	1,491	1,491	100.00%	$44,719,296	10.94%
Section 8 (1, 2)	26	2,993	2,727	91.11%	$85,907,745	21.01%
Total: (3)	**64**	**9,644**	**4,218**	**43.74%**	**$408,954,769**	**100.00%**

1 Nine Developments have Section 8 contracts which expire before maturity of their related Rental Housing loan. Three of such Developments, having a Loan balance of $12,848,002 are financed with FHA-insured loans. Three Developments, having a Loan balance of $16,981,691, are financed with GNMA-backed securities. Two Developments, having a Loan balance of $14,993,215, are financed with Fannie Mae-backed securities. The other Development, having an outstanding loan balance of $289,248, is financed with an MHF-insured Loan.

2 Three Developments, having an outstanding loan balance of $16,327,214, have a Section 8 contract covering less than 100% of the units in the Development. One is FHA-insured and the other two are backed by GNMA securities.

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

4 The Series 2004 D Bonds, issued on November 23, 2004, in the amount $3,270,000, financed one Fannie Mae-enhanced Loan for one residential rental facility containing approximately 70 units with a Section 236 subsidy, 60 units of which are also Section 8 subsidized.

Section 8 Program. Under the Section 8 housing assistance payments program, housing assistance payments are disbursed by the Administration, as HUD's agent, through payment of a "Contract Rent" for each assisted dwelling unit. The Contract Rent is generally limited by the "fair market rents" established by HUD and published in the Federal Register and by the rents of unassisted units of similar age, design, location and amenities. The Contract Rent for the assisted dwelling units in each development is adjusted by HUD annually pursuant to an adjustment factor established by HUD. The subsidy contracts usually provide for the payment of the Section 8 subsidy for an initial term automatically renewable for additional terms of not more than five years each; however, some contracts are for terms that expire before maturity of the Loan for the related Development. **There is no assurance that a Housing Assistance Payment Contract ("HAP Contract") will be renewed upon its expiration or that HUD will extend the term of any Section 8 subsidy for the term of or in amounts sufficient to pay the related Loan.** Payments received under the subsidy contracts constitute a primary source of revenues for many of the Developments receiving such assistance. Therefore, the termination of, or the reduction of payments under, a subsidy contract may have a material adverse impact on the ability of the related Development to generate revenues sufficient to pay the principal of and interest on a Loan. Additional information about the Section 8 program and recent legislation regarding renewals of HAP Contracts appears in APPENDIX G - "FEDERAL HOUSING SUBSIDY PROGRAMS - Section 8 Program."

Section 236 Program. Pursuant to Section 236(b) of the National Housing Act, the HUD Secretary has entered into Section 236 contracts for certain Developments (the "Section 236 Developments") to make periodic interest reduction payments to the Administration on behalf of the mortgagors of the Section 236 Developments which were designed for occupancy by persons and families of low income. HUD's interest reduction subsidy payment share is in an amount equal to the difference between the monthly payment for principal, interest and a mortgage insurance premium which a mortgagor is obligated to pay under its Loan and the monthly payment for principal and interest which a mortgagor would be obligated to pay if its Loan were to bear interest at the rate of one per centum (1%) per annum. HUD is obligated to make payments under a Section 236 contract and may not terminate or reduce such payments except under certain circumstances, including, but not limited to, certain foreclosure actions instituted by the Administration. The funds for payment of interest reduction payments under the Section 236 contracts have been appropriated by Congress but are subject to rescission by legislation. Additional information about the Section 236 program appears in APPENDIX G - "FEDERAL HOUSING SUBSIDY PROGRAMS - Section 236 Program."

See APPENDIX G - "FEDERAL HOUSING SUBSIDY PROGRAMS" for detailed information about federal housing subsidy programs.

Single Family and Group Home Loans

In addition to the Rental Housing Loans described above, the Administration acquired or financed Loans with the proceeds of prior Series of Bonds for the following single family residences and various Group Homes:

Type of Development	Number of Loans	Number of Units [1]	Type of Credit Enhancement	No. of Loans Credit Enhanced	Percent of Total Loans Credit Enhanced	Outstanding Loan Amount As of 9/30/04
Single Family	27	27	MHF	27	100%	$656,037
Single Family [2]	1	1	None	0	0%	13,159
Group Homes	21	68	MHF	21	100%	1,651,885
Total	**49**	**96**		**48**	**98%**	**$2,321,081**

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

2. This loan no longer requires mortgage insurance because the current loan amount is less than 75% of loan to value ratio.

Pursuant to the Bond Resolution, the Administration may, in its discretion, cancel or release the Credit Enhancement of any Loan, provided the Administration has filed with the Trustee a Cash Flow Certificate taking such cancellation or release into account and a certificate of an Authorized Officer to the effect that any such cancellation or release will not adversely affect the rating on the Bonds as in effect immediately before the date of such certification.

Single Family Residences. The single family residences originally were financed with mortgage loans ("Single Family Loans") funded from the proceeds of bonds issued by the Administration in 1977. The Single Family Loans financed single family residences in the late 1970's within the Counties of Anne Arundel, Howard, Montgomery and Prince George's. Each Single Family Loan is secured by a first lien mortgage and insured by MHF. The MHF insurance provides coverage for up to 100% of outstanding principal amount of each Single Family Loan. Any MHF mortgage insurance claims related to such Single Family Loans are payable only from MHF's Multi-Family Reserve, MHF operating funds and certain unallocated reserves. Each Single Family Loan is subject to prepayment at any time, without premium, by its respective Borrower.

Group Homes. Proceeds of the Series 1996 B Bonds financed Group Home Loans. Group Home Loans are originated pursuant to the Administration's Special Housing Opportunities Program. Each Group Home Loan is secured by a first lien mortgage and insured by MHF. The MHF insurance provides coverage for up to 100% of the outstanding principal amount of each Group Home Loan. Any MHF mortgage insurance claims related to such Group Home Loans are payable only from MHF's Multi-

Family Reserves, MHF operating funds and certain unallocated reserves. Each Group Home Loan is subject to prepayment at any time, without premium, by its respective Borrower. In 2002, the Department re-opened a limited program of MHF insuring Group Home Loans. Additional information about the Group Homes program appears in APPENDIX C - "THE PROGRAM - Description of Types of Loans Under the Program - *Group Home Loans*." See APPENDIX F for information about the MHF Multi-Family Insurance Program.

See APPENDIX D - "DESCRIPTION OF LOANS AND DEVELOPMENTS" for a description of mortgage insurance, Credit Enhancement and housing subsidies applicable to each Development. See APPENDIX F - "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS" for detailed information about mortgage insurance and Credit Enhancement. See APPENDIX G - "FEDERAL HOUSING SUBSIDY PROGRAMS" for detailed information about federal housing subsidy programs.

Debt Service Reserve Fund

The Debt Service Reserve Requirement, as of any date of calculation, is the aggregate of the amounts specified as the Debt Service Reserve Requirement for each Series of Bonds in the applicable Series Resolution. As of September 30, 2004, the available balance in the Debt Service Reserve Fund was $7,503,750 of which $930,430 were cash equivalents. The fair value of investments was $6,573,320 of which $5,530,692 was the book value of investments and $1,042,628 was the increase in fair value. The balance on deposit in the Debt Service Reserve Fund satisfies the current Debt Service Reserve Requirement of $5,565,000.

A $216,000 deposit will be made to the Debt Service Reserve Fund in connection with the issuance of the Offered Bonds.

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, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Revenue Fund the amount of the deficiency then remaining. If any such withdrawal results in the balance in the Debt Service Reserve Fund falling below the amount of the Debt Service 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 Debt Service 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 Debt Service Reserve Fund in excess of the Debt Service 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 Debt Service Reserve Requirement may be reduced upon receipt by the Trustee of a Cash Flow Certificate taking into account such reduction and a certificate from an Authorized Officer to the effect that such reduction, in and of itself, will not cause or result in a reduction of the rating or ratings on the Bonds in effect immediately before such reduction. The Debt Service Reserve Fund and the Debt Service 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 Debt Service Reserve Fund which 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.

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 Permitted Investments. As of September 30, 2004, amounts held in the Bond Proceeds Fund were invested as follows:

Bond Series (2)	Balance	Investment	Maturity
Series 2002 B	$2,619,437	Repurchase Agreement[1]	9/1/06
Series 2003 A	$5,667,091	Repurchase Agreement[1]	10/31/05
Series 2003 B	$6,063,936	Repurchase Agreement[1]	4/30/05
Series 2003 C	$2,168,235	Repurchase Agreement[1]	6/30/05
Series 2003 D	$2,281,548	Repurchase Agreement[1]	12/31/05
Series 2004 A	$1,657,549	Repurchase Agreement[1]	9/30/05
Series 2004 B	$9,183,454	Repurchase Agreement[1]	12/30/05
Series 2004 C	$30,914,040	Repurchase Agreement[1]	3/31/07

1 Flexible repurchase agreement, secured with collateral constituting Permitted Investments and valued at not less than 102% of the amount invested by the Administration.
2 The proceeds of the Series 2004 D Bonds, in the amount of $3,270,000, were invested in a money market account.

Funds held in the Revenue Fund and the Debt Service Reserve Fund are invested in Permitted Investments. In general, it is the Administration's policy to invest such monies in U.S. Treasury securities, investment contracts collateralized by Permitted Investments, accounts with financial institutions, and securities of other institutions created by the U.S. Government. As of September 30, 2004, all moneys in the Debt Service Reserve Fund were invested in Treasury Bonds and a money market government securities account.

Any Permitted Investments described in subparagraphs (4), (5) and (8) of the definition of "Permitted Investments," i.e., U.S. dollar denominated deposit accounts, federal funds and banker's acceptances, commercial paper and investment agreements, as set forth and more fully described in APPENDIX A-1 - "DEFINITIONS FROM THE BOND RESOLUTION" and APPENDIX A-2 - "DEFINITIONS FROM FANNIE MAE SERIES RESOLUTIONS" to this Private Placement Memorandum, purchased by the Trustee must, as of the date of such purchase, be rated by any Rating Agency then rating the Bonds in a long-term rating category at least equal to the long-term rating of the Bonds (other than Subordinate Bonds) and a short term rating in the highest short-term rating category (unless the Permitted Investment has a remaining term of less than one year, in which case it need only have a short term rating in the highest short term rating category); provided, however, that the Trustee may purchase Permitted Investments that do not meet the requirements set forth in this paragraph, so long as the purchase of such Permitted Investments 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 Permitted Investment purchased by the Trustee changes adversely subsequent to the date of purchase, the Trustee is not required to sell such Permitted Investment. If a Rating Agency were to downgrade or withdraw the rating on any Permitted Investment previously purchased by the Trustee, the rating on the Bonds could be negatively affected. See "RATING."

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 a General Bond Reserve Fund Indenture of Trust, originally adopted as of June 29, 1984, Amended and Restated as of November 18, 2003, by and 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 reimburse costs of operation of the Administration.

As of September 30, 2004, the available balance in the General Bond Reserve Fund was $39,674,969, of which $7,525,281 was cash equivalents. The fair value of investments was $32,149,688, of which $31,785,990 was the book value of investments and $363,698 was the increase in fair value of the investments. The Administration may withdraw funds within the General Bond Reserve Fund, or may pledge such funds to specific obligations, at any time for any purposes under the Act.

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,

(2) $599,807 as required for participation in the HUD Risk-Sharing Program, and

(3) $2,500,000 as additional security for the Administration's Multi-Family Housing Revenue Bonds (Insured Mortgage Loans).

The amount restricted pursuant to clause (3) is required to be transferred to, and subjected to the lien of, the bond resolution for the Administration's Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) upon the occurrence of either of the following events: (i) the amount of loans insured by the MHF payable from its Multi-Family Reserve exceeds ten times an amount equal to the Multi-Family Reserve minus $1,000,000; or (ii) the ratio of assets to liabilities falls below 101% under the Bond Resolution, the bond resolution for the Administration's Multi-Family Housing Revenue Bonds (Insured Mortgage Loans), or the general bond certificate for the Administration's Single Family Program Bonds. The requirement of clause (3) may be reduced or deleted if such reduction or deletion will not adversely affect the ratings then in effect on the Administration's Multi-Family Housing Revenue Bonds (Insured Mortgage Loans). In addition, the Administration uses moneys in the General Bond Reserve Fund to reimburse costs of operation of the Administration.

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 31 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).

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.

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.

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;

(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 Loans not in default;

(iv) prior to [a] the initial financing of a Loan whose terms are materially inconsistent with the most recent Cash Flow Statement, or [b] subsequently materially modifying, amending or altering the terms or provisions of any Loan or releasing, altering or modifying materially the security therefor (including, without limitation, Credit Enhancement, if any);

(v) except as provided in Section 6.07(c) of the Bond Resolution (summarized in APPENDIX H), prior to the releasing of any Loan from the pledge and lien of the Bond Resolution at less than the amount specified in Section 6.06 of the Bond Resolution (summarized in APPENDIX H) for Prepayment of such Loan;

(vi) prior to the application of a Recovery Payment to any use other than the purchase or redemption of Bonds;

(vii) prior to the purchase of Bonds at a price in excess of the then applicable Redemption Price plus accrued interest to the date of purchase; or

(viii) prior to effecting any reduction in the Debt Service Reserve Requirement.

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) the Revenues derived with respect to each Loan, together with any other payments on such Loans,

(ii) interest and other income estimated by the Administration to be derived from the investment or deposit of money available for payment of the Bonds 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 compounded no more frequently than monthly),

(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 Bonds,

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 in the current and in each succeeding Bond Year. A Cash Flow Statement shall include all Outstanding Bonds, 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 Bonds. 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 Permitted Investments held in the Bond Proceeds Fund, the Redemption Fund, the Revenue Fund and the Debt Service Reserve Fund (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, will equal or exceed the aggregate principal amount of and accrued but unpaid interest on Outstanding Bonds; 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.

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) 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) above, except with respect to such funds or accounts which 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 are prepared based upon certain assumptions of and information available to the Administration at the time such a statement or certificate is prepared. 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. See APPENDIX H - "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Cash Flow Statements and Certificates."

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. The Offered Bonds will not have the benefit of any Credit Facility.

A Credit Facility may be: (i) an unconditional and irrevocable letter of credit in form and drawn on a bank or banks acceptable to the Administration (which bank or banks must be rated by any Rating Agency in a category at least equal to the rating category of the Bonds (other than Subordinate Bonds) or "A-1+" or "P-1," as applicable, if the Credit Facility has a remaining term at the time it is provided not exceeding one year); provided that such letter of credit may be provided by a bank or banks whose rating is lower than that set forth above, 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) Permitted Investments, 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.

Additional Bonds; Subordinate Bonds

The Bond Resolution permits the issuance of additional Bonds for one or more of the following purposes: (1) to finance or refinance Qualified Loans (including, without limitation, Qualified Loans in default); (2) to refund any or all Outstanding Bonds or any other bonds, notes or other obligations; (3) to pay any "Development Cost" as such term is defined in the Act and any other cost, including, without limitation, costs of issuance, discount, insurance or credit enhancement premiums or fees, fees and expenses of counsel, financial advisors and other professional advisors and consultants, all as permitted by the Act; (4) to fund reserves; or (5) to achieve any of the Administration's purposes. Prior to the issuance of any Series of additional Bonds, the Administration will file with the Trustee: (i) a Cash Flow Statement, and (ii) either [a] if the additional Bonds are not Subordinate Bonds, confirmation that the rating on such Series of Bonds shall not be lower than the rating on the Bonds in effect immediately prior to the issuance of such Series of Bonds, or [b] if the additional Bonds are Subordinate Bonds, confirmation that the issuance of such Series of Subordinate Bonds will not, in and of itself, result in a downgrade of the rating on any outstanding Series of Bonds which are not Subordinate Bonds in effect immediately prior to the issuance of such Series of Subordinate Bonds, unless a more restrictive requirement is established under any Series Resolution. The Offered Bonds and any additional Bonds issued under the Bond Resolution (except for Subordinate Bonds) will be on a parity and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

The Administration may issue Bonds to be secured by the Bond Resolution on a subordinated basis. Payment of 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 the Bond Resolution to the extent specified in the Series Resolution, subordinate, however, to the pledge securing the Bonds which were not issued as Subordinate Bonds, and upon such terms and conditions set forth in the Series Resolution authorizing such Subordinate Bonds. A Series of Subordinate Bonds may be payable from Revenues derived under the Bond Resolution, but only after payment of all other amounts payable from Revenues with respect to the Bonds which are not Subordinate Bonds and with respect to any Subordinate Bonds having a higher priority to payment from such Revenues. No Subordinate Bonds are outstanding under the Bond Resolution.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Offered Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Offered Bond for any period during which the Offered Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the Offered Bond or a "related person" and (ii) interest on the Offered Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code.

In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Administration and the Borrower in connection with the Offered Bonds, and Bond Counsel has assumed compliance by the Administration and the Borrower with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Offered Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, the Offered Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, is exempt from taxation of every kind and nature whatsoever by the State of Maryland, except that no opinion is expressed with respect to any exemption from Maryland franchise taxes or estate or inheritance taxes.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Offered Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Parity Resolution Aspects

Each Series of Bonds issued under the Bond Resolution with the intention that the interest paid thereon will be excludable from gross income for Federal income tax purposes ("Tax-Exempt Bonds"), including the Offered Bonds, must satisfy the applicable requirements of the Code or the Internal Revenue Code of 1954, as amended (the "1954 Code"). The specific requirements will vary depending upon the date of issuance of the Bonds or of the original bonds that are refunded, directly or indirectly, in a series by applicable Bonds. The Administration also is authorized to issue and may in the future issue pursuant to the Bond Resolution one or more Series of Bonds the interest on which is intended to be includable in gross income for Federal income tax purposes ("Taxable Bonds"). The applicable Series Resolution for any issue of Taxable Bonds will provide that proceeds from any Series of Tax-Exempt Bonds will not be used to redeem any Taxable Bonds if the redemption would cause interest on any Series of Tax-Exempt Bonds to be includable in gross income for Federal income tax purposes.

In general, Tax-Exempt Bonds originally issued for new money purposes after the general effective date of the Code of August 16, 1986, are fully subject to the applicable requirements of the Code, including the more restrictive low income set-aside requirements under the Code. In general, certain Tax-Exempt Bonds issued before such general effective date and certain current refundings of such Tax-Exempt Bonds remain subject to certain different and typically less restrictive low income set-aside requirements under the 1954 Code. The Offered Bonds are fully subject to the applicable low income set-aside requirements of the Code. This section includes brief summaries of certain low income set-aside requirements applicable to the Offered Bonds under the Code and also to certain requirements applicable to other Bonds issued under the Bond Resolution under the Code or the 1954 Code.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Offered Bonds in order that interest on the Offered Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Offered Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal Government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Administration has covenanted in the Resolutions that it shall do and perform all acts necessary or desirable to assure the exclusion of interest on the Offered Bonds from gross income under Section 103 of the Code. The Administration will deliver its Tax Certificate concurrently with the issuance of the Offered Bonds which will contain provisions relating to compliance with the requirements of the Code. The Administration also has or will require Borrowers to make certain covenants in the Loan program documents relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any such covenant, the remedies available to the Administration or the owners of the Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Bonds for Federal income tax purposes. Furthermore, for any Loan financed with a Series of Bonds which is insured by FHA, such Federal tax compliance covenants will be subordinate to the rights of FHA under the Loan documents and the enforcement of such covenants will be subject to FHA approval. Because of these FHA restrictions, enforcement remedies available to the Administration or any other mortgagee may be inadequate to prevent the loss of tax exemption of interest on such a Series of Bonds for Federal income tax purposes.

Low-income Set-aside Requirements under the Code

The Offered Bonds are subject to the low income set-aside and other requirements for qualified residential rental projects under the Code which are described briefly in this subsection. The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide "qualified residential rental projects." The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation that are available to the general public and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20% of the completed units in a project to be financed with the proceeds of the Bonds be continuously occupied during the "qualified project period" by individuals and families whose annual adjusted income does not exceed 50% of the area median income (with adjustments for family size), or (ii) at least 40% of the completed units in a project to be financed with the proceeds of the Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60% of the area median income (with adjustments for family size). The Administration will make elections on the applicable low income set-aside requirements with respect to the Developments expected to be financed with the proceeds of the Offered Bonds prior to the issuance date thereof. In addition, all of the units in the Developments must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the "qualified project period" as the period beginning on the first day upon which 10% of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50% of the residential units in such project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the applicable Development is outstanding, or (iii) the date upon which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A Development generally will meet the continuing low income set aside requirement so long as a tenant's income does not increase to more than 140% of the applicable income limitation. Generally, upon an increase of a tenant's income over 140% of the applicable income limitation, the next available unit of comparable or smaller size in the applicable Development must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Low-income Set-aside Requirements under the 1954 Code

Certain Bonds under the Bond Resolution (not including the Offered Bonds), that were issued originally before August 16, 1986, or that represent refundings, directly or indirectly, of a series of bonds originally issued before such date that meet certain transition rules to the Tax Reform Act of 1986 are subject to the low income set-aside and other requirements for qualified projects for residential rental property under Section 103(b)(4)(A) of the 1954 Code which are described briefly in this subsection. Section 103(b)(4)(A) of the 1954 Code generally defines a qualified project for residential rental property as a project in which at least at least 20% of the units in the applicable project (15% for certain targeted area projects located in qualified census tracts or in areas of chronic economic distress) are to be occupied at all times during the "qualified project period" by individuals whose incomes, determined in a manner consistent with Section 8 of the 1937 Housing Act, at the time of initial occupancy, do not exceed 80% of the median income for the area. In addition, all of the units of such Development must be rented or available for rental on a continuous basis throughout the applicable qualified project period or for so long as any Bonds that financed the project remain outstanding, whichever is longer. For Bonds or other obligations issued after April 24, 1979, and before September 4, 1982, the 1954 Code defines the "qualified project period" to mean a period of 20 years commencing on the later of the date that the project becomes available for occupancy or the date of issuance of the Bonds or other obligations. For Bonds or other obligations issued after September 3, 1982 and before the effective date of the Code, the

1954 Code defines the "qualified project period" to mean the period beginning on the later of the first day upon which 10% of the units in a project are occupied or the date of issuance of the Bonds or other obligations and ending on the latest of (i) the date that is 10 years after the date upon which 50% of the units in such project are first occupied, (ii) the date that is derived by adding to the date of initial occupancy of any unit in the project a period of time equal to one-half of the sum of the total number of days which comprise the term of the applicable Bonds that financed the project and the period of time that any prior bonds that were part of a series of refundings that were ultimately refunded by the applicable Bonds remained outstanding, or (iii) the date upon which any assistance provided under Section 8 of the United States Housing Act of 1937, as amended, terminates.

Certain Requirements for Qualified 501(c)(3) Bonds for Group Homes

Certain Bonds were issued under the Bond Resolution as qualified 501(c)(3) bonds under Section 145 of the Code. In order to comply with the requirements under Section 145 of the Code relating to Group Homes financed with the proceeds of such Bonds, the Administration required that a Mortgagor covenant, among other things, that it would maintain its status as a 501(c)(3) organization and use the property acquired with the proceeds of such Series of Bonds in one of the following alternative qualified ways: (i) new construction or first use; (ii) substantial rehabilitation within a period of 24 months; (iii) satisfy the low income set-aside and other requirements for qualified residential rental projects within the meaning of Sections 145(d)(2)(B) and 142(d) of the Code; or (iv) otherwise use the property in a manner to ensure that it fails to constitute residential rental property within the meaning of Section 145(d) of the 1986 Code. Some Developments expected to be financed with proceeds of any Series of Bonds under the Administration's Group Housing Program are not expected to qualify as "residential rental projects" within the meaning of Section 145(d) of the 1986 Code and would not be subject to the restrictions applicable to "qualified residential rental projects." In the future, however, the Administration may finance Developments with proceeds of Tax-Exempt Bonds which are qualified 501(c)(3) bonds under Section 145 based on satisfaction of the low income set-aside requirements for "qualified residential rental projects" under Section 142(d) of the Code. If the owner of a Development is a 501(c)(3) organization and the Development is used in the trade or business of a person who is not a 501(c)(3) organization or a governmental unit, the owner will realize unrelated trade or business income and will lose the interest deduction on the borrowing for the period the Development is so used.

Other Set-aside Requirements or Absence Thereof

In addition to the above described set-aside requirements, Developments financed with the proceeds of Bonds also may be subject to income, occupancy and other like restrictions under the Program or other State financing programs. See APPENDIX C - "THE PROGRAM - Income Limits."

In addition, certain Bonds may finance Developments for governmental units, for 501(c)(3) organizations, or for other projects that may qualify for financing with Tax-Exempt Bonds without the requirement to impose any particular low income set-aside requirements.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Offered Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of an Offered Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Offered Bonds.

Prospective owners of the Offered Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Offered Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of this Private Placement Memorandum. Bond Counsel is of the opinion that, for any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Possible Government Action

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated by the Internal Revenue Service involving either the Offered Bonds or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Offered Bonds. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Offered Bonds.

FINANCIAL STATEMENTS OF THE PROGRAM

This Private Placement Memorandum includes audited financial statements (the "Financial Statements for the years ended June 30, 2004, and June 30, 2003, for the Community Development Administration Housing Revenue Bonds in APPENDIX I and for MHF in APPENDIX J, both of which were audited by Reznick Fedder & Silverman (whose name changed to Reznick Group, P.C., as of October 1, 2004) (the "Auditors"). Unaudited financial statements for the period ended September 30, 2004, for the Community Development Administration Housing Revenue Bonds and for MHF are also included in APPENDIX I and APPENDIX J, respectively.

The Financial Statements have been audited by the Auditors, who are independent certified public accountants, as indicated in their reports with respect thereto and are included herein in reliance upon the authority of such firm as an expert in giving such report. As indicated in the report of the Auditors, such Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and audited in accordance with auditing standards generally accepted in the United States. 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."

LITIGATION

There is no pending litigation of any nature restraining or enjoining or seeking to restrain or enjoin the issuance, sale or delivery of any of the Offered Bonds or in any way contesting or affecting the validity of any of the Offered Bonds, the Bond Resolution or other proceedings of the Secretary taken with respect to the authorization, issuance or sale of any of the Offered Bonds, or the pledge or application of any moneys under the Bond Resolution, 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 opinion of Hawkins Delafield & Wood LLP, Washington, D.C., Bond Counsel, which will be in substantially the form set forth in APPENDIX L. Certain legal matters pertaining to the Administration will be passed upon by an Assistant Attorney General of the State as Counsel to the Department.

LEGALITY FOR INVESTMENT

Under the Act, the 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 Bonds are securities which properly and legally may 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.

FINANCIAL ADVISOR

Caine Mitter & Associates Incorporated, in association with Columbia Equity Financial Corp. (collectively, the "Financial Advisor"), has served as Financial Advisor to the Administration in connection with the sale of the Offered Bonds.

RATING

Moody's has assigned its bond rating of "Aa2" to the Offered Bonds. Fitch Ratings Inc. ("Fitch") has assigned its bond rating of "AA" to the Offered Bonds. Explanations of the significance of such ratings may be obtained from Moody's at 99 Church Street, New York, New York 10007 and from Fitch at One State Street Plaza, New York, New York. The Administration has not applied for any other rating in respect of any of the Offered Bonds. Moody's and Fitch may have been provided with information regarding the Administration and its financial condition and operations which is not included in this Private Placement Memorandum. There is no assurance that such ratings, once assigned, will continue for any period of time or that such ratings will not be revised, reduced or withdrawn. The Administration has not agreed to maintain such ratings, to notify the owners of the Bonds of any proposed or threatened change or withdrawal of such ratings (other than actual material rating changes within the scope of the Administration's secondary market disclosure undertaking described below) or to oppose any proposed or threatened change or withdrawal of such ratings. Any reduction or withdrawal of such ratings would have an adverse effect upon the market price of the Bonds.

MISCELLANEOUS

Summaries and Descriptions in Private Placement Memorandum

The summaries and explanation of, or references to, the Act, the program documents, the Resolutions and the Offered Bonds included in this Private Placement Memorandum 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 office of the Administration. The descriptions of the MHF and mortgage insurance and credit enhancement programs do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the applicable statutes and regulations.

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 periodically 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.

This Private Placement Memorandum is not to be construed as a contract or agreement between the Administration and the owners of any of the Offered Bonds.

The execution and delivery of this Private Placement Memorandum and the incorporation of the Appendices hereto by the Administration have been duly authorized by the Secretary of Housing and Community Development.

* * * * * *

COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT

By: /s/ Mary A. Burkholder
Mary A. Burkholder, Director
Community Development Administration

APPENDIX A-1

DEFINITIONS FROM THE BOND RESOLUTION

Certain of the terms used in this Private Placement Memorandum are defined in the Resolutions. Certain terms are defined elsewhere in this Private Placement Memorandum. In addition, the following terms from the Bond Resolution have the following respective meanings in this Private Placement Memorandum, unless a different meaning clearly appears from the context:

"Accountant's Report" means an opinion signed by any nationally recognized certified public accountant or firm of certified public accountants (who may be the accountant or firm that regularly audits the books and accounts of the Administration) from time to time selected by the Administration.

"Accreted Amount" means, as of any Interest Payment Date, with respect to Capital Appreciation Bonds and Deferred Income and Appreciation Bonds, such amounts as are set forth in the Series Resolution authorizing such Capital Appreciation Bonds and/or Deferred Income and Appreciation Bonds. "Accreted Amount" means, as of any date other than an Interest Payment Date, the sum of (a) the Accreted Amount on the preceding Interest Payment Date and (b) the product of: (x) a fraction, the numerator of which is the number of days having elapsed from the preceding Interest Payment Date and the denominator of which is the number of days from such preceding Interest Payment Date to the next succeeding Interest Payment Date, and (y) the difference between the Accreted Amounts for such Interest Payment Dates.

"Acquired Development" means a Development constructed, owned, operated or administered by reason of the Administration's obtaining possession 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, 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.

"Acquired Development Receipts" means all money received by the Administration in connection with its acquisition, ownership or operation of an Acquired Development.

"Authorized Officer" means the Secretary, the Deputy Secretary of the Department, the Director, either Deputy Director, any Director of any program or division of the Administration or any other person duly authorized by the Secretary to perform such act or discharge such duty.

"Bond Counsel" means nationally recognized bond counsel who is either currently under contract to provide such services to the Administration or is acceptable to the Administration and the Trustee.

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

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

"Business Day" or "business day" means a day on which banks located in the City of Baltimore, Maryland, and the New York Stock Exchange are open for business.

"Capital Appreciation Bonds" means any non-current interest paying Bonds as designated in the applicable Supplemental Resolution.

"Cash Equivalent" means a letter of credit, insurance policy, surety, guaranty or other security arrangement (each as provided for in a Series Resolution or a Supplemental Resolution), provided by an institution which has received a rating of its claims paying ability from each Rating Agency at least equal to the then existing rating on the Bonds (other than Subordinate Bonds) or whose unsecured long-term debt securities are rated in a category at least equal to the then existing long-term rating on the Bonds (other than Subordinate Bonds) and the highest short-term rating category by each Rating Agency; provided that a Cash Equivalent may be provided by an institution which has received a rating of its claims paying ability which is lower than that set forth above or whose unsecured long-term (or short-term) debt securities are rated lower than that set forth above, so long as the providing of such Cash Equivalent does not, as of the date it is provided, in and of itself, result in the reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by each Rating Agency.

"Cost of Issuance" means all items of expense payable or reimbursable directly or indirectly by the Administration and related to the authorization, sale and issuance of Bonds and the making, purchasing and otherwise financing of Loans.

"Credit Enhancement" means 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.

"Credit Enhancer" means the issuer or provider of any Credit Enhancement, which term includes, without limitation: (a) the Maryland Housing Fund, an agency of the Department in the Division of Credit Assurance; (b) any agency or instrumentality of the United States of America guaranteeing, insuring or providing credit enhancement for (including without limitation HUD, the Federal Housing Administration of HUD, and its successors and assigns, the Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation); (c) any bank, financial institution, government chartered corporation or other person; or (d) any agency, instrumentality or department of the State.

"Credit Facility" means (i) an unconditional and irrevocable letter of credit (or confirmation of a letter of credit) in form and drawn on a bank or banks acceptable to the Administration, (ii) cash, (iii) a certified or bank check, (iv) Permitted Investments, 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 Facility Provider" means the issuer of or obligor under a Credit Facility.

"Debt Service" means, with respect to any particular Bond Year, an amount equal to the sum of (i) all interest payable on Outstanding Bonds during such Bond Year, plus (ii) any Principal Installments and Sinking Fund Installments of such Bonds during such Bond Year.

"Debt Service Reserve Requirement" means, as of any date of calculation, the aggregate of the amounts specified as the Debt Service Reserve Requirement for each Series of Bonds in the applicable Series Resolution; provided that: (i) a Series Resolution may provide that the Debt Service Reserve Requirement for the Series of Bonds authorized thereunder may be funded, in whole or in part, through

Cash Equivalents, and such method of funding shall be deemed to satisfy all provisions of the Bond Resolution with respect to the Debt Service Reserve Requirement, and (ii) a Series Resolution or Supplemental Resolution may provide for a reduction in the Debt Service Reserve Requirement, either as to a Series of Bonds or on an aggregate basis, provided that such reduction will not, in and of itself, result in a reduction of the rating of the Bonds as in effect immediately before any such reduction in the Debt Service Reserve Requirement and a Cash Flow Certificate taking such reduction into account is filed with the Trustee.

"Development" means any project, facility, undertaking or purpose which the Administration is authorized to undertake or finance pursuant to the Act as now or hereafter in effect, including, without limitation, 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, and shall include, without limitation, single-family, multi-family and group housing.

"Deferred Income and Appreciation Bonds" means any non-current interest paying Bonds which, on a specified date, convert to current interest paying Bonds, as designated in the applicable Series Resolution.

"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.

"Federal 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.

"Fiscal Year" means the period of 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.

"Group Home Loans" means Loans made to non-profit organizations to finance group housing facilities for special needs populations, including developmentally disabled individuals.

"Insurance Agreement" means the Amended and Restated Insurance Agreement, dated August 30, 1988, between MHF and the Administration.

"Interest Requirement" means, as of any particular date of computation, the sum of the unpaid interest then past due, if any, plus the interest to become due on all Outstanding Bonds on the next Interest Payment Date (if such computation is made on an Interest Payment Date for one or more Series of Bonds before the interest then due on such Interest Payment Date is paid, such Interest Payment Date shall be treated as the next Interest Payment Date for such Series).

"Investment Obligations" shall mean any of the following which at the time are legal investments under the laws of the State for moneys held hereunder which are then proposed to be invested therein:

(1) direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(2) bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Banks; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; Government National Mortgage Association; Federal Financing Bank; Small Business Administration; or any other agency or instrumentality of the United States of America (created by an Act of Congress) substantially similar to the foregoing in its legal relationship to the United States of America;

(3) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, and temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(4) interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with any financial institution (including the Trustee or any other Fiduciary) provided that (i) such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation, the proceeds of which insurance are timely available, or (ii) such financial institution has combined capital and surplus of at least $10,000,000 and such deposits, certificates and other arrangements are fully secured by obligations described in clauses (1) through (3), inclusive, of this definition, or a combination thereof, or (iii) such financial institution has combined capital and surplus of at least $25,000,000;

(5) interest-bearing notes issued by a bank holding company having combined capital and surplus of at least $500,000,000 whose senior debt is rated in one of the two highest rating categories of Moody's or Standard & Poor's Corporation;

(6) contracts for the purchase and sale of obligations described in clauses (1) through (5) of this definition, provided that 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 (5) above to such contracts as security or reserve therefor in an amount at least equal to 100% of the face value of each such contract, such obligations shall be delivered to and held by a fiduciary during the term of such contracts; and

(7) any other investment now or hereafter a legal investment for funds of the Administration under the laws of the State.

"Loan" means: (1) a loan, made or purchased or otherwise financed by the Administration and evidenced by a promissory note, (2) a portion of, or participation in, a loan made or purchased or otherwise financed by the Administration and evidenced by a promissory note, provided, to the extent required by the Act, that such portion or participation is secured by a lien at least equal in priority to the lien securing any other portion of or participation in the loan made or purchased or otherwise financed from sources other than the proceeds of Bonds, but need not be identical as to interest rate, time or rate of amortization or otherwise, and provided further, that any such portion or participation shall be governed by an agreement between the participants which gives the Administration authority to deal with the Loan as if it were owned solely by the Administration, or (3) a security, certificate or other evidence of 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 be secured by a Mortgage, to the extent permitted by the Act.

"Mortgage" means a mortgage deed, deed of trust or other instrument securing a Loan.

"Multi-Family Housing Revenue Bonds" means the Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) issued by the Administration pursuant to the 1982 Resolution.

"1982 Resolution" means the Administration's Resolution Providing for the Issuance of Multi-Family Housing Revenue Bonds (Insured Mortgage Loans), originally adopted as of May 1, 1982, and amended and restated as of January 1, 1994.

"Operating Expenses" means the Administration's operating expenses and all other expenses of carrying out and administering its powers, duties and functions under the Program and the Bond Resolution, and shall include, without limiting the generality of the foregoing: (1) salaries, supplies, utilities, moving, labor, materials, office rent, maintenance, furnishings, equipment; (2) machinery, insurance premiums, legal, accounting, management, consulting, banking and trust services and expenses; (3) Costs of Issuance not paid from proceeds of Bonds; and (4) payments for pension, retirement, health, hospitalization and other benefits.

"Outstanding" or "Bonds Outstanding" means all Bonds which have been delivered under the Bond Resolution, except:

(a) Bonds surrendered to the Trustee for cancellation after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds (or portions thereof) for the payment or redemption of which cash, Federal Obligations, Pre-Refunded Municipal Obligations or any combination thereof shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and

(c) Bonds in lieu of which other Bonds have been transferred, exchanged, executed, authenticated and delivered, unless proof satisfactory to the Trustee is presented that such bond is held by a bona fide holder in due course.

"Permitted Investments" means any of the following investments which at the time are legal investments for moneys of the Administration which are then proposed to be invested therein, subject to the terms of the applicable Series Resolution:

(1) Federal 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): Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, and U.S. Department of Housing & Urban Development;

(3) Bonds, notes or other evidences of indebtedness having a rating at least equal to the 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 which have a rating on their short term certificates of deposit on the date of purchase at least equal to the Rating Agency's existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating 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) Commercial paper which is rated at the time of purchase at least equal to the Rating Agency's existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency and which matures not more than 270 days after the date of purchase;

(6) Investments in a money market fund having a rating at least equal to the Rating Agency's highest possible rating category or the comparable rating of any other nationally recognized rating agency;

(7) Pre-Refunded Municipal Obligations having a rating at least equal to the Rating Agency's highest possible rating category or the comparable rating of any other nationally recognized rating agency which will not adversely affect the rating on the Bonds then in effect;

(8) Investment agreements with any financial institution or other entity with debt rated at least equal to the Rating Agency's existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency which will not adversely affect the rating on the Bonds then in effect;

(9) Contracts for the purchase and sale of obligations described in clauses (1) through (7) 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 (7) above to such contracts as security or reserve therefor, such obligations shall be delivered to and held by a fiduciary during the term of such contracts, (ii) such obligations shall 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;

(10) Investments in any mutual fund the portfolio of which is limited to Permitted Investments, 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 Federal Obligations, then such fund shall constitute "Federal Obligations" for the purposes of the Bond Resolution); and

(11) Any investments authorized in a Series Resolution authorizing the issuance of Bonds.

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 shall be without regard to any refinement or gradation such as "+" or"-."

The definition of Permitted Investments 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;

"Prepayment" means any money received from a payment of principal on a Loan in excess of the scheduled payments of principal then due or from the sale, assignment or other disposition of a Loan.

"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 Federal 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.

"Principal" or "principal" means: (i) as such term references the principal amount of any Capital Appreciation Bonds or Deferred Income and Appreciation Bonds, the Accreted Amount thereof (the excess of the stated maturity amount of a Capital Appreciation Bond or Deferred Income and Appreciation Bond above the Accreted Amount thereof being deemed unearned interest on such Bond), except as used in the Bond Resolution or the Series Resolution in connection with the authorization and issuance of Bonds and in the order of priority of payments on Bonds after default, in which cases the term "principal" shall mean the initial principal amount of a Capital Appreciation Bond or Deferred Income and Appreciation Bond, and the difference between the Accreted Amount of such Capital Appreciation Bond or Deferred Income and Appreciation Bond and the initial principal amount thereof shall be deemed to be interest, and (ii) as such term references the principal amount of any other Bond, the principal amount at maturity of such Bond.

"Principal Installment" means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Bond Resolution of Sinking Fund Installments payable before such future date plus (ii) the unsatisfied balance of any Sinking Fund Installments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Installments in a principal amount equal to said unsatisfied balance.

"Rating Agency" means any nationally recognized rating agency then rating the Bonds at the request of the Administration.

"Recovery Payment" means any money representing principal of a Loan and any premium or penalty with respect thereto received or recovered by the Administration, in excess of any expenses necessarily incurred by the Administration in collection thereof, from (i) the sale or other disposition of a Development, (ii) Prepayments, (iii) condemnation of a Development or part thereof, to the extent not needed to improve or repair the Development, (iv) other proceedings taken in the event of default by the Borrower, (v) the sale or other disposition of a Loan and Mortgage in default for the purpose of realizing on the mortgagee's interest therein, (vi) to the extent not needed to improve or repair the Development, hazard insurance, or (vii) the payment of principal of a Loan by a Credit Enhancer as a result of any of the events described in the preceding clauses (ii) through (vi) with respect to a Loan subject to Credit Enhancement.

"Redemption Price" means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

"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.

"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 subject to the lien of the Bond Resolution, but not including Recovery Payments, Escrow Payments, Service Charges 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 Developments 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 Loan. Any arbitrage rebate payable to the United States are not Revenues and are not subject to the lien of the Bond Resolution.

"Review Committee" means the Department's Housing Finance Review Committee established by the Act. Further information about the Review Committee is set forth in APPENDIX B - "THE DEPARTMENT AND THE ADMINISTRATION - General Information."

"Series 1996 A Bonds" means the Administration's Housing Revenue Bonds, Series 1996 A Bonds.

"Servicer" means the Administration or any other public or private institution (including the Trustee) with which the Administration shall execute a contractual agreement for the servicing of a Loan, including the collection and deposit of payments and proper application of Escrow Payments.

"Sinking Fund Installment" means any amount of money required by or pursuant to a Series Resolution to be paid on a specified date by the Administration toward the retirement of any particular Term Bonds before maturity.

"Subordinate Bonds" means Bonds secured by the Bond Resolution on a subordinated basis and issued pursuant to Section 2.05 thereof.

"Transferred Loans" means the Loans acquired with the proceeds of the Series 1996 A Bonds.

APPENDIX A-2

DEFINITIONS FROM FANNIE MAE SERIES RESOLUTIONS

Certain of the terms used in this Private Placement Memorandum are defined in the Resolutions. Certain terms are defined elsewhere in this Private Placement Memorandum. In addition, the following terms from Fannie Mae Series Resolutions or applicable to the financing of Fannie Mae Enhanced Loans have the following respective meanings in this Private Placement Memorandum, unless a different meaning clearly appears from the context:

"Annual Fee" means, (i) as to the Administration, the Administration's annual fee equal to 0.25% of the outstanding principal balance of a Fannie Mae Enhanced Loan payable by the applicable Borrower in advance semiannually on each Interest Payment Date and in accordance with the applicable Financing Agreement, and (ii) as to the Trustee, the annual ongoing trust administrative fee of the Trustee equal to $4,000 per annum plus expenses payable as provided in the applicable Financing Agreement.

"Approved Plans" means the plans initially approved by the applicable Fannie Mae Construction Lender and the Fannie Mae Loan Servicer, as such plans are changed, modified or amended with the approval of the Fannie Mae Construction Lender and, if required pursuant to the Construction Phase Financing Agreement, the Fannie Mae Loan Servicer.

"Architectural Consultant" means " means the architect or engineer retained by the Fannie Mae Loan Servicer, on its own behalf and on behalf of Fannie Mae to (i) approve the plans, drawings, sketches, specifications, reports, modifications and change orders prepared by the Project Consultants; (ii) inspect the applicable Fannie Mae Enhanced Development through the Construction Phase; (iii) certify that such Fannie Mae Enhanced Development has been completed in accordance with the Approved Plans; and (iv) perform other architectural and inspection services on behalf of Fannie Mae and the Fannie Mae Loan Servicer.

"Conditions to Conversion" means the following conditions:

(i) the Fannie Mae Loan Servicer has issued the applicable Preliminary Notice of Conversion;

(ii) the applicable Permanent Phase Loan Amount is equal to or greater than the outstanding principal amount of the applicable Fannie Mae Enhanced Loan, or, if, prior to the Conversion Date, the Permanent Phase Loan Amount had been less than the outstanding principal amount of such Fannie Mae Enhanced Loan, the applicable Borrower has made a Pre-Conversion Loan Equalization Payment in the amount of the difference between the outstanding principal balance of the applicable Fannie Mae Enhanced Loan (and, therefore, the principal amount of Bonds outstanding) and the Permanent Phase Loan Amount and such payment was derived from a source of funds, whether debt or equity, acceptable to Fannie Mae. If such Borrower incurred additional debt to cover such difference referenced in the prior sentence, the Borrower has provided the Fannie Mae Loan Servicer with evidence satisfactory to the Fannie Mae Loan Servicer that (i) the additional debt is subordinated to the applicable Fannie Mae Enhanced Loan, (ii) the terms, conditions and documentation of the additional debt meet the requirements for subordinate financing as set forth in the DUS Guide and (iii) the applicable Borrower and the holder of the subordinate debt have entered into a subordination agreement with Fannie Mae in the form prescribed in the DUS Guide;

(iii) any gap or bridge financing provided by the Fannie Mae Construction Lender to the applicable Borrower is paid in full;

(iv) the Fannie Mae Loan Servicer has received an original executed Title Policy Endorsement, in full force and effect, in form and content as required by the approved pro forma Title Policy Endorsement received by the Fannie Mae Loan Servicer as a condition to the issuance of the Preliminary Notice of Conversion; and

(v) no event has occurred and is continuing, or would result from the conversion to the Permanent Phase, which constitutes an Event of Default under the applicable Reimbursement Agreement (as defined therein) or any Approved Subordinate Financing or would constitute an Event of Default under such Reimbursement Agreement or any Approved Subordinate Financing but for the requirement that notice be given or time elapse or both.

"Construction Phase" means, as to each Fannie Enhanced Development, the period beginning on the Closing Date and ending upon the applicable Conversion Date.

"Construction Phase Financing Agreement" means each Construction Phase Financing Agreement, by and among Fannie Mae, the Fannie Mae Loan Servicer and the Fannie Mae Construction Lender, as such agreement may be amended, modified, supplemented or restated from time to time.

"Conversion Date" means the date specified as such by the Fannie Mae Loan Servicer in the applicable Preliminary Notice of Conversion.

"Construction Reimbursement Agreement" means the Reimbursement Agreement between the Fannie Mae Construction Lender and the applicable Borrower, as amended, supplemented or restated from time to time

"Credit Facility" means a Fannie Mae Credit Enhancement Instrument.

"Credit Facility Agreement" means, individually or collectively, the applicable Reimbursement Agreement and all other agreements and documents securing Fannie Mae or otherwise relating to the provision of the applicable Fannie Mae Credit Enhancement Instrument, as any such agreement may be amended, modified, supplemented or restated from time to time.

"DUS Guide" means " means the Fannie Mae Delegated Underwriting and Servicing Guide in its present form and as amended, supplemented or reissued from time to time.

"Fannie Mae Construction Lender" means the Construction Lender under the applicable Construction Phase Financing Agreement.

"Fannie Mae Construction Lender Mortgage" means the mortgage granting the Fannie Mae Construction Lender a lien on and a security interest in the applicable Mortgaged Property to secure repayment of any amounts drawn by Fannie Mae (in the event Fannie Mae is required to pay amounts under the related Fannie Mae Credit Enhancement Instrument) or otherwise owing to the Fannie Mae Construction Lender under the applicable Construction Reimbursement Agreement together with a security agreement granting a security interest in the partnership/membership interests of the partners/members in the applicable Borrower and certain rights of such Borrower and such partners/members in and to low income housing tax credits applicable to such Mortgaged Property.

"Fannie Mae Credit Enhancement Instrument" means a Standby Credit Enhancement Instrument, related to a Fannie Mae Enhanced Loan, issued by Fannie Mae to the Trustee, or any Replacement Credit Facility.

"Fannie Mae Enhanced Development" means a Development financed by a Fannie Mae Enhanced Loan.

"Fannie Mae Enhanced Loan" means a Loan as to which Fannie Mae provides Credit Enhancement.

"Fannie Mae Loan Servicer" means each applicable servicer of a Fannie Mae Enhanced Loan, and any successor servicer appointed by Fannie Mae.

"Fannie Mae Series Resolution" means a Series Resolution under which a Series of Bonds which finances a Fannie Mae Enhanced Loan is issued.

"Final Notice of Conversion" means a written notice by the Fannie Mae Loan Servicer to the Administration, the Trustee, the applicable Borrower, the Fannie Mae Construction Lender and Fannie Mae given on or before the Termination Date (a) stating that the Conditions to Conversion have been satisfied on or before the Termination Date or, if any Condition to Conversion has not been satisfied on or before the Termination Date, stating that such Condition to Conversion has been waived in writing by Fannie Mae on or before the Termination Date, and (b) stating that Conversion has occurred.

"Financing Agreement" means each Financing Agreement between the Administration, the Trustee and the applicable Borrower.

"Initial Debt Service Deposit" means the deposit to be made by the applicable Borrower with the Trustee on the Closing Date, as required by the applicable Financing Agreement and deposited by the Trustee into the General Account.

"Interest Payment Date" means the interest payment date for the applicable Bonds set forth in the applicable Fannie Mae Series Resolution.

"Investment" means any Permitted Investment and any other investment held under the applicable Fannie Mae Series Resolutions that does not constitute a Permitted Investment.

"Mortgage Loan Documents" means, collectively, the applicable Mortgage Note, the Security Instrument, the Reimbursement Agreement, and all other agreements, documents and instruments evidencing, securing or otherwise relating to the applicable Fannie Mae Enhanced Loan, including all amendments, modifications, supplements and restatements of such agreements, documents and instruments, but excluding the Financing Agreement and the Tax Regulatory Agreement.

"Mortgage Note" means each Multifamily Note executed by the applicable Borrower in favor of the Administration, evidencing a Fannie Mae Enhanced Loan.

"Permanent Phase" means the permanent phase of the applicable Fannie Mae Enhanced Loan commencing on the applicable Conversion Date.

"Permanent Phase Loan Amount" means the Permanent Phase Loan Amount as determined in accordance with the applicable Construction Phase Financing Agreement.

"Preliminary Notice of Conversion" means a written notice by the Fannie Mae Loan Servicer to the Administration, the Trustee, the applicable Borrower, the Fannie Mae Construction Lender and Fannie Mae (i) stating that the conditions to the delivery of the Preliminary Notice of Conversion set out in the applicable Construction Phase Financing Agreement have been satisfied or, if any such condition has not been so satisfied, specifying each such condition that has been waived in writing by Fannie Mae and (ii) specifying the Conversion Date.

"Project Consultant" means and includes all architects (excluding only the Architectural Consultant), landscape architects, structural engineers, civil engineers, environmental engineers, mechanical engineers, electrical engineers and other architects, designers, engineers, consultants and professionals engaged to provide services with respect to the applicable Fannie Mae Enhanced Development.

"Redemption Date" means any date upon which Bonds are to be redeemed pursuant to the applicable Fannie Mae Series Resolution.

"Reimbursement Agreement" means each Reimbursement Agreement between Fannie Mae and the applicable Borrower under a Fannie Mae Enhanced Loan.

"Replacement Credit Facility" means a new Fannie Mae Credit Enhancement Instrument provided at the request of Fannie Mae, provided that such exchange shall not adversely affect the rating then in effect for the related Bonds.

"Reserved Rights" means those certain rights of the Administration under the Financing Agreements to indemnification and to payment or reimbursement of fees and expenses of the Administration, its right to give and receive notices and to enforce notice and reporting requirements and restrictions on transfer of ownership, its right to inspect and audit the books, records and premises of the applicable Borrowers and of the applicable Fannie Mae Enhanced Developments, its right to terminate the Management Agent with cause, its right to collect attorneys' fees and related expenses, its right to specifically enforce applicable Borrower's covenant to comply with applicable federal tax law and State law (including the Act and the rules and regulations of the Administration, if any), and its rights to give or withhold consent to amendments, changes, modifications and alterations to the Financing Agreements and the Tax Regulatory Agreement.

"Section 8" means Section 8 of the United States Housing Act of 1937, as amended.

"Security Instrument" means the applicable Multifamily Deed of Trust, Security Agreement and Assignment of Rents securing a Mortgage Note and the related Reimbursement Agreement.

"Series Account" means the account relating to and named for a specific series of Bonds, as the context requires, within the Bond Proceeds Fund or the Redemption Fund, as the case may be.

"Tax Certificate" means a Federal Tax Certificate dated the Closing Date, executed and delivered by the Administration and the applicable Borrower.

"Tax Regulatory Agreement" means the Regulatory Agreement and Agreement and Declaration of Covenants and Restrictions entered into by the Administration and the applicable Borrower with respect to Bonds financing a Fannie Mae Enhanced Loan.

"Termination Date" means the Termination Date provided for in the applicable Construction Phase Financing Agreement, as extended by Fannie Mae at the request of the Fannie Mae Loan Servicer, including any Termination Date established retroactively by Fannie Mae.

"Third Party Fees" means, individually or collectively, as the context shall require, the (a) Administration's Annual Fee, and (b) the Trustee's Annual Fee.

"Title Policy" means the title policy issued in connection with the applicable Fannie Mae Enhanced Loan for the benefit of the Trustee and Fannie Mae, as their interests may appear.

"Title Policy Endorsement" means a pro forma of an endorsement to the Title Policy containing (i) affirmative insurance against mechanics' liens, (ii) reflecting the deletion of the Fannie Mae Construction Lender Mortgage and any other lien for the benefit of the Fannie Mae Construction Lender and the lien of any other subordinate financing required pursuant to the special conditions set forth in the Construction Phase Financing Agreement, to be released of record on or before the Conversion Date, and (iii) evidence that all contractors, subcontractors, materialmen, the Architectural Consultant, each Project Consultant and other parties who have supplied labor, materials or services for the construction of the Project, or who otherwise might be entitled to claim a contractual, statutory or constitutional lien on the Project have executed lien waivers relating to all costs of construction other than those items included on the minor punch list not yet completed. The endorsement to the Title Policy may not contain any exception other than (A) as were contained in the original Title Policy (but subject to clause (ii) of the prior sentence), (B) as permitted by the Security Instrument or any of the other Mortgage Loan Documents or (C) any exception which has been approved in writing by Fannie Mae or the Fannie Mae Loan Servicer.

APPENDIX B

THE DEPARTMENT AND THE 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 is the head of the Department and is appointed by the Governor with the advice and consent of the Senate. The Department consists of six divisions: the Division of Development Finance, the Division of Credit Assurance, the Division of Finance and Administration, the Division of Neighborhood Revitalization, the Division of Historical and Cultural Programs and the Division of Information Technology. A chart showing the organization of the Department, its divisions, the Administration and the MHF is included at the end of this Appendix.

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. The Administration is an agency within the Division of Development Finance.

The Secretary, with the approval of the Governor, appoints the Director of the Administration, and 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 establishes 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 and 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. MHF is an agency of the Department assigned to the Division of Credit Assurance. Certain additional information about MHF is set forth in APPENDIX F - "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS - THE MHF INSURANCE PROGRAM."

The Division of Finance and Administration under the direction of the Chief Financial Officer of the Department 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, and receives oversight, advice, and guidance from the Chief Financial Officer of the Department as it relates to financial matters. MHF's finance function is a part of the Division of Finance and Administration under the direction of the Chief Financial Officer. The Department's Chief Financial Officer provides advice and guidance to the Director of MHF with respect to its financial functions.

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

The Department has established a Revenue Bond Advisory Board (the "Board"). The Board 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, underwriters, and accountants.

The Administration pays all costs and expenses of operating its programs from earnings received from its programs financed by the Bond Resolution and other 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 Private Placement Memorandum should be directed to Anne P. Konrad, Director, Finance, at 410-514-7326 or konrad@dhcd.state.md.us.

Principal Executive Officers

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

Victor L. Hoskins was appointed by the Governor as Secretary of the Department on January 15, 2003, and duly commissioned as of February 28, 2003. Mr. Hoskins has over 20 years of experience in real estate and economic development in both the public and private sectors. Prior to his appointment, he was a Senior Vice President of Strategic Alliances for UrbanAmerica, L.P., a real estate investment company focusing on acquiring and developing commercial real estate in inner city communities. Mr. Hoskins also served as Deputy Commissioner of Housing and Community Development for Baltimore City and before that as Assistant Secretary for Marketing for the Maryland Department of Business and Economic Development. Mr. Hoskins received a B.A. in Psychology/Urban Studies from Dartmouth College and a Master in City Planning from the Massachusetts Institute of Technology.

Shawn S. Karimian was appointed by the Secretary, with the approval of the Governor, as Deputy Secretary of the Department effective March 17, 2003. Most recently, Mr. Karimian was a Technical Manager for Lucent Technologies. Previously, he served as Director of Construction and Building Inspection for the Baltimore City Department of Housing and Community Development. Mr. Karimian holds a Bachelor of Science, Mechanical Engineering (BSME) and a Master of Science, Mechanical Engineering (MSME) from the University of Tulsa. In addition, he holds a Master of Business Administration from the University of Phoenix.

Stephen D. Silver was appointed on January 15, 1994, by the Secretary as the Chief Financial Officer of the Department, the Administration and the Maryland Housing Fund. Prior to his appointment as Chief Financial Officer, Mr. Silver served in various financial capacities with the Department including as Director of the Department's Division of Finance and Administration (in which capacity he served until 1997), Director of Accounting for the Division of Finance and Administration, and as Director of Finance for the Maryland Housing Fund. Prior to joining the Department, Mr. Silver worked briefly with a public accounting firm in Baltimore, Maryland. Mr. Silver is a Certified Public Accountant, was granted a B.S. degree in accounting from Towson University in 1981, and received his M.B.A. degree from the University of Baltimore in 1991.

Mary A. Burkholder was appointed by the Secretary, with the approval of the Governor, as an Assistant Secretary of the Department and Director of the Community Development Administration, effective February 2, 2004. Prior to joining DHCD, Ms. Burkholder served as Senior Associate with the economic consulting firm, ZHA, Inc. Ms. Burkholder also served as Deputy Director of the Illinois Department of Commerce and Community Affairs and as Assistant Secretary of Marketing for the Maryland Department of Business and Economic Development. Ms. Burkholder holds a Bachelor of Arts degree from the University of Michigan and a Master of Community Planning from the University of Maryland.

Roy A. Westlund was appointed Deputy Director, Bond Finance, for the Administration, effective as of January, 1996. For the previous seven years, he had 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.

Ed Landon was appointed Deputy Director, Community Development, for the Administration, effective September 7, 2004. Prior to joining the Department, Mr. Landon worked with the Housing Authority of Baltimore City for 18 years, serving as Associate Deputy Director for Engineering and Construction. Mr. Landon received a B.S. in Engineering from the University of Maryland and an M.B.A. degree from the University of Baltimore.

Senior Staff of the Administration

Senior staff members of the Administration are as follows:

Name	**Position**
Anne P. Konrad	Director, Finance
Tonna Phelps	Director, Single Family Housing
Patricia R. Sylvester	Director, Multi-Family Programs

As of September 30, 2004, the staff of the Administration consists of approximately 113 positions and an additional 15 vacancies, including more than 107 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, 24 are involved in Housing Development Programs in a professional or technical capacity. Certain information relating to the senior staff who have primary responsibilities for finance and housing development programs is briefly described below.

Anne P. Konrad, Director, Finance, has been with the Department since March, 1993. She was the Senior Multi-Family Underwriter with MHF until her appointment as Director of Finance for the Administration in July 1996. Prior to joining the Department, she was a Legislative Auditor for the State of Maryland for three years and worked for public accounting firms for eight years. Ms. Konrad is a Certified Public Accountant and is a graduate of Rosemont College. She has also received a Certificate in Housing Finance Development from the University of Maryland, School of Public Affairs.

Patricia Rynn Sylvester, Director, Multi-Family Family Housing has been with the Department since October 1997. She served as Deputy Director of Multi-family 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.

Tonna Phelps was appointed Director of Single Family Housing, effective January 13, 2003. Ms. Phelps has been with the Administration since 1977. For the ten years preceding her appointment as 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.

Other Housing Programs of the Department

In addition to the Program which is financed with the proceeds of the Bonds (see APPENDIX C - "THE PROGRAM"), the staff of the Administration is also responsible for a broad range of housing and other 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 pay 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 Programs include the Department's Homeownership Programs and Special Loan Programs. The Administration's Single Family Program staff operates the Department's Homeownership Programs that are funded with State appropriations. These programs, which may or may not be funded at varying levels from year to year, currently provide low-interest mortgages to low- and 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.

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. Group Homes may be funded with state appropriations and are expected to be funded from Bonds issued under the Bond Resolution.

Multi-Family Programs. Multi-Family Programs include 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.

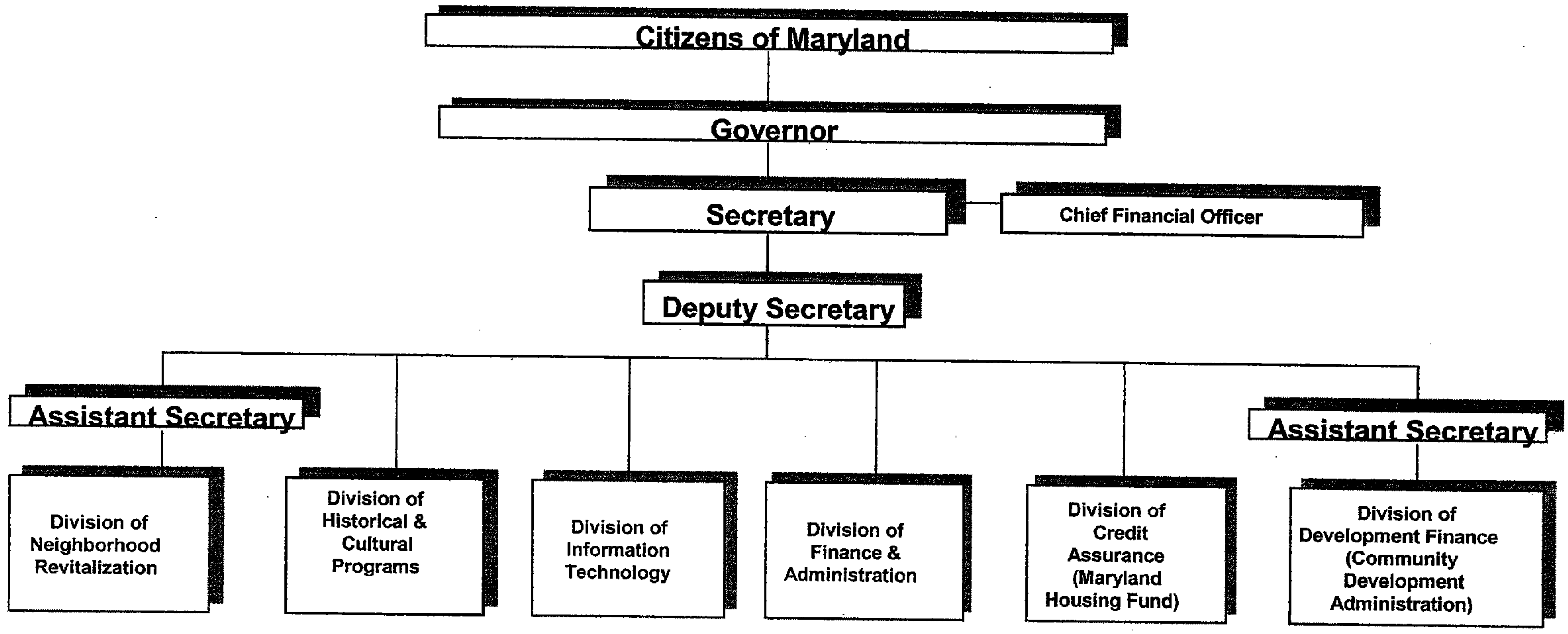
The Department's Rental Service Programs include the Rental Assistance Programs and the Project-Based Section 8 Contract Administration. Under the Rental Assistance Programs, the Administration administers the rental subsidies provided under Section 8 of the United States Housing Act of 1937, as amended, in 29 subdivisions of the State. The housing subsidy staff also administers a Rental Allowance Program, which is funded with State appropriations. The program is administered through local governments, and provides fixed monthly rental assistance payments 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 property owners under 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



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 C

THE PROGRAM

Since 1974, the Administration has financed loans for the purpose of providing construction and permanent financing of rental housing developments for persons or families of limited incomes. The financing of rental housing pursuant to the Bond Resolution is the current primary activity of the Program. Other than certain of the Transferred Loans described in Table D-3 of APPENDIX D - "DESCRIPTION OF LOANS AND DEVELOPMENTS," the Program does not currently include the financing of single family residences. Other programs of the Administration not financed pursuant to the Bond Resolution are described under APPENDIX B - "THE DEPARTMENT AND THE ADMINISTRATION - Other Housing Programs of the Department."

Loans To Be Acquired with Proceeds of Offered Bonds

The proceeds of the Offered Bonds will be used to finance the Series 2005 A Loan. See "INTRODUCTION - Use of Proceeds of Offered Bonds."

Additional information about the Development to be financed with the proceeds of the Series 2005 A Loan is set forth in APPENDIX D, TABLE D-1- "LOAN EXPECTED TO BE FINANCED WITH THE PROCEEDS OF THE OFFERED BONDS."

Existing Portfolio

Under the Bond Resolution, as of September 30, 2004, the Administration had outstanding (1) 68 permanent Loans, for 64 Rental Housing Developments (excluding Group Home Loans and Single Family Loans) which had a total outstanding principal balance of $408,954,769, (2) 21 Group Home Loans having an outstanding principal balance of $1,651,885, and (3) 28 Single Family Loans having an outstanding principal balance of $669,196.

APPENDIX D sets forth information on each of the Developments currently financed or intended to be financed with the proceeds of Bonds (including the Offered Bonds). See "Description of Types of Loans Under the Program - *Group Home Loans*" herein for a description of the Group Homes financing program. APPENDIX F - "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS - THE MHF INSURANCE PROGRAM" sets forth information about the MHF and the loans insured by the MHF which are in default. As of September 30, 2004, none of the loans made under the Program was in payment default. See APPENDIX D, Table D-4.

The Administration may issue additional Bonds from time to time to finance additional Loans.

Description of Types of Loans Under the Program

Rental Housing. Under its rental housing program, the Administration has made Loans or purchased Guaranteed Securities (1) to provide financing for acquisition, rehabilitation, or construction of rental housing Developments, and (2) to provide permanent financing of rental housing Developments.

Group Home Loans. Under its special housing opportunities program, the Administration made Loans to non-profit organizations qualified under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or to governmental entities. Group Home Loans financed acquisition, rehabilitation, new construction or refinancing of Group Homes. The sponsor of each Group Home must have had a contract for governmental subsidies, and must have had at least two years prior experience managing and operating similar facilities. As is the case with many contracts with the State, a sponsor's contract for governmental subsidies generally has a term of one year, and there can be no assurance that a sponsor's contract will be renewed.

Occupancy of these Group Homes varies from 2 to 12 individuals, with average occupancy of approximately three individuals. Most Group Homes are located in single family residences modified for group housing purposes.

In 2002, the Department re-opened a limited program of MHF insuring Group Home Loans.

Loan Underwriting and Processing

The Series 2005 A Loan will be underwritten, processed and closed in accordance with the procedures governing FHA Loans and Guaranteed Securities. The Administration performs a limited independent review.

Loan Provisions

The Bond Resolution requires that each Loan shall conform to the following terms, conditions, provisions and limitations, except to the extent, if any, that a variance therefrom is either pursuant to Credit Enhancement of such Loan or, if the Loan is not Credit Enhanced, required or permitted by the Administration:

Code Requirements. If the Loan is to be funded with the proceeds of Tax-Exempt Bonds, the proceeds of the Loan must be expended solely for payment of costs of a Development, subject, as applicable, to the requirements of Section 103(b)(4)(A) of the 1954 Code, Sections 142(d) or 145 of the 1986 Code, or any other provision of the Code.

Mortgage Lien. If the Loan is secured by a Mortgage, the Mortgage and complementary financing statements, if required by the Administration or any Credit Enhancer, shall be executed, recorded and filed in accordance with law, so as to create and constitute a valid mortgage lien on the real property and improvements constituting the Development for which the Loan is made. Such real property and improvements may be held either as a fee simple or a leasehold interest. **The Bond Resolution does not require that each Loan be secured by a Mortgage.**

Title Insurance. The Administration, or the Trustee if the Administration is the Borrower, shall receive evidence of a mortgagee's title insurance policy insuring that the Mortgage is a lien on the Development financed by the Loan (which lien may be subject to prior liens), subject to liens for taxes and assessments and such other liens, encumbrances, reservations and imperfections of title as, in the judgment of the Administration, do not materially impair the use or value of the premises or as to which appropriate steps, in the judgment of the Administration, have been taken to secure the interest of the Administration or the Trustee. **The Bond Resolution does not require that the lien of each Loan secured by a Mortgage be a first or prior lien superior to any other mortgage or other liens.**

Insurance Coverage. The Administration, or the Trustee if the Administration is the Borrower, shall receive evidence that the Development is insured against loss from fire, casualty and other hazards as the Administration may require.

Credit Enhancement. All or a portion of the Loan may be (but is not required to be) credit enhanced in accordance with the provisions therefor set forth in the Series Resolution authorizing a particular Series of Bonds. **The Bond Resolution does not require that each Loan be secured by Credit Enhancement.**

Loan Terms. The Loan shall be in an amount, bear interest at a rate, and amortize over such term, all as provided for such Loan in the most recent Cash Flow Statement (which terms may not be varied by the Administration unless such variance is in accordance with the requirements or assumptions for such Loan as set forth in the most recent Cash Flow Statement).

Prepayment. The Administration may, but is not required to, include in each Loan (other than Group Home Loans) a provision prohibiting the Borrower from prepaying a Loan for a period at least equal to the period during which the Series of Bonds financing such Loan are not subject to optional redemption without the consent of the Administration and the mortgage insurer or Credit Enhancer of the Loan. **Under certain circumstances involving defaulted Loans, FHA may direct the prepayment of the defaulted Loan in order to avoid a mortgage insurance claim.** See APPENDIX H - "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION."

The Transferred Loans acquired with the proceeds of the Series 1996 A Bonds and the Group Home Loans are subject to prepayment at the option of their respective Borrowers at any time and, if so prepaid, the Bonds may be subject to special redemption at any time at the principal amount thereof without penalty or premium.

Developments may have subordinate financing from other programs of the Administration, the federal government or other public or private lenders.

Reserve Fund for Replacements. Under the regulatory agreements for the Rental Housing Loans, each Borrower must deposit a specified monthly amount into a reserve for replacements to fund improvements or repairs to the Development. The Administration's current policy provides that the minimum annual amount to be deposited into reserve for replacements will be $250 per unit for new construction and substantial rehabilitation projects and $300 per unit for moderate rehabilitation projects plus any additional amount required by an engineer's report. The amount required to be deposited into reserve for replacements may be more or less than the amount specified above, as agreed to by the Borrower, the Administration, and MHF, Fannie Mae or FHA, as may be applicable. These policies and procedures may not be applicable to the Rental Housing Loans that are Transferred Loans. For FHA Loans, the minimum annual amount to be deposited in the reserve for replacements for new construction projects is 6/10 of 1% of the construction costs of the structures and for substantial rehabilitation projects 4/10 of 1% of the mortgage amount. For Fannie Mae Enhanced Loans, a reserve for replacement deposits may be determined monthly on a project-by-project basis based on the underwriting of the loan.

Asset Management

Asset management for Developments is provided to the Administration by the Asset Management division of the Division of Credit Assurance ("Asset Management").

With respect to each Development, Asset Management:

(1) conducts a pre-occupancy review and conference with each owner to establish reporting requirements and procedures;

(2) performs an annual physical inspection and on-site management review, including verification of compliance with income restrictions concerning tenants;

(3) annually reviews audited financial statements and escrow levels;

(4) reviews operating statements for each Development on a monthly or quarterly basis;

(5) monitors the status of letters of credit, guarantees, and reserves, including reserves for replacement;

(6) reviews and acts upon requests for rent increases, changes in developer return on equity, and disbursements from reserves;

(7) analyzes delinquencies and creates and implements corrective action plans; and

(8) makes recommendations to the Secretary and implements Departmental decisions on disposition, workout or foreclosure plans.

Asset Management maintains an advisory watch list in order to identify Developments facing potential financial difficulties at an early stage. Regular meetings are held with management of each Development on the advisory watch list in order to develop and implement corrective action.

Income Limits

Department Policy. During the term of a Loan or Guaranteed Security, the Act requires that at least 51% of the units in a Development be occupied or held available for occupancy by persons or families of limited incomes. The Secretary establishes income limits from time to time by written determination after taking into consideration factors including (1) the amount of total income of such families available for housing needs, (2) the size of the family, (3) the cost and condition of housing facilities available, (4) the ability of such families to compete successfully in the normal private housing market, and (5) standards and definitions established for pertinent federal housing programs. Units restricted pursuant to federal law (as described below) count towards meeting the restrictions imposed by the Secretary pursuant to the Act. The difference between the percentage of federally restricted units and the percentage restricted under the Act (51%) are restricted to the State's income limits set forth in the Secretary's determination (for example, if 20% of the units are federally restricted, then 31% of the units are subject to the state limits). The current Secretary's determination establishes the following income limits (subject to certain exceptions): (1) for one person, 68% of the greater of area or statewide median income for four person households as established by HUD and (2) for two or more persons, 85% of the greater of area or statewide median income for four person households as established by HUD. The maximum income limits under this determination for one person households currently range from $57,664 in the Washington, D.C. metropolitan statistical area and $48,076 in all other areas of the state; and for two or more person-households from $72,080 in the Washington, D.C. metropolitan statistical area and $60,095 in all other areas of the state. HUD promulgates revised median income figures from time to time; it is anticipated that the limits described might be modified when HUD announces revised figures.

The Transferred Loans were originated under the Department's income limits in existence at the time such Loans were originally financed.

Federal Tax Law. In addition to the requirements of the Act and the occupancy requirements of the preceding paragraph, all Developments containing rental housing units financed or expected to be financed with the proceeds of Bonds the interest on which is intended to be excludable from gross income for federal income tax purposes (except two Developments which were in the development stage on April 24, 1979, and Group Homes) are required to meet certain requirements set forth in Section 142(d)(1) of the 1986 Code, or Section 103(b)(4)(A) of the 1954 Code, as applicable. Group Homes are required to comply with the requirements of Section 145 of the 1986 Code. These requirements are more fully described in the Private Placement Memorandum under "TAX MATTERS." Developments financed with the proceeds of Bonds are also subject to income, occupancy and other like restrictions under the Program, other State financing programs and in connection with the allowance of tax credits under Section 42 of the 1986 Code.

Certain Developments financed with the proceeds of Bonds receive subsidy payments under Section 8, and thus are subject to income limit restrictions which may be in addition to those required by the Act, the 1986 Code or the 1954 Code. Certain of the Section 8 contracts for subsidy payments are renewable at five year intervals from their date of execution by HUD at the option of the Borrower. Developments receiving subsidy payments under Section 8 are identified in APPENDIX D. More detailed information on the Section 8 Program can be found in APPENDIX G - "SECTION 8 PROGRAM."

Rate Lock Program

The Administration has recently initiated a new program (the "Rate Lock Program") allowing Borrowers receiving Loans from the Administration to lock in the interest rate (the "Locked Rate") to be paid on such Loans up to ninety days before the closing of the Bonds to be issued to finance such Loans. The Administration will publish the Locked Rate available to potential Borrowers at a given time under the Rate Lock Program on its website, and will review and revise the Locked Rate at least weekly, and more often as conditions merit. Loans with a principal amount exceeding approximately $15,000,000 are not eligible for the Rate Lock Program. In addition, no Series of Bonds financing Loans in an aggregate principal amount of exceeding approximately $50,000,000 is eligible for the Rate Lock Program. For information on the Locked Rates which, if any, apply to the Series 2004 D Loan, see APPENDIX D, TABLE D-1- "LOAN EXPECTED TO BE FINANCED WITH THE PROCEEDS OF THE OFFERED BONDS."

Factors Affecting the Mortgage Loans

Any mortgage financing has certain inherent risks.

Insurance by MHF. A substantial portion of the Loans is insured by MHF. In early 1997, MHF ceased issuing new insurance commitments (except for pool insurance on single family mortgage loans subject to FHA primary insurance), in part as a result of concerns expressed by Moody's during 1996 and 1997. In 2002, MHF began insuring Group Home Loans, and 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 FHA Risk-Sharing Program. Moody's has 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. For more information relating to MHF, see APPENDIX F - "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS - THE MHF INSURANCE PROGRAM" and APPENDIX J - "FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND."

Assumptions. In estimating the amounts of moneys available to pay principal of and interest on the Bonds, a number of assumptions were made, including the assumptions that (1) payments of principal of and interest on the Mortgage Loans and Guaranteed Securities will be available on a timely basis, (2) no significant Prepayments or Recovery Payments of Loans and Guaranteed Securities will be made from casualty insurance or condemnation proceeds or otherwise, which result in the Administration's having to redeem Bonds, since such proceeds may not be sufficient to pay the principal amount of Bonds allocable to such Loans and Guaranteed Securities, (3) working capital and construction completion assurances will be adequate, (4) cost overruns, if any, will be adequately financed with contingency allowances, if any, established for such purpose or with other moneys of the Borrowers or the Administration including, if necessary, the proceeds of additional Bonds, and (5) the Developments financed with the proceeds of the Bonds will be completed and rented substantially in accordance with their respective construction and rent-up schedules and will achieve the projected rent levels. No assurance can be given that actual receipts will correspond with estimated revenues.

General Factors. The ability of the Borrowers to make the required payments on the Loans is affected by a variety of factors, including (1) the achievement and maintenance of a sufficient level of occupancy, (2) sound management of the Developments, (3) timely receipt of Section 8 housing assistance payments (see "*Rent Subsidies*" under this heading) or governmental subsidies for Developments receiving such payments, (4) for Group Homes, the continuation of annual subsidies, (5) increases in rents to cover increases in operating expenses, including taxes, utility rates and maintenance costs and changes in applicable laws and governmental regulations, and (6) for Developments containing rental units which are not all the subject of subsidy payments under Section 8, the ability to charge sufficient rents on the unrestricted units so that the rents on the restricted units will be at a level which is affordable by persons and families of limited income as established by the Secretary (including persons and families of the applicable incomes as required by Section 142(d)(1) of the 1986 Code or Section 103(b)(4)(A) of the 1954 Code, as applicable, or as further limited by the Secretary).

Certain Developments containing rental housing units which were expected to operate at a loss during the initial years following rent-up were required to establish escrows and to pledge certain funds to be received in the future which may have included a portion of the proceeds of the syndication of the equity interest in such Developments. The Administration relied upon the receipt of pledged funds in determining the feasibility of such Developments. Although the Administration conducted its own feasibility studies for Developments financed with Loans insured by MHF, the Administration substantially relied upon FHA for the determination of the feasibility of the Developments financed with Loans insured by FHA, including the acceptability of the sites and recognition of specific market needs.

No Cross Default Provisions. If one or more Borrowers fail to make timely payment on their respective Loans, 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 Loan does not constitute a default with respect to any other Loan. 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 Loan. Under such circumstances, neither the Administration nor the Trustee have the right to demand payment of or to accelerate payment of any Loan not in default.

Rent Subsidies. The ability of the Administration to pay the principal of and interest on the Bonds is dependent in part upon the timely receipt of Section 8 housing assistance payments for Developments entitled to such payments and governmental subsidies for Group Homes. If (1) operating costs increase substantially where HUD has not permitted corresponding increases in rent levels or Section 8 housing assistance payments on a timely basis, (2) tenants are unable to pay increased tenant rental charges which are approved by HUD, (3) substantial reductions occur in occupancy, or (4) there is a reduction, loss or termination of Section 8 housing assistance payments or governmental subsidies, there may be a likelihood of a default in one or more of the Loans, assignment of such Loans to FHA or MHF, and redemption of a portion of the Bonds.

In addition, the term of a Loan may exceed the maximum term of the contract for payments under Section 8. If at the end of the term of the contract for payments under Section 8 (or HUD does not extend the term of such contract) the owner is unable to lease units in the Development at rentals which produce revenues equivalent to those which would have been received if the term of the contract had been extended, there may be insufficient revenues to pay the principal of and interest on a Loan, causing a default, assignment to FHA or MHF and the redemption of a portion of the Bonds. Additional factors relating to the Section 8 Program are described in APPENDIX G. **See also additional information relating to recent developments affecting the Section 8 Program under the heading "FEDERAL HOUSING SUBSIDY PROGRAMS - The Section 8 Program - *Expiring HAP Contracts and Recent Developments*" in APPENDIX G.**

Nonrecourse Loans. Generally, Loans are made without recourse to the Borrower or its partners. The Administration may require personal guaranties from the partners or other principals of the Borrower in connection with any construction work to be performed on a Development. Following successful completion of such work, however, neither the Borrower nor its partners is personally liable for payments on the note evidencing the Loan. Therefore, the Administration's recourse is limited to its lien on the Development.

Exercise of Legal Remedies. The ability of the Administration, the Department or any mortgage insurer or Credit Enhancer to enforce its rights or exercise its remedies upon default under a Loan is dependent upon regulatory and judicial actions, which may be subject to discretion and delay. Under existing law and judicial decisions (including laws relating to bankruptcy), the remedies provided for under the Loan documents may not be readily available or may be limited. The Administration's interest, however, is protected to the extent of the available Credit Enhancement.

Environmental Factors. Currently, a "Phase I" environmental survey is required for Developments financed with the proceeds of Loans (except for Group Home Loans), and the Administration reviews these surveys to the extent that other lenders do not in order to determine whether hazardous or toxic wastes exist on the property where a Development will be located. Because the practice of obtaining Phase I environmental surveys as a condition to financing has not always been industry practice, many Loans lack such surveys. In the event of a default under a Loan, it is the practice of the Administration to undertake such a survey prior to taking possession of a defaulted Development. If problems are identified, the Administration may decline to take possession of a defaulted Development due to potential costs to remedy or correct any identified problems, which costs can be significant. Furthermore, it is uncertain whether a mortgage insurer would pay a claim under such circumstances. In the Administration's experience, the most common environmental problems with Developments involve the presence of lead based paint and asbestos.

Geographic Factors. Loans financed under the Program are located throughout the State. The city or county in which each Development is located is described in APPENDIX D. The ability of a Development to generate sufficient rents to make Loan payments is dependent, in part, on both local and statewide economic conditions, including employment levels of local industries and businesses. In addition, the ability of a Development to generate rents sufficient to pay debt service will be affected by general rent levels for similar competing developments, location of the Development, competing multi-family rental developments, amenities offered by the Development as compared with competing developments, and the need for routine or extraordinary repairs and maintenance of the Development. The continued feasibility of each Development may depend in part upon its neighborhood. Adverse changes may occur from time to time in neighborhoods, and if such changes occur, the occupancy level of affected Developments may be reduced.

The following table sets forth as of September 30, 2004, for each county of the State and Baltimore City, the number of Rental Housing Developments, units within such Rental Housing Developments, and, on an aggregate basis, the outstanding principal balance of Loans. This table excludes Single Family Loans and Group Home Loans.

Distribution of Developments By County
as of 9/30/2004 (2)

County	Number of Developments	Number of Units	Units as Percentage of Total	Current Loan Amount	Percent of Current Loan Amount
Allegany County	1	110	1.14%	$1,871,984	0.46%
Anne Arundel County	2	313	3.25%	$15,442,931	3.78%
Baltimore City	8	1,132	11.74%	$26,060,909	6.37%
Baltimore County	3	479	4.97%	$13,595,642	3.32%
Calvert County	2	99	1.03%	$1,535,316	0.38%
Caroline County	3	120	1.24%	$2,034,387	0.50%
Carroll County	1	26	0.27%	$727,605	0.18%
Cecil County	1	160	1.66%	$11,410,568	2.79%
Dorchester County	1	122	1.27%	$1,561,789	0.38%
Frederick County	3	321	3.33%	$19,764,638	4.83%
Harford County	2	349	3.62%	$12,651,048	3.09%
Howard County	4	466	4.83%	$13,481,214	3.30%
Montgomery County	13	2,168	22.48%	$118,289,789	28.92%
Prince George's County	14	2,947	30.56%	$135,207,616	33.06%
St. Mary's County	2	283	2.93%	$19,607,771	4.79%
Washington County	2	189	1.96%	$3,491,609	0.85%
Wicomico County	2	360	3.73%	$12,219,951	2.99%
Totals: (1)(2)	64	9,644	100.00%	$408,954,769	100.00%

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

2 The Series 2004 D Bonds, issued on November 23, 2004, in the amount of $3,270,000, financed one Fannie Mae-enhanced Loan for one residential rental facility containing approximately 70 units located in Baltimore City.

APPENDIX D

DESCRIPTION OF LOANS AND DEVELOPMENTS

Table D-1

Loan Expected to be Financed with the Proceeds of the Offered Bonds:

Name	Location	Owner	No. of Units	Credit Enhancement	Subsidy	Term of Permanent Mortgage Loan (Months)	Interest Rate	Expected Date of Construction Completion	Mortgage Loan Amount
Waverly Gardens Senior Apartments	Howard County	Waverly Gardens, LLC	102	FHA Risk- Sharing Program (1)	None	480	5.85%	9/2006	$6,169,000

(1) Insured under the FHA Risk-Sharing Program. Upon payment of a claim by FHA, the Administration would be responsible for reimbursement to FHA up to 50% of such claim, and MHF would reimburse the Administration for its share.

Table D-2, Developments Currently Financed with the Proceeds of Prior Series of Bonds:

Name	Footnote	Location	Owner/Developer	Subsidy	No. of Units (6)	No. Of Subsidized Units	Total Subsidy Term (4)	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term (Months)	Interest Rate	Original Mortgage Loan Balance	Scheduled Loan Balance as of 9/30/2004	Current Loan Balance as of 9/30/2004	Reserve for Replacements(3)	Occupancy (2)	Inspection Rating (5)	Bond Series
AIR PARK APARTMENTS	11, 12 14, 15 17, 24	Montgomery County	Smart Development	Section 8	108	16	20	GNMA	480	480	5.110	$10,575,000	$2,406,830	$2,406,830			New Const	HRB2004B
ALEXANDER HOUSE		Washington County	Homeowners Foundation Fund of Washington	Section 8	95	94	40	FHLMC	480	183	7.730	$2,736,511	$1,982,763	$1,982,763	$1,031,106	100 %	Above Average	HRB1996A
BETHEL GARDENS	13	Washington County	The Bethel Corporation	Section 236	94	94	40	MHF	480	153	7.850	$2,259,719	$1,501,179	$1,508,847	$48,009	98 %	Satisfactory	HRB1996A
BETHESDA COMMONS	15, 17	Montgomery County	Bethesda Commons Limited	None	372	0	0	GNMA	480	413	6.300	$25,730,000	$24,777,063	$24,777,063		98 %	Satisfactory	HRB1997A
BOLTON HOUSE/MT. ROYAL	18, 19	Baltimore City	Mid-City Urban, LLC	Section 236	260	260	40	RISK SHARE	213	158	7.850	$5,433,760	$4,655,116	$4,655,116	$233,287	98 %	Above Average	HRB1999D
BOLTON HOUSE/MT. ROYAL 2	18	Baltimore City	Mid-City Urban, LLC	None				RISK SHARE	360	317	6.470	$3,091,240	$2,956,258	$2,956,258				HRB1999D
BRANCHWOOD TOWERS		Prince George's County	Branchwood Towers Limited	Section 8	180	180	20	FHA	480	212	10.520	$7,618,400	$6,520,047	$6,520,047	$2,220,244	100 %	Above Average	HRB1996A
CALVERT PINES GARDENS		Calvert County	Housing Authority of Calvert County	Section 8	51	50	40	FHLMC	480	193	7.730	$1,692,000	$1,259,775	$1,259,775	$154,464	98 %	Above Average	HRB1996A
CALVERT PINES II		Calvert County	Housing Authority of Calvert County	None	48	0	0	MHF	336	188	7.000	$353,956	$275,541	$275,541	$304,480	98 %	Above Average	HRB1996A
CAMBRIDGE/ BRADFORD HOUSE		Dorchester County	Cambridge Associates	Section 8	122	121	30	MHF	360	77	7.500	$3,662,000	$1,561,789	$1,561,789	$701,946	99 %	Above Average	HRB1996A
CHESAPEAKE COMMONS	7	Baltimore City	City College Associates Limited Partnership	None	95	0	0	MHF	360	224	7.000	$235,000	$195,187	$195,187		87 %	Satisfactory	HRB1996A
CHIMNEYS OF CRADLEROCK/ WOODLANDS		Howard County	Oxford-Columbia Associates	Section 8	198	40	30	FHA	480	199	7.500	$6,937,300	$5,190,668	$5,190,668	$267,865	100 %	Satisfactory	HRB1996A
CHURCHILL SENIOR	15, 17	Montgomery County	Oakwood Properties	None	121	0	0	GNMA	480	448	6.700	$5,461,840	$5,382,760	$5,382,760		96 %	Satisfactory	HRB1999D
COLLEGE PARKWAY APARTMENTS	11, 12 14, 15 17, 24	Anne Arundel County	Shelter Development	Section 8	169	169	20	GNMA	480	480	5.700	$10,575,000	$8,729,716	$8,729,716			New Const	HRB2004B
EASTDALE		Prince George's County	Riverdale Associates LP	None	70	0	0	MHF	360	303	6.380	$2,450,000	$2,299,527	$2,299,527	$66,373	96 %	Above Average	HRB1999B
ELLICOTT TERRACE		Howard County	Ellicott Terrace Inc.	None	60	0	0	MHF	360	162	7.800	$475,000	$341,898	$341,898	$94,067	97 %	Satisfactory	HRB1996A
EPIPHANY HOUSE	8	Baltimore City	Epiphany House Limited Partnership	None	33	0	0	MHF	384	159	3.700	$925,000	$443,872	$446,480	$57,280	97 %	Satisfactory	HRB1996A
FEDERALSBURG GARDEN		Caroline County	Rural Housing Associates	Section 8	64	64	40	MHF	480	180	7.830	$1,504,819	$1,086,936	$1,086,936	$19,922	95 %	Satisfactory	HRB1996A

Name	Footnote	Location	Owner/Developer	Subsidy	No. of Units (6)	No. Of Subsidized Units	Total Subsidy Term (4)	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term (Months)	Interest Rate	Original Mortgage Loan Balance	Scheduled Loan Balance as of 9/30/2004	Current Loan Balance as of 9/30/2004	Reserve for Replacements(3)	Occupancy (2)	Inspection Rating (5)	Bond Series
FRANCIS SCOTT KEY APTS.	15, 17	Frederick County	Francis Scott Key Hotel Associates,	None	46	0	0	GNMA	480	466	5.860	$5,205,400	$5,166,163	$5,166,163		96 %	Satisfactory	HRB2001B
FRANKLIN APARTMENTS		Montgomery County	Franklin Associates	Section 8	185	183	30	MHF	360	68	8.770	$6,316,900	$2,662,863	$2,662,863	$998,650	98 %	Above Average	HRB1996A
FROSTBURG HEIGHTS		Allegany County	The Tressler Lutheran Home for Children	Section 8	110	110	40	FHLMC	480	175	6.790	$2,784,200	$1,871,984	$1,871,984	$651,859	99 %	Above Average	HRB1996A
GARDENS OF TRAVILLE	11, 15 17	Montgomery County	Centrum Traville LP	None	230	0	0	GNMA	480	480	5.450	$22,557,500	$19,938,064	$19,938,064		91 %	Above Average	HRB2002B
GLEN CREEK APTS.	15, 17	Cecil County	Centrum-Elkton LP	None	160	0	0	GNMA	480	463	5.880	$11,516,200	$11,410,568	$11,410,568		94 %	Above Average	HRB2001B
GLENMORE APARTMENTS	11, 12 14, 15 17, 23	Prince George's County	Glenmore Associates LP	None	409	0	0	GNMA	480	480	5.830	$39,615,000	$5,600,960	$5,600,960			New Const	HRB2004C
GREAT HOPE APTS.	15, 17	Montgomery County	Great Hope Homes 2001 LP.	Section 236	104	104	40	GNMA	480	460	5.820	$5,970,000	$5,823,749	$5,823,749		98 %	Satisfactory	HRB2001B
GREENBELT/ GREENRIDGE		Prince George's County	City of Greenbelt	Section 8	101	100	40	MHF	480	158	7.230	$3,343,400	$2,184,616	$2,184,616	$586,123	99 %	Above Average	HRB1996A
HANOVER SQUARE APARTMENTS/INNER HARBOR	7	Baltimore City	One West Conway Associates Limited Partnership	Section 8	199	198	40	MHF	480	192	7.830	$5,750,000	$4,290,325	$4,290,325	$176,139	100 %	Above Average	HRB1996A
HAR SINAI HOUSE		Baltimore City	Har Sinai Senior Citizens Housing Corporation	Section 236	186	186	40	MHF	480	154	6.460	$4,738,542	$2,936,673	$2,936,673	$231,813	97 %	Satisfactory	HRB1996A
HAR SINAI HOUSE II	22	Baltimore City	Har Sinai Senior Citizens Hsg Corp.	None				Uninsured	480	480	3.000	$40,000	$40,000	$40,000				HRB1996A
HICKORY RIDGE	12, 15, 17	Howard County	Hickory Ridge Village, LLLP	Section 8	108	106	20	GNMA	480	469	5.450	$5,194,700	$5,160,674	$5,160,674		100 %	Above Average	HRB2002B
HICKORY RIDGE 2	20	Howard County	Hickory Ridge Village ,LLLP					Uninsured	480	480	4.000	$680,000	$684,471	$684,471				HRB1996A
LAKEVIEW HOUSE	7	Montgomery County	The Shelter Corporation	Section 8	152	150	40	FHLMC	480	171	6.450	$4,525,900	$2,970,285	$2,970,285		99 %	Above Average	HRB1996A
LEXINGTON PARK	11, 15, 17	St. Mary's County	Lexington Park Housing, LP	None	110	0	0	GNMA	480	480	6.410	$8,060,000	$8,011,707	$8,011,707		92 %	Above Average	HRB2000A
LONGWOOD		Howard County	Columbia Associates	Section 8	100	100	40	MHF	480	172	7.230	$3,080,000	$2,103,502	$2,103,502	$83,955	100 %	Above Average	HRB1996A
MARWOOD SENIOR APTS.	15, 17	Prince George's County	Marwood Senior Associates, L.L.C.	None	155	0	0	GNMA	480	461	6.070	$13,184,300	$13,055,100	$13,055,100		99 %	Above Average	HRB2001A
OAK GROVE MANOR	14, 20	Baltimore County	Oak Grove Associates, LLC	None	120	0	0	Uninsured	480	480	4.000	$1,110,506	$0	$0				HRB1996A
OAK GROVE MANOR	14	Baltimore County	Oak Grove Associates, LLC					Uninsured	480	480	4.000	$139,494	$113,797	$113,797				HRB1996A
OAKRIDGE/ QUEBEC TERRACE		Montgomery County	Roswitha S. Augusta and Donald L.	None	113	0	0	MHF	378	178	7.800	$2,006,594	$1,503,132	$1,503,132	$148,182	100 %	Satisfactory	HRB1996A

Name	Footnote	Location	Owner/Developer	Subsidy	No. of Units (6)	No. of Subsidized Units	Total Subsidy Term (4)	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term (Months)	Interest Rate	Original Mortgage Loan Balance	Scheduled Loan Balance as of 9/30/2004	Current Loan Balance as of 9/30/2004	Reserve for Replacements(3)	Occupancy (2)	Inspection Rating (5)	Bond Series
OWINGS MILLS	15, 17	Baltimore County	OMG Limited Partnership	None	159	0	0	GNMA	480	419	5.975	$11,030,000	$10,633,683	$10,633,683		92 %	Above Average	HRB1998A
PARKLAND VILLAGE APARTMENTS	11, 12 14, 15 17	Prince George's County	Parkland Associates, L.P.	None	159	0	0	GNMA	480	480	5.560	$12,080,000	$9,798,452	$9,798,452			New Const	HRB2003D
PARKWAY APARTMENTS	15, 17	Prince George's County	New Parkway Apartments, LP	None	159	0	0	GNMA	480	463	6.140	$9,500,000	$9,418,656	$9,418,656		99 %	Satisfactory	HRB2002A
PEMBERTON MANOR APARTMENTS	11, 12 14, 15 17	Wicomico County	Pemberton Housing, LP	Section 236	209	209	40	GNMA	480	480	5.450	$11,130,000	$9,472,451	$9,472,451			New Const	HRB2004A
PEMBRIDGE SQUARE APTS.	11, 12 14, 15 17	Montgomery County	Pembridge Square Apts. LP	Section 8	133	133	40	GNMA	480	480	6.220	$10,728,400	$8,560,165	$8,560,165			New Const	HRB2003C
PENN MARR	15, 17	Prince George's County	Penn Marr Apts. LLC	None	291	0	0	GNMA	480	414	6.000	$14,075,000	$13,523,976	$13,523,976		94 %	Above Average	HRB1997C
PINE BLUFF VILLAGE		Wicomico County	Pine Bluff Associates	Section 8	151	150	40	FHLMC	480	176	7.230	$3,972,000	$2,747,500	$2,747,500	$170,312	100 %	Above Average	HRB1996A
QUEBEC ARMS APTS	15, 17	Prince George's County	Quebec Arms Apts., LP	None	332	0	0	GNMA	480	455	6.430	$19,385,000	$19,154,144	$19,154,144		98 %	Above Average	HRB2000A
QUEEN'S MANOR APARTMENTS	11, 12 14, 15 17	Prince George's County	Queen's Manor Gardens Apts. L.P.	None	331			GNMA	480	480	5.620	$24,730,000	$19,062,909	$19,062,909		76 %	Under Rehab	HRB2003A
RIVER BAY TOWNHOMES	11, 12 14, 15 17	St. Mary's County	Housing Trust of America, LLC	None	173	0	0	GNMA	480	480	5.380	$17,660,000	$11,596,064	$11,596,064			New Const	HRB2003B
RIVERVIEW II		Caroline County	Rural Housing Associates	Section 8	40	40	40	MHF	480	178	7.830	$916,138	$658,203	$658,203	$27,939	100 %	Satisfactory	HRB1996A
RIVERVIEW III		Caroline County	Second Denton Associates	Section 8	16	16	20	MHF	360	80	7.800	$643,430	$289,248	$289,248	$36,260	94 %	Satisfactory	HRB1996A
ROCKVILLE COMMONS	15, 16, 17	Montgomery County	Rockville Commons Limited	None	190	0	0	GNMA	474	407	6.300	$11,405,000	$10,973,425	$10,973,425		89 %	Satisfactory	HRB1997A
ROCKVILLE COMMONS 2	15, 16, 17	Montgomery County	Rockville Commons, LP	None				GNMA	474	407	6.300	$520,000	$502,534	$502,534				HRB1999C
SCHOOLHOUSE ROAD	9	Carroll County	Schoolhouse Road Associates Ltd.	Section 8	26	26	40	MHF	480	207	6.450	$1,000,000	$725,697	$727,605	$79,783	96 %	Below Average	HRB1996A
SELBOURNE HOUSE	15, 17	Prince George's County	ODC Selbourne House L.P.	None	126	0	0	GNMA	480	417	6.100	$7,660,000	$7,382,862	$7,382,862		100 %	Above Average	HRB1997B
SHARP LEADENHALL I		Baltimore City	Sharp-Leadenhall Associates	Section 236	155	155	40	MHF	480	208	14.50 0	$6,362,200	$5,857,479	$5,857,479	$247,527	97 %	Satisfactory	HRB1996A
SHARP LEADENHALL II		Baltimore City	Henrietta Oxford Associates	Section 8	37	37	20	FHA	480	209	9.995	$1,355,500	$1,137,287	$1,137,287	$155,771	97 %	Satisfactory	HRB1996A
SPELLMAN HOUSE	12, 15, 21	Prince George's County	New Spellman House Associates LLC	Section 8	140	140	20	FNMA	360	360	5.390	$8,280,000	$8,280,000	$8,280,000		99 %	Satisfactory	HRB2002D
SPRING RIDGE APTS.	15, 17	Frederick County	Spring Ridge Senior Associates,	None	144	0	0	GNMA	480	461	5.880	$12,495,800	$12,367,061	$12,367,061		100 %	Above Average	HRB2001B

Name	Footnote	Location	Owner/Developer	Subsidy	No. of Units (6)	No. Of Subsidized Units	Total Subsidy Term (4)	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term (Months)	Interest Rate	Original Mortgage Loan Balance	Scheduled Loan Balance as of 9/30/2004	Current Loan Balance as of 9/30/2004	Reserve for Replacements(3)	Occupancy (2)	Inspection Rating (5)	Bond Series
SUBURBAN PARK	15, 17	Montgomery County	Consortium One-Gaithersburg, LP	None	168	0	0	GNMA	480	443	6.690	$10,017,500	$9,847,009	$9,847,009		92 %	Satisfactory	HRB1999B
SUNRIDGE	15, 17	Prince George's County	Sunridge Associates, LP	None	366	0	0	GNMA	480	440	5.640	$16,345,000	$15,948,037	$15,948,037		98 %	Satisfactory	HRB1999A
TABCO TOWERS	7, 10	Baltimore County	Tabco Towers Associates	Section 236	200	200	40	MHF	480	148	6.360	$4,733,700	$2,848,162	$2,848,162		92 %	Above Average	HRB1996A
TANEY VILLAGE	7	Frederick County	Taney Village Partners Ltd.	Section 8	131	129	40	FHLMC	480	170	6.200	$3,370,000	$2,231,414	$2,231,414	$856,865	98 %	Above Average	HRB1996A
THE GRAW / HAVRE-DE-GRACE		Harford County	Havre de Grace Associates	Section 8	66	65	40	MHF	480	168	6.790	$1,575,000	$1,034,229	$1,034,229	$30,077	100 %	Satisfactory	HRB1996A
VICTORY TERRACE	14, 15, 17	Montgomery County	Victory Terrace LP	None	72	0	0	GNMA	480	472	5.450	$6,682,800	$6,651,183	$6,651,183		54 %	In Lease-up	HRB2002B
VILLAGES OF LAUREL		Prince George's County	Riverdale Associates, LP	None	128	0	0	MHF	360	303	6.380	$3,173,200	$2,978,329	$2,978,329	$244,262	94 %	Satisfactory	HRB1999B
WALKER MEWS	7	Baltimore City	Walker Mews Apartments LP	Section 8	167	166	40	FHLMC	480	171	6.200	$4,950,000	$3,546,105	$3,546,105	$860,906	100 %	Above Average	HRB1996A
WINDSOR VALLEY III APTS.	15, 17	Harford County	Windsor Valley III, LP.	Section 236	283	283	40	GNMA	480	462	5.830	$11,870,000	$11,616,818	$11,616,818		90 %	Pending	HRB2001B
WOODSIDE GARDENS	15, 21	Anne Arundel County	Woodside Gardens LP	Section 8	144	144	20	FNMA	360	356	6.050	$6,740,000	$6,713,215	$6,713,215		100 %	Pending	HRB2002C
WOODSIDE MANOR	15, 17	Montgomery County	Woodside Manor, L.P.	None	220	0	0	GNMA	480	465	6.050	$16,460,700	$16,290,726	$16,290,726		100 %	Pending	HRB2001A
Total:	1				9644	4218						$508,381,549	$408,942,585	$408,954,769	$10,785,467			

1 Amounts and percentages may not total exactly because of the rounding.

2 Generally, as of September 30, 2004.

3 As of September 30, 2004.

4 Includes original and all renewal terms. Section 236 contract terms are coterminous with applicable Loan term, except for Great Hope Apartments, Pemberton Manor Apartments, and Windsor Valley III Apartments, whose Section 236 subsidies end in August 2014, May 2014 and December 2013 respectively.

5 The Inspection Rating is based upon the most recent rating available to the Administration as of September 30, 2004, and reflects the evaluation by the Department's Asset Management Group of the Development's physical condition, management practices and compliance with regulations and loan documents. The projects rated pending are yet to receive the first inspection, while the projects rated in rent-up are not leased up yet and would not require inspection. The ratings reported on this schedule reflect inspections done between December 31, 2002 and September 30, 2004.

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

7 These Developments also have outstanding first lien parity mortgages securing mortgage loans made with proceeds of the Administration's Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) in the following amounts: Chesapeake Commons $2,918,496; Hanover Square $2,468,118; Lakeview House $3,276,663; Tabco Towers $994,513; Taney Village $1,113,993, and Walker Mews $429,910. Reserve for Replacement accounts for Chesapeake Commons, Lakeview House and Tabco Towers are reported in disclosures for the Multi-Family Housing Revenue Bond (Insured Mortgage Loans) Indenture.

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

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

10 The Reserve for Replacement for Tabco Towers is held by Deutsche Banc Alex. Brown Inc. The most recent statement received by Asset Management is for the period ending September 30, 2004, and is reported in the disclosure for Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) Indenture.

11 These projects have undisbursed proceeds as follows: Air Park Apts. $8,168,170, College Parkway Apts. $1,845,284; Gardens of Traville $2,619,436; Glenmore $34,014,040; Lexington Park $48,293; Parkland $2,281,548; Pemberton Manor $1,657,549; Pembridge $2,168,235; Queen's Manor $5,667,091 and River Bay Townhomes $6,063,936.

12 These projects are in construction and the Loans have not begun principal amortization. The scheduled dates for principal amortization to begin are: Air Park Apts. October 1, 2005, College Parkway Apts. May 1, 2005, Glenmore Apts. September 1, 2006; Hickory Ridge Village November 1, 2004; Queen's Manor June 1, 2005; Parkland April 1, 2005; Pemberton Manor March 1, 2005; Pembridge February 1, 2005;

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

14 These developments are in construction or lease-up and occupancy reports and inspections ratings are not required at this time.

15 For loans enhanced by GNMA or Fannie Mae, the Reserve for Replacement Accounts are held by the lender.

16 Both Rockville Commons loans are secured by the same GNMA Certificate.

17 The interest rate received by the Administration on the related Guaranteed Securities for GNMA loans is .25% less than the Interest Rate shown in the chart because the GNMA Servicer deducts and retains a fee in that amount.

18 Insured under the risk sharing program. See Appendix F, "MORTGAGE INSURANCE AND SECURITY GUARANTY PROGRAMS - HUD RISK SHARING PROGRAMS."

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

20 This is a cash flow loan. Interest and principal shall be due and payable in consecutive annual installments in an amount equal to the lesser of Surplus Cash or the scheduled payment. Both cash flow loans are in second position.

21 The interest rate received by the Administration (prior to conversion) is .45% less than the interest rate in the Note which is reported in this chart. The servicer retains .45% for servicing and credit enhancement fees.

22 Payment of interest and principal on this uninsured loan is deferred until the sale of the property or the repayment of the insured first lien.

23 This loan totaling $39,615,000 was funded from two sources. Housing Revenue Bonds Series 2004 C in the amount of $36,515,000 provided a portion of the funds. This loan was also funded in the amount of $3,100,000 from additional funds available.

24 This loan totaling $10,575,000 was funded from two sources. Housing Revenue Bonds Series 2004 B in the amount of $10,160,000 provided a portion of the funds. This loan was also funded from a $415,000 transfer from Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) 1998 Series A and B.

25 The Series 2004 D Bonds, issued on November 23, 2004 in the amount of $3,270,000, financed one Fannie Mae-enhanced Loan for one residential rental facility containing approximately 70 units with a Section 236 subsidy, 60 units of which are also Section 8 subsidized.

Table D-3, Group Home and Single Family Loans Financed with the Proceeds of the Series 1996 A and B Bonds:

Name	Location	No. of Loans	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term	Interest Rate	Original Loan Balance	Current Loan Balance[9]	Occupancy	Physical Condition	Bond Series Financing Loan
Single Family Residences[1][2][3][4][5]	Various	27	MHF	360	Various	Various	$979,400	$656,037	N/A	N/A	1996 A
Single Family Residences [10]	Various	1	None	360	Various	Various	$21,558	$13,159	N/A	N/A	1996 A
Group Homes[6][7][8]	Various	21	MHF	Various	Various	6.50%	$1,983,773	$1,651,885	N/A	N/A	1996 B

(1) Single family residences are owner occupied single family dwellings.
(2) One single family loan was more than 60 days delinquent.
(3) Single family residences are located in Prince George's, Howard, Montgomery and Anne Arundel Counties.
(4) Interest rates vary from 8.25% to 8.625% per annum.
(5) Original principal amount of Single Family Loans financed from proceeds of Prior Bonds.
(6) Group Homes are owned by various non-profit entities.
(7) 68 individuals are served by Group Homes.
(8) All Loans are expected to have terms of 30 years, except one Loan, which will have a term of 15 years and another Loan which will have a term of 20 years.
(9) As of September 30, 2004.
(10) This Loan no longer requires mortgage insurance because the current Loan amount is less than 75% of loan to value ratio.

Table D-4, Rental Housing Developments in Financial Default:

As of September 30, 2004, no loans financed by the Housing Revenue Bond indenture were in default. Default is defined as failure to make Mortgage Loan payments equivalent to two full monthly payments of principal and interest.

APPENDIX E

OUTSTANDING INDEBTEDNESS OF THE ADMINISTRATION

Outstanding Housing Revenue Bonds

The following table sets forth certain information relating to Bonds issued by the Administration under the Bond Resolution outstanding as of October 1, 2004.

	Year of Issue	Final Maturity	Amount Issued	Amount Outstanding
Housing Revenue Bonds				
Series 1996 A	1996	7/1/2023	$ 137,385,000	$ 58,515,000
Series 1996 B	1996	7/1/2028	2,575,000	1,845,000
Series 1997 A	1997	7/1/2039	37,135,000	35,705,000
Series 1997 B	1997	7/1/2039	7,660,000	7,375,000
Series 1997 C	1997	7/1/2039	14,075,000	13,510,000
Series 1998 A	1998	1/1/2040	11,030,000	10,610,000
Series 1999 A	1999	7/1/2041	16,345,000	15,920,000
Series 1999 B	1999	7/1/2042	15,840,000	15,295,000
Series 1999 C	1999	7/1/2040	520,000	510,000
Series 1999 D	1999	7/1/2042	14,565,000	13,435,000
Series 2000 A	2000	7/1/2042	27,445,000	27,045,000
Series 2001 A	2001	7/1/2043	29,645,000	29,645,000
Series 2001 B	2001	7/1/2043	47,630,000	46,810,000
Series 2002 A	2002	7/1/2043	9,500,000	9,415,000
Series 2002 B	2002	7/1/2045	34,435,000	34,435,000
Series 2002 C	2002	7/1/2035	6,740,000	6,740,000
Series 2002 D	2002	7/1/2035	8,280,000	8,280,000
Series 2003 A	2003	7/1/2045	24,730,000	24,730,000
Series 2003 B	2003	7/1/2045	17,660,000	17,660,000
Series 2003 C	2003	7/1/2045	10,735,000	10,735,000
Series 2003 D	2003	7/1/2045	12,080,000	12,080,000
Series 2004 A	2004	7/1/2045	11,130,000	11,130,000
Series 2004 B	2004	7/1/2046	20,320,000	20,320,000
Series 2004 C	2004	1/1/2047	36,515,000	36,515,000
Total Housing Revenue Bonds			$ 553,975,000	$ 468,260,000

Other Outstanding Bonds of the Administration

The following table sets forth certain information relating to Bonds issued by the Administration under its other programs and outstanding as of October 1, 2004.

	Year of Issue	Final Maturity	Amount Issued	Amount Outstanding
Multi-Family Housing Revenue Bonds				
1995 Series A	1995	5/15/2036	$ 16,345,000	$ 15,415,000
1995 Series B	1995	5/15/2026	11,630,000	9,945,000
1995 Series C	1995	5/15/2026	1,855,000	1,615,000
1995 Series D	1995	5/15/2027	2,550,000	2,260,000
1998 Series A	1998	5/15/2029	13,260,000	7,195,000
2001 Series A	2001	5/15/2028	11,285,000	2,010,000
2001 Series B	2001	5/15/2032	32,905,000	15,665,000
2002 Series A	2002	5/15/2033	20,360,000	9,300,000
2002 Series B	2002	5/15/2033	12,945,000	12,375,000
2003 Series A	2003	5/15/2034	80,525,000	54,545,000
2003 Series B	2003	5/15/2023	2,005,000	1,930,000
2003 Series C	2003	5/15/2033	20,000,000	19,350,000
2004 Series A	2004	5/15/2036	25,175,000	25,175,000
Total Multi-Family Housing Revenue Bonds			$ 250,840,000	$ 176,780,000

	Effective Bond Yield	Year of Issue	Final Maturity	Amount Issued	Amount Outstanding
Residential Revenue Bonds					
1997 Series A	5.750520%	1997	3/1/2017	$ 17,325,000	$ 16,295,000 (1)
1997 Series B	5.781810%	1997	9/1/2029	82,675,000	42,255,000 (1)
1998 Series A	5.302760%	1998	9/1/2017	4,640,000	4,640,000 (1)
1998 Series B	5.363320%	1998	9/1/2030	75,565,000	46,720,000 (1)
1998 Series D	5.080895%	1998	9/1/2029	62,810,000	42,275,000 (1)
1999 Series C	4.981370%	1999	9/1/2015	2,665,000	2,665,000 (1)
1999 Series D	5.258230%	1999	9/1/2031	57,335,000	40,930,000 (1)
1999 Series E	5.561570%	1999	9/1/2017	22,780,000	21,965,000 (1)
1999 Series F	5.883350%	1999	9/1/2031	57,220,000	24,005,000 (1)
1999 Series H	6.185333%	1999	3/1/2031	60,000,000	12,255,000
2000 Series A	5.463189%	2000	9/1/2012	7,965,000	7,360,000 (1)
2000 Series F	4.996857%	2000	9/1/2014	15,190,000	14,425,000
2000 Series G	5.991066%	2000	9/1/2032	64,810,000	45,965,000
2000 Series H	5.775438%	2000	9/1/2032	60,000,000	43,670,000
2001 Series A	4.689417%	2001	9/1/2017	18,885,000	14,325,000 (1)
2001 Series B	5.329877%	2001	9/1/2032	50,800,000	34,165,000 (1)
2001 Series E	4.428468%	2001	9/1/2012	13,775,000	12,065,000
2001 Series F	5.623777%	2001	9/1/2032	66,225,000	61,250,000
2001 Series G	4.000795%	2001	9/1/2011	10,100,000	7,530,000 (1)
2001 Series H	5.246263%	2001	9/1/2033	49,900,000	39,250,000 (1)
2002 Series A	5.508142%	2002	9/1/2033	8,005,000	7,855,000
2003 Series A	3.642019%	2003	9/1/2015	9,550,000	9,550,000 (1)
2003 Series B	4.650537%	2003	9/1/2026	15,450,000	15,450,000 (1)
2003 Series C	3.846658%	2003	9/1/2035	20,000,000	20,000,000 (1)
2003 Series D	1.170000%	2003	12/21/2004	91,795,000	91,795,000 (2)
2003 Series E	1.250000%	2003	12/21/2004	128,515,000	112,435,000 (2)
2004 Series A	3.806300%	2004	9/1/2016	10,710,000	10,710,000 (1)
2004 Series B	4.799120%	2004	9/1/2028	19,290,000	19,290,000 (1)
2004 Series C	3.384080%	2004	9/1/2035	20,000,000	20,000,000 (1)
2004 Series D	4.029268%	2004	9/1/2016	12,960,000	12,960,000 (1)
2004 Series E	5.081152%	2004	3/1/2030	27,040,000	27,040,000 (1)

Other Outstanding Bonds of the Administration

2004 Series F	3.181022%	2004	9/1/2035	20,000,000	20,000,000	(1)
Total Residential Revenue Bonds				$ 1,183,980,000	$ 901,095,000	

Single Family Program Bonds	Effective Bond Yield	Year of Issue	Final Maturity	Amount Issued	Amount Outstanding	
1993 Third Series	4.910970%	1993	4/1/2017	$ 82,000,000	$ 18,800,000	(1)
1994 First Series	5.655880%	1994	4/1/2017	100,000,000	13,965,000	(1)
1994 Ninth Series	5.944930%	1995	4/1/2019	23,010,000	9,625,000	
1995 First Series	6.145040%	1995	4/1/2017	39,585,000	28,950,000	
1995 Third Series	6.100200%	1995	4/1/2027	70,000,000	56,060,000	
1995 Fourth Series	6.147770%	1995	4/1/2017	5,790,000	5,790,000	
1995 Fifth Series	6.208630%	1995	4/1/2027	31,200,000	13,650,000	
1996 Third Series	6.052340%	1996	4/1/2017	13,455,000	8,005,000	
1996 Fifth Series	5.815140%	1996	4/1/2016	30,735,000	24,840,000	
1997 First Series	5.527870%	1997	4/1/2018	143,260,000	76,220,000	
1999 First Series	5.241844%	1999	4/1/2029	26,100,000	20,695,000	(1)
1999 Second Series	4.940188%	1999	4/1/2017	53,205,000	53,205,000	(1)
1999 Third Series	4.803280%	1999	4/1/2021	107,265,000	54,515,000	(1)
2000 First Series	5.623890%	2000	4/1/2017	32,600,000	20,530,000	
2001 First Series	4.747525%	2001	4/1/2017	66,495,000	49,310,000	(1)
2001 Second Series	4.475347%	2001	4/1/2023	21,260,000	8,355,000	(1)
2002 First Series	4.659224%	2002	4/1/2013	4,495,000	4,495,000	(1)
2002 Second Series	5.048609%	2002	4/1/2024	49,740,000	36,305,000	(1)
Total Single Family Program Bonds				$ 900,195,000	$ 503,315,000	

Infrastructure Financing Bonds	Year of Issue	Final Maturity	Amount Issued	Amount Outstanding
1994 Series A (AMBAC Insured)	1994	6/1/2024	$ 8,030,000	$ 3,645,000
1995 Series A (AMBAC Insured)	1995	6/1/2025	3,975,000	2,150,000
1996 Series A (MBIA Insured)	1996	6/1/2026	8,405,000	6,285,000
1997 Series A (MBIA Insured)	1997	6/1/2027	9,860,000	7,180,000
1998 Series A (MBIA Insured)	1998	6/1/2018	6,320,000	4,115,000
1998 Series B (MBIA Insured)	1998	6/1/2028	30,320,000	21,800,000
1998 Series C (MBIA Insured)	1998	12/1/2020	2,845,000	1,430,000
1999 Series A (MBIA Insured)	1999	6/1/2029	6,985,000	6,190,000
2000 Series A (MBIA Insured)	2000	6/1/2030	8,065,000	6,980,000
2001 Series A (MBIA Insured)	2001	6/1/2031	8,460,000	7,890,000
2001 Series B (MBIA Insured)	2001	6/1/2021	1,930,000	1,870,000
Total Infrastructure Financing Bonds			$ 95,195,000	$ 69,535,000
Local Government Infrastructure Bonds				
2002 Series A (Ambac Insured)	2002	6/1/2032	$ 11,790,000	$ 11,140,000
2002 Series B (Ambac Insured)	2002	6/1/2022	3,555,000	3,345,000
2003 Series A (Ambac Insured)	2003	6/1/2023	14,560,000	13,980,000
2004 Series A (Ambac Insured)	2004	6/1/2034	16,375,000	16,375,000
Total Local Government Infrastructure Bonds			$ 46,280,000	$ 44,840,000

Other Outstanding Bonds of the Administration

	Year of Issue	Final Maturity	Amount Issued	Amount Outstanding
Multifamily Development Revenue Bonds				
1990 Issue B (Middle Branch Manor)................	1990	6/1/2020	$ 12,350,000	$ 10,100,000
1990 Issue C (Harbor City Townhomes)..............	1990	6/1/2020	4,150,000	3,450,000
Series 1998 A (Auburn Manor Project)..................	1998	10/1/2028	11,000,000	10,010,000
Series 1999 A (GNMA-Selborne House Project).....	1999	12/20/2040	2,150,000	2,105,000
Series 2000 A (Waters Landing II Apartments).......	2000	8/1/2033	11,000,000	10,845,000
Series 2000 B-1 (Edgewater Village Apartments).......	2000	2/1/2033	7,640,000	7,230,000
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	5,655,000
Series 2001 C (Parklane Apartments Project).........	2001	2/15/2034	9,800,000	9,800,000
Series 2001 D (Princess Anne Townhouses)...........	2001	12/15/2033	4,350,000	4,245,000
Series 2001 E (Princess Anne Townhouses)...........	2001	12/15/2033	2,875,000	2,860,000
Series 2001 F (Waters Tower Senior Apts.)...........	2001	12/15/2033	7,570,000	7,335,000
Series 2001 G (Waters Tower Senior Apts.)...........	2001	12/15/2033	4,045,000	4,025,000
Series 2002 A (Broadway Homes Project).............	2002	5/1/2005	8,100,000	8,100,000
Series 2002 B (Broadway Homes Project).............	2002	5/1/2020	5,045,000	5,045,000
Series 2002 C (Orchard Mews Apartment Project)...	2002	5/1/2035	5,845,000	5,845,000
Series 2003 A (Barrington Apartments Project).......	2003	6/15/2037	40,000,000	40,000,000
Total Multi-Family Development Revenue Bonds			$ 145,215,000	$ 139,775,000
Multifamily Development Revenue Refunding Bonds				
Series 1997 (Avalon Lea Apartments Project)................	1997	6/15/2026	$ 16,835,000	$ 16,835,000
Series 1997 (Avalon Ridge Apartments Project).............	1997	6/15/2026	26,815,000	26,815,000
Series 1999 C (Westfield/Greens Projects)......................	1999	12/1/2029	9,200,000	8,690,000
Total Multifamily Development Revenue Refunding Bonds			$ 52,850,000	$ 52,340,000
Draw Down Mortgage Revenue Bonds				
Series 2002-1 (AMT)...	2002	(3)	$ 41,140,000	$ 50,000
Series 2002-2 (Non-AMT)..	2002	(3)	94,845,000	25,200,000
Total Draw Down Mortgage Revenue Bonds			$ 135,985,000	$ 25,250,000
Capital Fund Securitization Revenue Bonds				
Series 2003	2003	7/1/2021	$ 94,295,000	$ 94,065,000
Total Capital Fund Securitization Revenue Bonds			$ 94,295,000	$ 94,065,000
Total Amount of Other Bonds Outstanding			$ 2,904,835,000	$ 2,006,995,000
Total Amount of Housing Revenue Bonds Outstanding (4)			$ 553,975,000	$ 468,260,000
Total Amount of All Bonds Outstanding			$ 3,458,810,000	$ 2,475,255,000

Other Outstanding Bonds of the Administration

(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) Residential Revenue Bonds 2003 Series D and Series E are short-term notes which may be redeemed prior to their date of maturity at the option of the Administration.
(3) Draw Down Mortgage Revenue Bonds Series 2002-1 and Series 2002-2 have a maturity date of October 1, 2036 with a mandatory tender date of September 2, 2005.
(4) See information under caption "Outstanding Housing Revenue Bonds" above.

For updated information on issuances and/or redemptions after October 1, 2004, please refer to the website www.dhcd.state.md.us, CDA Bonds - Investor Information.

APPENDIX F

MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

THE MHF INSURANCE PROGRAM

The following describes the mortgage insurance programs administered by the MHF pursuant to Section 3-201 through 3-208 of Article 83B 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 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.

In early 1997, MHF ceased issuing new insurance commitments (except for pool insurance on single family mortgage loans subject to FHA primary insurance), in part as a result of concerns expressed by Moody's. In 2002, MHF began insuring Group Home Loans, and 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 FHA Risk-Sharing Program. Moody's has 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.

In 2002, the Department re-opened a limited program of MHF insuring mortgage loans known as "SHOP" (Special Housing Opportunity 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 has 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.

Because of a decrease in revenues for fiscal year 2003, the Maryland Department of Legislative Services asked MHF and the Administration whether, consistent with contractual obligations with bondholders, there were funds available for transfer to the State. The Administration reviewed the appropriate documents and had discussions with representatives of Moody's. The Administration was 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. Accordingly, MHF transferred $10,000,000 of Unallocated Reserve to the State in June 2003. There was no transfer in 2004. For more information, see "MANAGEMENT'S PRESENTATION OF THE MHF PROGRAM - OPERATING INCOME AND RESERVES" below.

In March 2004, enacted Legislation allocated up to $1.6 million of Revitalization Reserves to insure loans made to victims of Hurricane Isabel. No new insurance had been written under this program as of September 30, 2004. This Legislation expires May 31, 2005.

The Administration has been designated as a participant in HUD's Risk-Sharing Program (the "Risk-Sharing Program"). Under the Risk-Sharing Program, upon payment of a claim by FHA, the Administration would be responsible for reimbursement to FHA of up to 50% of such claim. The Administration currently expects that MHF would reimburse the Administration for its share of such losses. The Administration currently expects that its participation in the Risk-Sharing Program will be in connection with new Loans financed by Bonds on a case-by-case basis and in connection with the refinancing of loans which have existing MHF insurance where the Administration expects that risk-sharing will decrease the dollar amount of MHF's insurance exposure with respect to such loans.

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, 2003 and June 30, 2004, and unaudited financial statements for the three-month period ending September 30, 2004 are included in Appendix J – "FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND." The financial statements for the fiscal years ended June 30, 2003 and June 30, 2004, have been audited by Reznick Fedder & Silverman (whose name changed to Reznick Group, P.C., as of October 1, 2004). 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 five 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.

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.

Balance Sheet Discussion

MHF's financial health continues to improve. During the fiscal year ended June 30, 2004, the overall equity increased from $76,112,378 at the close of June 30, 2003 to $86,361,339 at June 30, 2004. The increase of $10,248,961 is primarily due to allowance reductions in both the single family and multi-family portfolios. During the three-month period ended September 30, 2004, the overall equity increased from $86,361,339 at June 30, 2004 to $88,089,423 at September 30, 2004. The increase of $1,728,084 is primarily due to allowance reductions in both the single family and multi-family portfolios.

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 equity section of the MHF Balance Sheet.

During the fiscal year ended June 30, 2004, the Unrestricted Accumulated Deficit decreased by an additional $9,031,072 to a deficit of $9,727,488 at the close of June 30, 2004. The $9,031,072 is a net gain of income from operating activities (income net of interest earned on investments held by the State Treasurer). During the three-month period ended September 30, 2004, the Unrestricted Accumulated Deficit decreased from a deficit of $9,727,488 to a deficit of $8,383,468. This was due to a $1,344,020 net gain 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, 2004, MHF reported a Change in Net Assets of $10,248,961. The improved performance for the period was primarily due to reductions in both the single and multi-family allowances. Investment earnings for the fiscal year ended June 30, 2004, in the amount of $1,217,889 flowed directly to the Unallocated Reserves.

During the three-month period ended September 30, 2004, MHF reports a Change in Net Assets of $1,728,084. The improved performance for the period was primarily due to reductions in both the single and multi-family allowances. Investment earnings for the three-month period ended September 30, 2004 in the amount of $384,064 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 September 30, 2004.

	Single Family	Multi-Family	Total
Premiums Collected (1)	$365,973	$248,307	$614,280
Operating Expenses Paid (2)	(39,482)	(48,256)	(87,738)
Premiums Net of Operating Expenses	326,491	200,051	526,542
Claims (3)	(885,308)	(15,205)	(900,513)
Recoveries (4)	1,217,010	276,003	1,493,013
Net Claim Activity	331,702	260,798	592,500
Other (5)	1,121	(73,768)	(72,647)
Net Cash from Operating Activities	$659,314	$387,081	$1,046,395

(1) Premiums collected as stated in the Statement 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, 2004, MHF's net operating cash activity was ($587,826) for Single Family and $1,025,713 for Multi-Family. The change in Single Family and Multi-Family was primarily due to a decrease in premiums collected and a decrease in claims paid, respectively. During the three-month period ended September 30, 2004, the net cash activity in MHF's operating cash was $659,314 for Single Family and $387,081 for Multi-Family. The change in Single Family and Multi-Family was primarily due to a decrease in operating expenses paid. The amount of $800,000 is included in the accounts payable account, to be paid subsequent to September 30, 2004.

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.

Besides these proceeds from the sale of assets acquired through the payment of claims, MHF's primary sources of funds result from mortgage insurance premiums paid by the borrowers and investment earnings on funds in 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 effectively manage MHF's resources from both a business and liquidity sense, the management of MHF has developed several claims paying strategies. For multi-family defaulted loans, MHF pays debt service claims after a loan 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 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

MHF operates its single family insurance in accordance with, *inter alia*, an insurance agreement dated as of May 14, 1980, with the Administration (the "Single Family Insurance Agreement"). MHF operates its multi-family insurance in accordance with, *inter alia,* an amended and restated insurance agreement dated August 30, 1988, 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.

Selected Information About the Single Family Reserve Ratios

	06/30/03	06/30/04	09/30/04
Single Family Regular Program Reserve (1)(2)	$ 32,273,875	$ 32,273,875	$ 32,273,875
Amount Available for Calculation of "Ratio of Insurance to Available Reserve"(3)	32,273,875	32,273,875	32,273,875
Primary Insurance coverage in force (4)	95,603,925	67,492,253	$61,713,501
Pool Insurance coverage in force (5)	160,384,837	160,384,837	160,384,837
Ratio of Mortgage Loans to the Regular Reserve (6)	7.93 to 1	7.06 to 1	6.88 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.

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

(3) In order to determine the leverage ratios, if the Unrestricted Accumulated Deficit exceeds the Unallocated Reserve, the Single Family 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 loans insured under the Single Family Regular Program ($246,854,003 at 09/30/2004).

(5) This coverage represents: (a) the 10% stop-loss on pool insurance for mortgage loans financed by certain bonds issued by the City of Baltimore; and (b) the 20% stop-loss on pool insurance provided for mortgages financed by one series of bonds issued by the City of Baltimore. Wisconsin Mortgage Assurance Corporation, formerly Mortgage Guaranty Insurance Corporation ("MGIC"), has provided reinsurance for $43,025,000 of the mortgage loans financed by one series of the Administration's Bonds, and $3,447,500 of mortgages financed by one series of bonds issued by the City of Baltimore. Notwithstanding the reinsurance provided by MGIC, the MHF pool insurance coverage in force also includes coverage for mortgage loans financed by these series.

(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 issued for the Administration and for one series of bonds issued by the City of Baltimore less the amount of reinsurance provided by MGIC and multiplying that remainder by 10%; and then adding to that product (ii) the amount of pool insurance for one series of bonds issued by the City of Baltimore less the amount of reinsurance provided by MGIC and multiplying that remainder by 20%; and then adding to those two products (iii) the maximum amount of risk on loans insured under the Single Family Regular Program (see 3 above), and then dividing the sum of those three amounts by (iv) the amount of the Single Family Regular Program Reserve.

Selected Information About the Multi-Family Reserve Ratio

	06/30/03	06/30/04	09/30/04
Total Multi-Family Reserve	$ 44,698,739	$ 44,698,739	$ 44,698,739
Amount Available for Calculation of "Ratio of Insurance to Available Reserve"(1)	41,114,053	44,698,739	44,698,739
Insurance Outstanding			
Multi-Family mortgage insurance in force	220,587,516	181,521,338	170,324,703
TOTAL	$220,587,516	$181,521,338	$170,324,703
Ratio of Insurance to Available Reserve	5.37 to 1	4.06 to 1	3.81 to 1

(1) 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 $1,310,235 as of September 30, 2004. 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 audits of loan servicers are ongoing. The audits 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. Sales incentives are being offered to increase sales to homebuyers, which historically have yielded higher recoveries than investor sales. Advertising has been increased targeting homebuyers. MHF has a program to improve the cosmetic appearance, and in certain cases the physical condition, of some of its inventory to enhance marketing of the 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 ended June 30, 2003, June 30, 2004, and the three-month period ended September 30, 2004. The data for all of these reporting periods are subject to adjustment due to additional expenses paid and proceeds received after September 30, 2004.

Single Family Claims Experience

	06/30/03	06/30/04	09/30/04
Recoveries on Sales of Properties Acquired Through Claims During the Fiscal Year	$ 4,930,826	$ 5,177,732	$ 896,765
Claims Paid on Acquired Properties Sold During the Fiscal Year			
Principal	(6,539,046)	(5,404,340)	(847,021)
Interest	(465,404)	(430,644)	(67,297)
Expenses and Carrying Costs	(1,784,058)	(1,324,576)	(113,244)
Total Claims Paid	(8,788,508)	(7,159,560)	(1,027,562)
Net Loss on Acquired Properties Sold During the Fiscal Year	$ (3,857,682)	$ (1,981,828)	$ (130,767)

Single Family Insurance Agreement

The Single Family Insurance Agreement provides as follows:

(1) MHF will not decrease the amount of funds in the Single Family Regular Program Reserve as increased from time to time for any reason except to pay claims and advances against claims arising under the Program and for expenditures with respect to properties acquired by MHF as a result of payment of such claims.

(2) Except as necessary to pay claims and advances on claims and except for expenditures with respect to properties acquired by MHF as a result of payment of such claims, MHF will not exceed 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. MHF issues Primary Insurance that covers up to 25% of the total claims depending upon initial loan-to-value ratio. For loans of the Administration, the Primary Insurance Program currently covers the top 25%. 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) and does not reduce the amount reserved as mortgages amortize. Coverage continues so long as any bonds of the series, or bonds issued to refund such bonds, remain outstanding. For each applicable series of bonds, MHF computed a stop loss equal to 10% (or in a few cases 20%) of the 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.

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 total claim 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 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 default 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 September 30, 2004. 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 September 30, 2004, of $32,761,076.

In addition to the loans listed below, as of September 30, 2004, 27 single family loans financed with the proceeds of Housing Revenue Bonds of the Administration, with outstanding principal balances in the aggregate amount of $656,037, are insured under the multi-family reserves.

Outstanding Multi-Family Insurance as of September 30, 2004

LOAN CATEGORY	Loans with Outstanding Insurance	Original Insured Principal Amount	Outstanding Insured Principal Amount
Housing Revenue Bonds of the Administration (1)			
Multi-Family Projects	23	$ 59,785,628	$ 41,596,259
Other	21	1,986,373	1,651,885
Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) of the Administration (2)			
Multi-Family Projects	34	115,028,568	103,248,451
Other	88	8,373,921	7,050,761
General Bond Reserve Fund (Insured Mortgage Loans) of the Administration (3)	2	275,000	270,857
HELP Program (4)	1	507,000	255,514
Housing Opportunities Commission of Montgomery County (5)	4	17,043,000	10,543,746
Prince George's County (6)	1	601,100	389,625
Other Financial Institutions (7)	2	8,599,079	5,317,606
TOTAL	176	$212,199,669	$170,324,704

(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 12 counties and the City of Baltimore. These Developments (not including Group Homes) contain 2,361 units of which 1,041 units in 14 Developments are assisted under the Section 8 Program. The 21 projects in the "Other" category represent Group Home Loans under $250,000.

(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 15 counties and the City of Baltimore. The Developments contain 3,718 units (including as a unit each person served by Group Homes) of which 667 units in 10 Developments are assisted under the Section 8 Program. The mortgage

loans were initially endorsed for insurance between 1982 and December 31, 1997. The 34 Multi-Family Projects include Group Home Loans over $250,000; the 88 projects in the "Other" category are Group Home Loans under $250,000.

(3) Loans financed with General Bond Reserve Funds for Group Home Loans.

(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 Prince George's County to insure one mortgage loan providing financing for a development containing 11 units. The loan was initially endorsed for insurance in 1981.

(7) 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 loan in financial default.

Two mortgage loans for affiliated projects known as Woods of Marlton I and Woods of Marlton II have outstanding principal balances $12,096,144 and $6,316,300, respectively. From June 1996 through November 30, 2000, the Administration made payments to cover loan arrearages and attorney fees on these loans in the aggregate amount of $1,992,880 from a cash collateral account and a working capital account held by the Administration. The working capital account was funded at initial closing. The cash collateral account was funded at initial closing and supplemented with syndication proceeds. The Administration has advised MHF that default may occur on these loans if the collateral accounts become depleted. MHF includes a provision with respect to each project in the allowance for unpaid insurance losses. As of September 30, 2004, $778,242 remained in the cash collateral account and is being supplemented with additional syndication proceeds.

Another project, Woodbourne Center Project with an outstanding balance of $703,114 as of September 30, 2004, is not in financial default. However, the borrower, Woodbourne Centers, Inc., filed Chapter 11 bankruptcy on June 23, 2000. The bankruptcy court has confirmed the bankruptcy plan. Furthermore, the Patterson Commons Project, which is not in default, leases all of its units to Woodbourne Center, Inc. The loan was paid off in full in May 2004 with no loss to MHF.

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 September 30, 2004

	Current Principal Balances	Percentage of Total Principal	Number of Loans	Number of Projects
"A" Loans:	$ 100,667,515	59.10%	33	30
"B" Loans:	$ 69,657,189	40.90%	32	29
"C" Loans:	$ 0	0.00%	0	0
Portfolio Totals:	$ 170,324,704	100.00%	65	59

(1) Included in the 'A' Loans, in the 'Current Principal Balance' column, is $8,973,503 for 111 group home loans which are not reflected in the 'Number of Loans' or 'Number of Projects' columns.

Portfolio Management. The Division is working on disposition or restructuring of the Loans in the "C" category to minimize the financial impact on MHF while giving consideration to the Department's commitment for affordable housing. Strategies for dealing with "C" loans may include loan sales, foreclosures, or workouts and refinancing.

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.

Multi-Family Claims Experience

The following chart describes claims paid by MHF on loans insured under the Multi-Family Reserve as of September 30, 2004.

In the column entitled "Claims Net of Cash Recoveries," the figures show the result as of September 30, 2004. Workouts are in progress. See the individual footnotes below for further information.

MULTI-FAMILY CLAIMS PAID BY MHF
As of September 30, 2004

Development/Claim Status	Principal	Interest and Carrying Costs	Total	Recoveries	Claims Net of Cash Recoveries	Date Claim Paid
Closed Claims						
Single Family Mortgage Loans (1)	$ 309,392	$ -	$ 309,392	$ 346,620	$ 37,228	Various
Beethoven Apartments	40,000	-	40,000	40,000	-	
Douglynne Woods and Rhoda's Legacy	566,658	-	566,658	566,658	-	04/1982
Bond Street (2)	543,940	71,711	615,651	408,859	(206,792)	08/1989
Belleview-Manchester (3)	288,333	-	288,333	-	(288,333)	10/1990
Strathdale Manor Apartments (4)	10,700,000	2,376,830	13,076,830	-	(13,076,830)	05/1994
Walker Mill (5)	3,346,441	1,229,080	4,575,521	2,314,817	(2,260,704)	01/1997
Edmondale (6)	457,739	24,206	481,945	-	(481,945)	04/1997
Town Properties (7)	819,111	12,493	831,604	582,989	(248,615)	07/1997
Loch Raven (8)	12,103,623	1,065,472	13,169,095	9,080,444	(4,088,651)	02/1998
Village Home Apartments (9)	954,202	55,182	1,009,384	649,523	(359,861)	12/1998
Regent Apartments (10)	1,227,455	72,446	1,299,901	860,603	(439,298)	01/1999
Maple Avenue (11)	3,053,892	211,540	3,265,432	1,748,397	(1,517,035)	06/1999
Westfield Apartments (12)	4,401,438	390,924	4,792,362	2,910,539	(1,881,823)	11/1999
Westfield Gardens (13)	496,757	1,735	498,492	279,435	(219,057)	11/1999
Apartments at the Greens (14)	6,337,284	21,927	6,359,211	6,010,026	(349,185)	11/1999
Stewarttown (15)	2,543,590	-	2,543,590	2,150,000	(393,590)	12/1999
Telephone Apartments (16)	1,030,275	33,569	1,063,844	773,833	(290,011)	01/2001
Robinwood Townhomes (17)	2,451,741	218,057	2,669,798	2,630,807	(38,991)	11/2001
North Avenue Terraces (18)	1,155,285	48,762	1,204,047	750,000	(454,047)	07/2002
Group Home 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
Claims where debt is outstanding						
Renaissance Plaza (23)	$6,907,349	$4,680,554	$11,587,903	$3,996,806	$(7,591,097)	02/1991
Mount Pleasant (24)	3,506,595	601,296	4,107,891	3,953,077	(154,814)	02/1996
Villages of Laurel (25)	5,036,854	607,133	5,643,987	3,604,648	(2,039,339)	11/1999
Eastdale (26)	3,302,667	320,060	3,622,727	2,797,728	(824,999)	11/1999
Claims where REO is held						
Market Mews (27)	$1,700,014	$1,555,261	$3,255,275	$1,950,730	$(1,304,545)	12/1985
Hollins Townhouses (28)	2,445,475	977,286	3,422,761	1,439,527	(1,983,234)	10/1990
Lease-Purchase (29)	1,534,088	77,767	1,611,855	351,472	(1,260,383)	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) Belleview-Manchester was a Construction Loan under Administration's HELP Program. Secured by a second mortgage. First insured lender bought property at the foreclosure sale.

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

(5) Walker Mill Deed of Trust Note in the original principal amount of $4,400,000, as modified by an allonge dated November

5, 1987, reducing the principal amount of the note to $3,400,000. The Deed of Trust Note was sold and assigned to an unrelated third party purchaser on February 6, 1997.

(6) Edmondale Deed of Trust Note 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 and two Deed of Trust Notes in the original principal amounts, as amended, 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 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 CDA 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 CDA 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 Group Home 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 CDA 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 CDA 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) 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.

(24) 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 CDA Multi-Family 1995 December Bond Issue in the amount of $2,550,000. New CDA 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 CDA in the amount of $100,513 were applied to reduce the outstanding principal balance of the Deed of Trust note held by MHF.

(25) 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 $377,426.

(26) Eastdale Deed of Trust Note 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 $293,403.

(27) Market Mews Deed of Trust Note in the original principal amount of $1,700,000. MHF paid all amounts in arrears totaling $151,733. 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, and foreclosed on this development with an uncontested foreclosure. To date, MHF has paid principal and interest on the claim note and operating deficits in the total amount of $3,255,275. MHF foreclosed on this development in an uncontested foreclosure proceeding held on July 14, 1995. Ten units have since been sold.

(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, and foreclosed on the development in an uncontested foreclosure proceeding held July 4, 1995. To date, MHF has paid principal and interest on the claim note and operating deficits in the total amount of $3,422,761. Three of the units were sold to third party purchasers at the time of the foreclosure sale. Twelve additional units have been sold and some of the remaining units are occupied by tenants under Section 8 contracts.

(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. Ten 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 Studies

The Insurance Agreement requires MHF to undertake periodic actuarial studies. PricewaterhouseCoopers submitted a study of the Multi-Family Reserves and multi-family operations on January 6, 1994, and submitted an additional study on October 14, 1998. The most recent study (the "2002 Study") was prepared by KPMG, was dated April 2002, and was performed using information as of June 30, 2001. The main purpose of the study was to estimate the capital position of the multi-family portfolio and its future compliance with the capitalization requirements set forth in the Insurance Agreement.

The 2002 Study concluded that the MHF multi-family insurance program contained sufficient assets to meet its future obligations and maintain levels of capital to meet its insurance requirements. The 2002 Study further found that the insurance premiums generated from the program alone would not be adequate to cover the cost of future loan defaults and expenses associated with administering the program, but that investment income generated from current fund assets would be sufficient to cover the shortfall. In so doing, the 2002 Study assumed that investment income generated by assets within the Multi-Family Reserve would be available to pay claims on multi-family insured loans, although investment income generated by assets within the Multi-Family Reserve is credited to the Unallocated Reserve and is not specifically assigned to the multi-family portfolio. Thus, losses in other categories of insurance could be paid from this investment income, reducing or eliminating the amount available to pay claims on multi-family reserves.

KPMG advised that the 2002 Study must be read in its entirety to fully understand the conclusions and must be read in the context of a number of limitations. The 2002 Study used claim and prepayment patterns based on the FHA 221(d)(4) program, because, in KPMG's view, statistically credible default and prepayment patterns were not readily available from MHF experience and the number of multi-family loans insured by MHF was statistically insufficient to produce credible claim and prepayment patterns. The 2002 Study cautioned that, while the risk profiles of the MHF and FHA portfolios are similar, the possibility exists that actual MHF claim and prepayment experience may differ, perhaps significantly, from the historical FHA experience.

In preparing the 2002 Study, KPMG assumed the FHA claim and prepayment experience discussed above, an average loss rate on claims of 50%, a premium equal to 0.5% of the average annual outstanding loan balance, an annual expense ratio of 0.30% of the average outstanding loan balance, and an expected investment yield of 4.0%. Additional scenarios provided sensitivity analyses by modifying the baseline assumptions as follows:

- Rate of claims of 200% of FHA experience;
- A loss rate on claims of 70% instead of 50%;
- A rate of claims at 200% and a loss rate on claims of 70%;

- An investment yield of 3.0% instead of 4.0%; and
- A rate of claims at 200%, a loss rate on claims of 70%, and an investment yield of 3.0%.

In only the final scenario did the results of the simulation indicate a greater than 5% probability that total future cash flows would be insufficient to pay for losses and expenses.

A copy of the Study is available upon request. See "Additional Information" below.

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 September 30, 2004, an aggregate unpaid principal balance of $32,761,076. 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 were 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.

FHLMC prepares an annual Information Statement that describes FHLMC, its business and operations and contains FHLMC audited financial statements. From time to time FHLMC prepares Information Statement Supplements that include unaudited financial data and other information concerning its business and operations. Investors can obtain any of these documents and any other documents prepared and made available by FHLMC by writing or calling the Investor Inquiry Department at FHLMC at 8200 Jones Branch Drive, McLean, Virginia 22102 (telephone 703-903-2000) or by using their website at www.freddiemac.com.

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:

Name	Position
George Eaton	Director, Division of Credit Assurance and MHF
Norman Swoboda	Deputy Director, Division of Credit Assurance
Jolly Burks	Director, Division of Finance and Administration
Ruth Putnam	Director, MHF Finance and State Funded Loans
Vacant	Director, Multifamily Operations
Stanley H. Sanders, Jr.	Director, Single 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 Multifamily 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.

Jolly Burks, Director of the Division of Finance and Administration has been with the Department since 1992. From 1992 until July of 1997, she was the Director of Accounting. Prior to 1992, Ms. Burks worked in the audit department at KPMG Peat Marwick.

Ruth Putnam was made Director of MHF Finance and State Funded Loans in 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.

Stanley H. Sanders, Jr. has served as Director of Single Family Operations since May 1994. From 1985 until May 1994, he was a Senior Underwriter and Administrator for Single Family Programs for MHF. Prior to joining MHF, Mr. Sanders worked for the Administration for over five years and worked for two private banks.

Additional Information

For additional information, please contact Anne P. Konrad at (410) 514-7326.

THE FHA INSURANCE PROGRAM

The following is a brief description of the multi-family mortgage insurance program administered by HUD, acting through FHA, pursuant to Section 542(c) of the Housing and Community Development Act of 1992, as amended, (the "Risk Sharing Act") and Sections 221(d)(3) ("Section 221(d)(3)"), 221(d)(4) ("Section 221(d)(4)") and Section 223(f) ("Section 223(f)") of Title II of the National Housing Act, as amended, and is qualified in its entirety by reference to the National Housing Act and the Risk Sharing Act and the regulations thereunder.

FHA Multi-Family Mortgage Insurance

FHA is authorized under the National Housing Act, as amended, to insure mortgage loans, including mortgage loans financing developments containing five or more dwelling units. FHA mortgage insurance provided pursuant to Section 221(d)(3) and Section 221(d)(4) are the principal forms of federal mortgage insurance available for new construction or substantial rehabilitation purposes. Section 223(f) provides insurance for refinancing of mortgages on existing properties. Prior to issuing a commitment for mortgage insurance pursuant to these sections, FHA or an FHA-approved lender processes a mortgage loan through several stages of review to determine the acceptability of the development securing the mortgage loan. Pursuant to this program, FHA insures mortgage loans providing acquisition, construction, substantial rehabilitation and long-term financing of a development.

Nine of the Transferred Loans acquired with the proceeds of the Series 1996 A Bonds are insured by FHA; one pursuant to Section 221(d)(3) and the remainder pursuant to Section 221(d)(4).

Insurance Benefits

If a default on a mortgage loan which is fully insured by FHA continues for a period of 30 days, regulations require that a written notice of the default be filed with FHA. Within 45 days of the date the mortgage becomes eligible to receive mortgage insurance benefits, the mortgagee is required to give written notice of the mortgagee's intention to file an insurance claim. FHA mortgage insurance provides an option to the mortgagee either to assign the mortgage loan to FHA or to acquire title to the development by foreclosure and convey it to FHA.

Under the Section 221(d)(3) and 221(d)(4) program, FHA will pay claims for insurance benefits in cash, in debentures, or in a combination of both, at the option of the Administration as mortgagee. Under the Section 223(f) program, FHA may elect to pay claims in cash or debentures, or a combination of both, as determined by FHA at or prior to the time of payment. In the event of a claim on a Mortgage Loan, the Administration will request payment in cash, but there can be no assurance that FHA will make payment in cash for Mortgage Loans insured under Section 223(f). Currently, two Mortgage Loans are insured under Section 223(f).

Following an assignment of a defaulted mortgage loan to FHA and the filing of a claim for insurance benefits, FHA will pay insurance benefits in an amount equal to the sum of (1) the unpaid principal amount of the mortgage loan, computed as of the date of default, (2) certain eligible payments made by the mortgagee, and (3) interest on the insurance proceeds from the date of default at the FHA debenture rate in effect when the FHA insurance commitment was issued or as of the date of initial endorsement, whichever is higher, less (a) an amount equal to 1% of the unpaid balance of the loan and (b) certain amounts received by the mortgagee from the mortgage or the property after the date of default and (c) certain cash items retained by the mortgagee. For defaults occurring after final endorsement, FHA may, but is not obligated to, pay 90% of the insurance claim within 15 days of assignment of the defaulted mortgage loan to FHA is recorded. For defaults occurring prior to final endorsement, FHA may, but is not obligated to, pay 70% of the insurance claim with 15 days of the recordation of the mortgage to HUD. In each case, HUD will pay the balance of the insurance claim after audit, usually within three to 12 months. In each case prompt payment by FHA is subject to, among other things, complete delivery by the mortgagee of all documentation required under FHA mortgage insurance. All of the Mortgage Loans insured by FHA have either been finally endorsed or are further credit enhanced by Guaranteed Securities.

The Loan Documents

The FHA Loans are made pursuant to certain standard form FHA documents some of which (but not including certain documents for new construction or substantial rehabilitation loans) are hereinafter generally described.

Regulatory Agreement. The owner of a development enters into a Regulatory Agreement with FHA which sets forth certain of the owner's obligations in connection with the management and operation of such development.

Pursuant to the Regulatory Agreement, the owner must establish a reserve fund for replacements. The reserve fund for replacements will be funded by monthly payments by the owner in the amount established by the mortgagee as directed by FHA. Moneys in such fund may be disbursed, with prior FHA approval, to replace structural elements or mechanical equipment of the development or for certain other purposes.

The owner may not make, receive or retain any distribution of assets or income from the development, except from "Surplus Cash." "Surplus Cash" is defined in the HUD regulations as cash remaining at the end of any semiannual or annual fiscal period after the payment of (1) all sums due under the mortgage and the mortgage note, (2) all amounts required to be deposited in the reserve fund for replacements, and (3) all obligations of the development other than the mortgage (unless otherwise provided for). Surplus Cash does not include amounts held in special funds required to be maintained for the development or tenant security deposits.

In the event the owner violates any provisions of the Regulatory Agreement, and fails to cure the default within 30 days after the mailing of notice from FHA, or such longer period as FHA may determine, the Agreement provides that FHA may notify the mortgagee of the default and request the mortgagee to declare a default under the mortgage and mortgage note.

Mortgage Note. In the State of Maryland the debt instrument for FHA-insured loans secured by real estate is a deed of trust note. References to a mortgage note herein are applicable to a deed of trust note.

The standard form FHA mortgage note is a nonrecourse obligation since the maker is not personally liable for the payment of the principal of the indebtedness and interest thereon. Each mortgage note evidencing an FHA Loan is in a face amount approved by FHA and has been endorsed for insurance by FHA at the initial closing of the mortgage loan as the same may be modified at final closing when the loan is cost certified. Each FHA-insured mortgage note is a fully amortizing note maturing up to 40 years after the date set by FHA for commencement of amortization.

Mortgage. In the State of Maryland the underlying security for a deed of trust note is a deed of trust. References to a mortgage herein are applicable to a deed of trust.

In order to secure the payment of the debt evidenced by the mortgage note for an FHA Loan, the owner of the related Development has conveyed for the benefit of the payee under the mortgage note its title to the project site, together with all buildings, improvements and fixtures to be constructed on the site and all articles of personal property of the owner located on the site (collectively, the "mortgaged property") and, in addition, has assigned to the mortgagee all rents, profits and income to be derived from the mortgaged property. Until final payment of the indebtedness, each owner agrees not to encumber the mortgaged property in any way without the consent of the Administration or the mortgagee and FHA.

In addition to the monthly payments due under the mortgage note, the mortgage obligates the owner to deposit with the mortgagee in escrow on the first day of each month sums sufficient to provide the mortgagee with funds to pay the next annual mortgage insurance premium and to pay estimated taxes, water charges, special assessments and fire and other hazard insurance premiums, if any, with respect to the mortgaged property.

Collection of Insurance Benefits

In the case of a monetary default, the date of default is deemed to be the date on which payment was originally due (i.e., the first of the month). Since interest is paid one month in arrears in FHA mortgage transactions, the mortgagee will not, in the event of a claim for insurance benefits, be reimbursed for interest which had accrued in the previous month and was due and payable on the date of default. FHA will reimburse the mortgagee only for interest at the applicable "debenture rate" commencing on the date of default.

Upon a default by the mortgagor which entitles the mortgagee to assign the mortgage to FHA, the mortgagee must notify FHA of the default and of the mortgagee's intention to assign the mortgage within the time frames set out in the applicable FHA handbooks. Upon receipt of this notification and election, FHA reviews the documentation to determine whether the mortgagee is entitled to assign the mortgage and to receive insurance benefits under the mortgage insurance contract. Prior to actual assignment of the loan to FHA and receipt of insurance benefits, the mortgagee must also satisfy certain legal requirements including submission of a title policy showing (except for encumbrances approved by FHA) that no liens or encumbrances are superior or inferior to the mortgage lien.

The mortgagee is required to submit all required documentation within 45 days from the date the mortgage is assigned to FHA unless the time is extended by FHA. The documentation required to be supplied to FHA includes (1) an assignment of claims of the mortgagee against the mortgagor or others arising out of the mortgage; (2) all policies of title or other insurance or surety bonds or other guaranties and any claims thereunder, including evidence that the effective date of the title coverage has been extended to include assignment to FHA, (3) all records and accounts relating to the mortgage, (4) all property of the mortgagor held by the mortgagee, and (5) any additional information required by FHA. If the election is not made or the documents are not delivered within the 45 days, FHA will not pay the mortgagee interest on sums outstanding from the date the election should have been made or the date the required documents should have been submitted to FHA, whichever is applicable, to the date when the insurance claim is finally paid unless FHA has agreed to extend the period with interest.

Failure of a mortgagor to comply with the income and rental requirements of Section 103(b)(4)(A) of the 1954 Code or Section 142(d) of the 1986 Code, as applicable, does not constitute an event of default under the FHA Loans.

Partial Settlement Upon Assignment. FHA may request the mortgagee in lieu of assignment, to accept partial payment of the claim under the mortgage insurance contract and to recast the mortgage, under such terms and conditions as FHA may determine.

Deposits Held by Mortgagee. The mortgagee is responsible for all deposits under its control. FHA deducts from any insurance claim the amount of cash or cash equivalents held by the mortgagee on behalf of the owner. Where deposits are held by the mortgagee in the form of a letter of credit, it is the mortgagee's responsibility to convert the letter of credit to cash in the event the funds are necessary. For insurance purposes, FHA views a letter of credit held in lieu of cash deposit as the equivalent of cash. Letters of credit accepted by the Administration or the mortgagee must be unconditional and irrevocable. FHA does not review or approve letters of credit.

The mortgagee is responsible for all funds in its custody and must therefore obtain approvals from FHA and others, when required, prior to release of any funds which may be in its possession. Failure to protect properly such funds may result in a deduction from the FHA insurance claim in an amount equal to the funds FHA asserts should have properly been held as a deposit.

Warranties Upon Assignment. In the event of an assignment of a mortgage, FHA requires the mortgagee to warrant that (1) no act or omission of the mortgagee has impaired the validity and priority of the mortgage; (2) the mortgage is prior to all mechanics' and materialmen's liens filed on record subsequent to the recording of the mortgage, regardless of whether such liens attached prior to the recording date; (3) the mortgage is prior to all liens and encumbrances which may have attached or defects which may have arisen subsequent to the recording of the mortgage, except such liens or other matters as may be approved by FHA; (4) the amount stated in the instrument of assignment is actually due under the mortgage and there are no offsets or counterclaims against such amount; and (5) the mortgagee has a good right to assign the mortgage. In assigning its security interest in chattels, including materials, located on the premises covered by the mortgage, or its security interest in building components stored either on-site or off-site at the time of the assignment, the mortgagee is required to warrant that (a) no act or omission of the mortgagee has impaired the validity or priority of the lien created by the chattel security instruments; (b) the mortgagee has a good right to assign the security instruments; and (c) the chattel security instruments are a first lien on the items covered by the instruments except for any liens or encumbrances approved by FHA.

Title Insurance Policy (Mechanics' and Other Liens). The mortgagee will be required to furnish FHA with a title policy which names FHA as the insured party and which assures FHA that the mortgage loan to be assigned constitutes a first lien on the mortgaged premises, subject only to those exceptions previously approved by FHA. The mortgagee will be required to remove any intervening liens and to obtain an updated title endorsement within the 45-day period during which documents are required to be submitted. FHA may deduct the amount of any liens which have priority over the mortgage lien from the mortgagee's FHA insurance claim.

Tax liens against the property which have priority over the lien of the mortgage or which are due within 60 days of the assignment to FHA must be paid by the mortgagee. Although the mortgagee will be reimbursed for funds it advances to pay real estate taxes on the mortgaged property, failure to pay taxes when due may result in a penalty which will not be reimbursed by FHA as part of the insurance claim.

Losses on Advances other than Mortgage Proceeds. Although the mortgagee will be reimbursed for advances properly made for taxes, insurance premiums and preservation of the property, such reimbursement may not fully compensate the mortgagee for the making of the advances since the mortgagee will be paid only debenture interest on those advances from the date of default.

Reimbursement for Maintaining the Mortgaged Property. FHA will reimburse the mortgagee for funds advanced to maintain or preserve the mortgaged property if the approval of FHA is received prior to the time the funds are advanced.

FHA Risk-Sharing Program

The Risk Sharing Act authorizes the Secretary of HUD to enter into risk-sharing agreements with qualified state or local housing finance agencies ("HFAs") to enable those HFAs to underwrite and process loans for which HUD, acting through FHA, will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the "Regulations") pursuant to the Housing Act. The Risk-Sharing Program established by the Risk Sharing Act allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, including reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect. The Risk-Sharing Program is designed to increase the supply of affordable multifamily units by allowing HFAs to originate and service mortgage loans that are fully insured by FHA.

This mortgage insurance program requires that an interested HFA first be approved as a qualified HFA. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement with the Commissioner of FHA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA's standards and procedures for underwriting and servicing loans and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the Risk-Sharing Program include new construction projects, substantial rehabilitation projects, acquisition of existing projects, projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program. Risk-sharing projects must constitute "affordable housing," which means that either 20% or more of the units are rent-restricted (as defined below) and occupied by families whose income is 50% or less of the area median income as determined by HUD, with adjustments to income based on household size, or that 40% or more of the units are rent-restricted and occupied by families whose income is 60 percent or less of the area median income as determined by HUD, with adjustments to income based on household size. A residential unit is rent-restricted if the gross rent with respect to such unit does not exceed 30% of the income limitation applicable to the unit as published from time to time by HUD.

The Administration has entered into a risk-sharing agreement with HUD dated as of November 30, 1994 (the "Risk-Sharing Agreement") which sets out the terms for the Administration's participation in the Risk-Sharing Program. The Administration has a "Level I" approval under the regulations which means it may elect to reimburse HUD for between 50% and 90% (in increments of 10%) of any losses incurred as a result of a default under a loan. Level I approval permits the Administration to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans without further review by HUD. The Administration also has a "Level II" approval which means it may insure either 10% or 25% of any losses on the mortgage loan (based on certain loan-to-value criteria). In the event of a loan default, the Risk-Sharing Agreement requires the Administration to share with HUD in any loss arising as a consequence of the loan default.

The Administration authorizes the use of the Risk-Sharing Program in connection with new Loans financed by Bonds on a case-by-case basis. In such cases, MHF is expected to reimburse the Administration for the Administration's share of any loss.

The Risk-Sharing Program regulations require that the Administration establish a dedicated account at a financial institution acceptable to HUD in the initial amount of $500,000. This account, with a current balance of $605,091, has been established by restricting such amount in the Administration's General Bond Reserve Fund for such purpose. HUD may make withdrawals from this account for the purpose of meeting the Administration's obligations under the program and the Risk-Sharing Agreement. At the closing of any mortgage loan insured under this program, the Administration is required to deposit and maintain in the dedicated account an amount equal to one percent of the unpaid principal of such loan, up to and including $50,000,000, three-quarters of one percent of the unpaid principal of such loan in excess of $50,000,000 but less than $150,000,000, and one-half of one percent of the unpaid principal of such loan in excess of $150,000,000.

FHA Insurance under the Risk-Sharing Program with respect to any mortgage loan may be terminated upon the occurrence of certain events, including the following: (1) the corresponding mortgage is paid in full; (2) the Administration acquires mortgaged property and notifies the Commissioner that it will not file an insurance claim; (3) a party other than the Administration acquires property at a foreclosure sale; (4) the Administration notifies the Commissioner of a voluntary termination; (5) the Administration or its successors commit fraud or make a material misrepresentation to the Commissioner with respect to certain information; (6) the receipt by the Commissioner of an application for final claims settlement by the Administration or (7) the Administration acquires the mortgaged property and fails to make an initial claim.

During its participation in the program, the HFA must take responsibility for certain functions, including those relating to the Affirmative Fair Housing Marketing Plan, labor standards, insurance of advances, cost certification, and lead-based paint requirements. A mortgagor must certify to the HFA that it is in compliance with certain enumerated discrimination and civil rights statutes and executive orders. HUD has specifically retained certain functions, including monitoring compliance with the Davis-Bacon Act, environmental laws, enforcement of certain fair housing and equal opportunity laws and other program criteria. Certain HUD requirements may only be applicable when construction advances are insured.

Upon completion of construction, presentation of a closing docket, including an executed regulatory agreement between the HFA and the mortgagor, and certifications required by the Regulations, FHA issues a final endorsement of the mortgage note for the costs related to the project which have been certified by an independent certified public accountant and have been approved by the Administration. Although the Administration has been given authority to approve cost certifications by a mortgagor, HUD has the authority, in its sole discretion, at any time prior to and including final endorsement, to adjust the amount of mortgage insurance.

The Regulations define an event of default under an FHA-insured mortgage as (1) a failure to make any payment due under the mortgage or (2) a failure to perform any other mortgage covenant (which include covenants in the related regulatory agreement, which is incorporated by reference in the applicable mortgage) if the mortgagee, because of such failure, has accelerated the debt. A mortgagee is entitled to receive the benefits of insurance after the mortgagor has defaulted and such default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after such grace period and monthly thereafter, unless waived by HUD, until such default has been cured or the Administration has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Administration must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default. Such claim may be made as early as the first day of the month following the month for which a payment was missed. Upon request of the Administration, HUD may extend, up to 180 days from the date of default, the deadline for filing a claim. In those cases where the Administration certifies that the project owner is in the process of transacting a bond refunding, refinancing the mortgage, or changing the ownership for the purpose of curing the default and bringing the mortgage current, HUD may extend the deadline for filing a claim beyond 180 days but not exceed 360 days from the date of default.

The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. The mortgage note interest component of the initial claim amount is subject to curtailment as described below. HUD must make all claim payments in cash. The initial claim payment to the Administration is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. **The Administration must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms for the mortgages within 30 days of the initial claim payment.** Any excess funds resulting from such retirement or repayment shall be returned to HUD within 30 days of the retirement. Within 30 days of the initial claim payment, the Administration must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the Administration's obligation to HUD under its Risk-Sharing Agreement.

In determining the mortgage note interest component of the initial claim amount, if the Administration fails to meet any of the requirements of the Regulations within the specified time (including any granted extension of time), HUD shall curtail the accrual of mortgage note interest by the number of days by which the required action was late. Losses sustained as a consequence of the sole negligence of the Administration will be the sole obligation of the Administration, notwithstanding the risk apportionment otherwise agreed to by HUD and the Administration.

When FHA pays a claim, the Risk-Sharing Agreement provides that the Administration will issue a debenture (each, a "Debenture") to HUD for the full amount of the claim, which shall be supported by the full faith and credit of the Administration. Each Debenture will have a term of five years, will bear interest at HUD's published debenture rate, and interest will be payable annually. The Risk Sharing Act contemplates that during the five year term of each Debenture, the Administration would work toward curing the default, foreclosure or resale of the related development. Upon the due date of each Debenture, the total loss to be shared by the Administration and HUD shall be computed pursuant to the Risk-Sharing Agreement. As noted, MHF is expected to reimburse the Administration for its share of any loss.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed in lieu of foreclosure or (2) expiration of the term of the Debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the mortgage note and risk-sharing agreement.

Information on project management and servicing will be required after endorsement. Additionally, the HFA must submit semiannual reports, annual financial statements and must maintain its eligibility by continued compliance with the risk-sharing agreement, the regulatory agreement, and all the requirements for initial program eligibility.

THE GNMA GUARANTY PROGRAM

GNMA is a wholly-owned corporate instrumentality of the United States within the United States Department of Housing and Urban Development ("HUD") with its principal office in Washington, D.C.

A Guaranteed Security is a "fully modified pass through" mortgage-backed security that requires monthly payments by an FHA-approved lender, as the issuer of the Guaranteed Security (the "Lender"), to the registered holder of the Guaranteed Security of principal of and interest on such Guaranteed Security when due, whether or not the Lender receives payments on the mortgage note underlying such Guaranteed Security, plus any prepayments of principal of the mortgage note received by the Lender. GNMA guarantees timely payment of principal of and interest on Guaranteed Securities. Loans that are credit enhanced by Guaranteed Securities are described in APPENDIX D - "DESCRIPTION OF LOANS AND DEVELOPMENTS."

GNMA Guaranty

GNMA is authorized by Section 306(g) of Title III of the National Housing Act to guarantee the timely payment of the principal of and interest on Guaranteed Securities that are based on and backed by a mortgage insured by FHA. Section 306(g) provides further that "the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." In order to meet its obligations under such guaranty, GNMA is empowered under Section 306(d) of Title III of the National Housing Act to borrow from the United States Treasury, through the issuance of its general obligations, in an amount sufficient to enable GNMA to perform its obligations under its guaranty of the timely payment of the principal of and interest on Guaranteed Securities that are guaranteed by GNMA. The United States Treasury is authorized to purchase any obligations so issued by GNMA and has indicated in a letter dated February 13, 1970, from the Secretary of the United States Treasury to the Secretary of HUD, that the United States Treasury will make loans to GNMA, if needed, to implement the aforementioned guaranty. GNMA warrants to the registered owner of Guaranteed Securities, that, in the event it is called upon to make payment pursuant to such guaranty of the payment of principal of and interest on the Guaranteed Securities, it will, if necessary, apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make such payments.

Guaranteed Securities issued in connection with mortgage loans on multi-family projects are issued in two forms-construction loan certificates for projects under construction and project loan certificates for completed projects. Prior to the issuance of a Guaranteed Security, the Lender must become an approved issuer of GNMA-guaranteed securities and obtain GNMA's commitment to guarantee such Security, and in the case of a project under construction, the Lender must obtain GNMA's commitment to guarantee payments of the construction loan certificates, and upon completion of the project, the project loan certificate.

Project loan certificates can be issued only after the project has been completed and the mortgage loan on the project finally endorsed for mortgage insurance by HUD.

Construction loan certificates are issued periodically - usually monthly - as construction of the project progresses, in the amount of the principal amount of the mortgage loan that at the time of such issuance has been disbursed and endorsed for insurance by FHA. Immediately following final endorsement for mortgage insurance by HUD, the construction loan certificates are exchanged for the project loan certificate.

As a condition to the issuance of each construction loan certificate, the Lender will be obligated to deliver certain documents to GNMA not later than 3 business days prior to the anticipated delivery date of such Guaranteed Security, including evidence of the advance of the mortgage loan and its endorsement for insurance by FHA. During such 3 business day period between the date of an advance under the mortgage loan and the issuance of a GNMA guaranty of the related construction loan certificate, it is possible that the Borrower could default under the mortgage loan or the Lender could default under a GNMA guaranty agreement (the "GNMA Guaranty Agreement"). In connection with other mortgage loans, GNMA has stated, among other things, that, in the event of either or both types of default, it nevertheless will (except in the event of fraud or misrepresentation by the Lender) be obligated to approve the issuance of the construction loan certificate corresponding to the advance under the mortgage loan made prior to the default.

Servicing of Mortgage

Under contractual arrangements between a Lender and GNMA, the Lender is responsible for servicing and otherwise administering the mortgage securing a Guaranteed Security in accordance with generally accepted practices of the mortgage banking industry and the GNMA Servicer's Guide.

The monthly remuneration of the Lender, for its servicing and administrative functions, and the guaranty fee charged by GNMA, are based on the unpaid principal amount of the Guaranteed Security outstanding. GNMA regulations and policies have fixed the total of these servicing and guaranty fees at a minimum of 0.25% per annum and a maximum of 0.50% per annum calculated on the principal balance of the Guaranteed Security outstanding on the last day of the month preceding such calculation. A Guaranteed Security carries an interest rate that is fixed below the interest rate on the underlying mortgage note by the amount of such servicing and guarantee fees.

Payments of principal of and interest on the mortgage notes are expected to be received by the Lender from the mortgagor in amounts and at times sufficient to be the source of the payments of principal of and interest on the Guaranteed Securities. If such payments are less than the amount due, the Lender is obligated to advance its own funds to make the timely payment of all amounts due on the GNMA Security. GNMA guarantees such timely payment in the event of failure by the Lender to make scheduled payments when due. The Guaranteed Security does not represent a liability or an obligation of the Lender and recovery may be sought only from GNMA.

The Lender is required to advise GNMA in advance of any impending default on scheduled payments so that GNMA as guarantor will be able to continue such payments as scheduled on the 15th day of each month. However, the Guaranteed Securities will not constitute a liability nor evidence recourse against the Lender if such payments are not received as scheduled. If such payments are not received as scheduled, the Administration has recourse directly to GNMA.

In the event of a default by the Lender, including (1) a request to GNMA to make a payment of principal of or interest on a Guaranteed Security when the mortgagor is not in default under the mortgage note, (2) insolvency of the Lender or (3) default by the Lender under any other guaranty agreement with GNMA, the GNMA Guaranty Agreement provides that GNMA shall have the right, by letter to the Lender, to effect the complete extinguishment of the Lender's interest in the mortgage, and the mortgage will become the absolute property of GNMA, subject only to the unsatisfied rights of the owner of the GNMA security. In such event, the GNMA Guaranty Agreement provides that on and after the time GNMA directs such a letter of extinguishment to the Lender, GNMA will be the successor in all respects to the Lender in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein, and shall be subject to all responsibilities, duties, and liabilities (except the Lender's indemnification of GNMA), placed on the Lender by the terms and provisions of the GNMA Guaranty Agreement, provided that at any time, GNMA may enter into an agreement with any other eligible issuer of GNMA securities under which the latter undertakes and agrees to assume any part or all such responsibilities, duties or liabilities theretofore placed on the Lender, and provided that, no such agreement shall detract from or diminish the responsibilities, duties or liabilities of GNMA in its capacity as guarantor of the Guaranteed Security, or otherwise adversely affect the rights of the holders thereof.

Payment of Principal and Interest on the Guaranteed Securities

Payment of interest on Guaranteed Securities is required to be made in monthly installments on or before the 15th day of each month commencing the month next following the date of issue of the Guaranteed Securities. Payment of the principal of Guaranteed Securities is expected to commence 15 days after the commencement of amortization of principal of the mortgage note.

Following the issuance of the Guaranteed Securities and commencement of the payment of principal thereon, Guaranteed Securities are payable in equal monthly installments, subject to prepayment. Each installment on Guaranteed Securities is applied first to interest and then to the reduction of the principal balance then outstanding. Interest is paid at the specified rate on the unpaid portion of the principal of the Guaranteed Securities. The amount of principal due on Guaranteed Securities is in an amount equal to the scheduled principal amortization currently due on the underlying mortgage notes. Payments of principal and interest are subject to adjustment due to prepayments or other early unscheduled recoveries of principal on the underlying mortgage note.

The Lender agrees to pay to the owner of a Guaranteed Security monthly installments of not less than the interest due on the Guaranteed Security at the rate specified in the Guaranteed Security, together with any scheduled installments of principal, whether or not collected from the mortgagor and any prepayments or early recoveries of principal. Final payment is made upon surrender of the Guaranteed Securities. The Guaranteed Security does not represent a liability or an obligation of the Lender and recovery may be sought only from GNMA.

THE FANNIE MAE STAND-BY GUARANTY PROGRAM

Under Fannie Mae's Stand-by Guaranty Program, Fannie Mae agrees to provide Credit Enhancement for Fannie Mae Enhanced Loans pursuant to, and subject to the limitations of, the related Fannie Mae Credit Enhancement Instrument. The Fannie Mae Credit Enhancement Instrument secures certain payments under the Mortgage Note. The Borrower is obligated to reimburse Fannie Mae for any funds provided by Fannie Mae under a Fannie Mae Credit Enhancement Instrument will be set forth in a Reimbursement Agreement, between the applicable Borrower and Fannie Mae.

Fannie Mae's participation in the financing of a Development will not extend beyond the Construction Phase among Fannie Mae, the Fannie Mae Construction Lender and the Fannie Mae Loan Servicer, and acknowledged and agreed to by the Borrower), unless the Conditions to Conversion set forth in the related Construction Phase Financing Agreement are satisfied on or before the Termination Date (or, to the extent not satisfied, are waived by Fannie Mae). If the Conditions to Conversion set forth in the Construction Phase Financing Agreement are satisfied on or before the Termination Date (or, to the extent not satisfied, are waived by Fannie Mae), the Fannie Mae Loan Servicer, on or before the Termination Date, shall issue a Final Notice of Conversion, in which event the related Fannie Mae Enhanced Loan will convert from the Construction Phase to the Permanent Phase and Fannie Mae's participation in the financing will continue. If, however, the Conditions to Conversion are not satisfied on or before the Termination Date (or, to the extent not satisfied, are not waived by Fannie Mae) with the result that the Fannie Mae Loan Servicer fails to issue a Final Notice of Conversion on or before the Termination Date, such Fannie Mae Enhanced Loan will not convert from the Construction Phase to the Permanent Phase, and the related Bonds will be subject to special mandatory redemption in whole at a redemption price equal to the principal amount of such Bonds plus accrued interest to the Redemption Date. In the event of such a special mandatory redemption in whole, the redemption price is to be paid with funds provided under the Fannie Mae Credit Enhancement Instrument. Alternatively, in lieu of such redemption, such Bonds may be purchased by the Trustee for the account of the related Fannie Mae Construction Lender. The Termination Date is the date that is the first day of the month following the month in which falls the second anniversary of the Closing Date; the Fannie Mae Loan Servicer may request one six-month extension of the Termination Date. The grant of any such extension is in the sole discretion of Fannie Mae.

The Conditions to Conversion include, for example, completion of construction of the Development and the achievement of a specified level of occupancy from the leasing of units in Development. No assurance can be given that all of the Conditions to Conversion will be satisfied or that other events or circumstances may or may not occur as a result of which Conversion will not occur. In addition, even if Conversion occurs, no assurance can be given that the principal amount of the related Fannie Mae Enhanced Loan, as finally determined in accordance with the Construction Phase Financing Agreement, will not be less than the original principal amount of such Fannie Mae Enhanced Loan; if the principal amount of such Fannie Mae Enhanced Loan, as finally determined in accordance with the Construction Phase Financing Agreement, is less than the original principal amount of such Fannie Mae Enhanced Loan, the principal amount of such Fannie Mae Enhanced Loan must, as a Condition to Conversion, be reduced by the applicable Borrower's prepayment of such Fannie Mae Enhanced Loan in part; upon such prepayment, a corresponding portion of the related Bonds will be subject to special mandatory redemption at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the Redemption Date. If such prepayment in part is required as a Condition to Conversion and is not made, Conversion will not occur and such Bonds will be subject to special mandatory redemption in whole.

Prior to Conversion, Fannie Mae will, pursuant to the Construction Phase Financing Agreements, be protected against risk of loss by the Fannie Mae Construction Lender through a Construction Phase Credit Facility acceptable to Fannie Mae. Certain events concerning the Fannie Mae Construction Lender, the Construction Phase Financing Agreements and the Construction Phase Credit Facilities may result in the prepayment of a Fannie Mae Enhanced Loan and a corresponding special mandatory redemption of the related Bonds.

The Trustee will accumulate and invest the monthly payments on each Fannie Mae Enhanced Loan for application semiannually to payments of interest or principal and interest, as due, on the related Bonds and for the payment of certain fees.

APPENDIX G

FEDERAL HOUSING SUBSIDY PROGRAMS

Section 8 Program

General. The following is a brief description of the housing assistance payments program for new construction and substantial rehabilitation authorized by Section 8 of the United States Housing Act of 1937, as amended (the "Housing Act") as such program relates to the Loans. Such description is qualified in its entirety by reference to the applicable provisions of the Housing Act and the regulations promulgated thereunder. Although the Housing and Urban Recovery Act of 1983 repealed the new construction and substantial rehabilitation programs of Section 8 as of October 1, 1983, any projects receiving funding under such programs are still subject to regulation under those programs. The housing assistance payments program authorized by Section 8 for moderate rehabilitation or for existing housing may differ. Reference is made to the Housing Act and regulations thereunder for a complete description.

Provision has been made under the Housing Act and the United States Department of Housing and Urban Development ("HUD") regulations for the administration of Section 8 subsidies through state housing finance or development agencies, including the Administration.

Subsidy Contracts. Under the Section 8 housing assistance payments program, three principal contracts are executed. The owner and a public housing agency, such as the Administration, execute an Agreement to Enter Into Housing Assistance Payments Contract ("AHAP") with respect to a development to be constructed or rehabilitated. This AHAP is approved by HUD and, subject to certain conditions, commits the owner to enter into a Housing Assistance Payments Contract ("HAP Contract") upon completion and acceptance of the development. The HAP Contract is executed by the owner and the public housing agency and approved by HUD. In connection with the AHAP, the public housing agency and HUD enter into an Annual Contributions Contract ("ACC") which provides for the disbursement by the public housing agency, as HUD's agent, of housing assistance payments in accordance with the terms of the HAP Contract. The ACC and the HAP Contract usually provide for the payment of the Section 8 subsidy for an initial term, sometimes automatically renewable for additional terms of not more than five years each, with a maximum term of up to 40 years. See APPENDIX D - "DESCRIPTION OF LOANS AND DEVELOPMENTS" for selected information on the Loans, including the terms of applicable HAP Contracts.

None of the Loans were made subject to HUD's financing adjustment factor rule published in 1981.

Payments received under the HAP Contracts constitute a primary source of revenues for many of the Developments. Therefore, the termination of a HAP Contract prior to the maturity date of the related loan would have a material adverse impact on the ability of a Development to generate revenues sufficient to pay the principal of and interest on a Loan if the HAP Contract or other similar financial assistance program is not extended by HUD at the expiration of a HAP Contract, if a public housing agency does not continue to allocate on an annual basis Section 8 certificates or housing vouchers to tenants in a development, or the owner is otherwise unable to lease substantially all of the units in the development at rentals which produce revenues equivalent to those which would have been received if the term of the HAP Contract had been extended for the term of a Loan. In such event, there is a likelihood of a default on the related Loan if the term of such Loan exceeds that of the HAP Contract.

Calculation and Payment of Subsidy. The HAP contract specifies a "Contract Rent" for each assisted dwelling unit. The Contract Rent is generally limited by the "fair market rents" established by HUD and published in the Federal Register and by the rents of unassisted units of similar age, design, location and amenities. The Contract Rent for the assisted dwelling units in each development is adjusted by HUD annually pursuant to an adjustment factor established by HUD.

An amount equal to the Contract Rent for each assisted dwelling unit is set aside by HUD in an ACC Reserve Account for each development. Each month, HUD pays from such accounts to the public housing agency, for the account of the owner, an amount equal to the Contract Rent and utilities allowance for each assisted dwelling unit less up to 30% of the resident's income, with certain adjustments. This latter amount is paid directly to the owner by the resident. The proportion of the Contract Rent actually paid by HUD and the resident may vary from month to month depending upon the resident's income. Funds left in the project account are held over to cover future contingencies or rent increases.

Generally, the Section 8 subsidy is payable only when a dwelling unit is occupied by an eligible tenant. However, HUD regulations provide for payments to be made under certain limited circumstances when the unit is not occupied. Subject to certain conditions, after rent-up a subsidy equal to 80% of Contract rents is payable for vacant units for a period of 60 days, and thereafter for an additional 12-month period in an amount equal to the debt service attributable to the unit, subject to additional conditions.

The housing assistance payments are made by HUD directly to the owner and, together with any tenants' contributions, are available to pay debt service on the mortgage note and operating costs of the development and, except in the case of owners organized as nonprofit entities, a return on the owner's initial equity in the development. The owner is responsible to pay debt service, escrows and reserve requirements.

Adjustment of Subsidy Amount. HUD regulations provide for the determination by HUD of an adjustment factor at least once a year. On each anniversary date of the HAP Contract, Contract Rents are adjusted upon request from the owner to the contract administrator in accordance with this factor. Current law and HUD regulations require that rent adjustments not result in material differences between the Contract Rents and rents for comparable unassisted units, except to the extent that the differences existed at the time of execution of the HAP Contract. Current law requires HUD to deny rent adjustments to those Section 8 projects with rents above the applicable fair market rents established by HUD unless the mortgagor demonstrates that the adjusted rent would not exceed rents for comparable unassisted units (plus the initial rent difference), and also requires HUD to reduce the annual adjustment factor by one percentage point for those units in which there was no tenant turnover during the previous year. In addition, provision is made in HUD regulations for special additional adjustments to reflect increases in the actual and necessary expenses of owning and maintaining the subsidized units which have resulted from substantial general increases in real property taxes, utility rates or similar costs, to the extent that such general increases are not adequately compensated for by the automatic annual adjustments. There is no assurance that such adjustments or special additional adjustments will in fact be sufficient to cover such cost increases. Current federal law provides that Contract Rents in effect on or after April 15, 1987 for newly constructed, substantially rehabilitated or moderately rehabilitated projects may not be reduced unless the project has been refinanced in a manner that reduces the periodic payments of the owner.

The ACC provides that the maximum amount of annual contributions initially available for housing assistance payments will equal the initial Contract Rents and utilities allowances for all assisted units in the development.

In the event that increases in Contract Rents resulting from automatic or special adjustments require annual contributions in excess of the amount then available under the ACC, and HUD approves the estimated required amount for the project, the Section 8 program provides that the Secretary of HUD shall take such steps as may be necessary, including paying annual contributions in amounts in excess of the amounts initially contracted for, reserving annual contributions authorized for the purpose of amending ACCs, or allocating a portion of new authorizations to amend ACCs and HAP Contracts, to assure that assistance payments are increased on a timely basis to cover increases in Contract Rents or decreases in family incomes. HUD's ability to implement such steps may be dependent upon Congressional appropriations of funds.

Termination of Subsidy Contracts. Housing assistance payments do not automatically terminate if a mortgage loan is in default. In addition, in the event of foreclosure, or an assignment or sale to the public housing agency in lieu of foreclosure, or in the event of assignment or sale agreed to by the public housing agency and approved by HUD, housing assistance payments in most cases continue in accordance with the terms of the HAP Contract. However, HUD has reserved the right in the event of a default with respect to the mortgagor's obligations under the HAP Contract to take corrective action, abate or terminate housing assistance payments or terminate the HAP Contract in accordance with the provisions of the ACC after providing reasonable notice to the public housing agency and opportunity to correct the default.

Compliance with Subsidy Contracts. Each ACC and HAP Contract contains, where applicable, agreements on the part of HUD, the Administration and the owner concerning, among other things, maintenance of the housing development as decent, safe and sanitary housing and compliance with a number of requirements typical of federal contracts (such as non-discrimination, equal employment opportunity, relocation, pollution control and labor standards) as to which noncompliance by either the public housing agency or the owner, or both, may abate the payment of the federal subsidy, in whole or in part. Under Loans financed by the Administration, default by an owner in the performance of its obligations is an event of default under the terms of its mortgage, which would permit foreclosure by the Administration.

Housing assistance payments will continue as long as the owner complies with the requirements of the HAP Contract and has leased the assisted units to eligible tenants or satisfies the criteria for receiving assistance for vacant units. The public housing agency, which has primary responsibility for administering the HAP Contract subject to review and audit by HUD, may require the owner to cure any default under the HAP Contract and may abate housing assistance payments and recover over-payments pending remedy of the default. If the default is not cured, the public housing agency may terminate the HAP Contract or take other corrective action, as directed by HUD. HUD has an independent right to determine whether the owner is in default, to take corrective action, and to apply appropriate remedies.

If HUD determines that the Administration has failed to fulfill its obligations, HUD may, after notice to the Administration giving it a reasonable opportunity to pursue corrective action, require that the Administration assign to HUD all its rights under the HAP Contract.

Eligible Tenants. An eligible tenant for a Section 8-assisted unit or a Housing Voucher is a family or an individual whose income, determined in accordance with HUD schedules and criteria, does not exceed the income limits prescribed by HUD for the area in which the development is located. Under existing HUD regulations, the income limit is generally fifty percent (50%) of the area's median income, with further adjustment for the size of the tenant's family and regional economic conditions; although tenants in up to twenty five percent (25%) of units (fifteen (15%) for developments with HAP contracts dated after October 1, 1981) may have incomes up to eighty percent (80%) of the area's medium income, as adjusted by HUD. Recent legislation also requires that not less than 40% of the dwelling units that become available for occupancy in any fiscal year shall be available for leasing only by families whose annual income does not exceed 30% of area median income (as determined by HUD and adjusted for family size) at the time of admission.

Expiring HAP Contracts and Recent Developments. In recent years, there have been numerous proposals and pronouncements from Members of Congress, the Clinton Administration and HUD Officials that address the future of HUD and the various programs operating pursuant to Section 8 of the 1937 Housing Act. The primary focus of these proposals and pronouncements have been developments that have FHA-insured mortgages with terms ranging from 30 to 40 years and which have Section 8 HAP Contracts with substantially shorter terms. Efforts to address this subject are often referred to, generally and with out specific import, as "Portfolio Reengineering" or "Mark-to-Market."

After a series of interim legislative acts and demonstration programs, HUD's Fiscal Year 1998 Appropriations Act, Pub. L. 105-65, was signed into law by the President on October 27, 1997. This legislation includes within it the "Multifamily Assisted Housing Reform and Affordability Act of 1997"(as amended, the "Restructuring Act"), which was further amended by the "Preserving Affordable Housing for Senior Citizens and Families into the 21st Century Act," enacted by Congress as part of HUD's Year 2000 Appropriations Act (the "Year 2000 Amendments"). The Restructuring Act implements a new "Mark-to-Market" program, beginning in fiscal year 1999, pursuant to which many FHA insured Section 8 developments with expiring HAP Contracts and above-market rents will be eligible for restructuring plans, and, upon restructuring, may receive continuing Section 8 assistance. These restructuring plans may include refinancing and/or partial payment of mortgage debt, intended to permit the reduction of Section 8 rent levels to those of comparable market rate properties or to the minimum level necessary to support proper operations and maintenance. The Restructuring Act provides, however, that no restructuring or renewal of HAP Contracts will occur if the owner of a project has engaged in material adverse financial or managerial actions with respect to that project or other federally assisted projects, or if the poor condition of the project cannot be remedied in a cost effective manner. In addition, the Year 2000 Amendments provided for a new program for preservation of Section 8 developments (including Section 236 developments that have project based HAP Contracts) that allows increases in Section 8 rent levels for certain developments that have below market rents, to market or near market rate levels (the "Mark-up-to Market Program").

The restructuring (or expiration and renewal of HAP Contracts) is designed also to result in a change from "project-based" to "tenant-based" Section 8 payments in many cases. In the former circumstances, the HAP Contract is associated with a particular development and the units therein, and when a tenant moves from the development, the successor tenant, assuming that he or she is within the applicable income limits, will receive the benefit of the Section 8 payments. With "tenant-based" assistance, the Section 8 subsidy is associated with a particular tenant, and when the tenant moves from the development, the successor tenant will not receive the benefit of the Section 8 payments.

The Restructuring Act contains distinct mortgage restructuring and HAP Contract renewal and contract rent determination standards for Section 8 developments for which the primary financing or mortgage insurance was provided by a state or local government, or a unit or instrumentality of such government. Upon the request of the owner of such a development, HUD is currently required to renew an expiring HAP Contract (absent certain actions or omissions of an owner or affiliate and subject to certain verifications). Under current HUD policy, renewals are expected to be made for an initial term of one year, with initial rents at the lesser of: (1) existing rents adjusted by an Operating Costs Adjustment Factor ("OCAF") established by HUD, or (2) a budget-based rent determined by HUD. Under current law, future rent adjustments will be determined using an OCAF or a budget-based adjustment. While it is anticipated that any such adjustment will be structured so as to take due account of debt service requirements, there can be no assurance that rent adjustments will provide for contract rents adequate to pay principal and interest on Bonds. More generally, there can be not assurance that future policies or funding levels will continue to make renewals and rent adjustments available on the same terms as are currently anticipated.

Under the Year 2000 Amendments, Section 8 developments with FHA-insured mortgages for which the primary financing was provided by a unit of state or local government, such as the Administration, are subject to the Mark-to-Market program unless implementation of a mortgage restructuring plan would be in conflict with applicable law or agreements governing such financing. To the extent any such state and local government financed Section 8 developments with FHA-insured mortgages are determined not to qualify for the Mark-to-Market program, such developments would be treated in the same manner as other Section 8 developments, as discussed above, that do not have FHA-insured mortgages. To the extent any such Section 8 developments are determined to be eligible for the Mark-to-Market program, all or a portion of the debt for such developments may be prepaid as part of a restructuring agreement.

HAP Contract rents under the Restructuring Act may be significantly lower than the current HAP Contract rents in Section 8 developments, and the corresponding reduction in Section 8 subsidy payments for such developments could materially adversely affect the ability of the owners of such developments to pay debt service on the Loans. Any termination or expiration of HAP Contracts, without renewal or replacement with other project-based assistance (whether due to enactment of additional legislation, material adverse financial or managerial actions by a mortgagor, poor condition of the development or other causes) could also have a material adverse impact on the ability of the related Section 8 developments to generate revenues sufficient to pay debt service on the Loans. In such an instance, a default under the FHA-insured mortgage would result in a claim for payment of mortgage insurance benefits.

While the Restructuring Act generally allows owners to renew HAP Contracts (absent certain material adverse conduct or conditions), owners are not required to renew HAP Contracts beyond their expiration. Upon an election not to renew a HAP Contract owners are required to provide certain notices and transitional tenant protections.

In recent internal correspondence, HUD has interpreted a provision in certain HAP Contracts to mean that upon a refinancing or other prepayment of the permanent mortgage loan, the HAP Contract terminates. This affects only developments that do not have FHA-insured mortgages and have HAP Contracts that (i) have terms of 30 or 40 years, (ii) were originated under the State Agency Program, and (iii) were, as a general matter, executed prior to February, 1980. The Administration is examining the effect, if any, of this policy on its portfolio. HUD has indicated that it is willing to amend the offending language in such HAP Contracts to remove the termination provision, but it is not known whether the owners of Section 8 developments will agree to such an amendment, or whether this new interpretation by HUD will result in a greater number of mortgage prepayments.

Section 236 Program

General. Under Section 236 of the National Housing Act, the Secretary of HUD (the "HUD Secretary") enters into contracts with owner-mortgagors to make interest reduction payments to the mortgagee, on behalf of the project owner, in an amount generally equal to the difference between the monthly payment for principal, interest and mortgage insurance premium and the monthly payment for principal and interest such project owner would be obligated to pay if the mortgage were to bear interest at the rate of 1 percent per annum. Such Section 236 Contracts are project-based and coterminous with the related mortgages.

As a condition to receiving the interest reduction payments, the project owner must operate the project in accordance with tenant eligibility and rent requirements established by law and further prescribed by the HUD Secretary, maintain the project in satisfactory condition and meet various other HUD requirements. The HUD Secretary is to review tenant income requirements at least annually.

Interest Rate Subsidy. For each dwelling unit there is established, with the approval of the HUD Secretary, (i) a basic rental charge determined on the basis of operating the project with payments of principal and interest due under a mortgage bearing interest at the rate of 1 percent per annum and (ii) a fair market rental charge determined on the basis of operating the project with payments of principal, interest and a mortgage insurance premium which the mortgagor is obligated to pay under the mortgage covering the project. The rental paid by the tenant of each dwelling unit shall be at the basic rental charge or such greater amount, not exceeding the lesser of (i) the fair market rental charge, or (ii) the actual rent paid for a comparable unit in comparable unassisted housing in the market area in which the housing is located, up to 30 percent of the tenant's adjusted income.

With respect to those projects which the HUD Secretary determines have separate utility metering for some or all dwelling units, the HUD Secretary is authorized: (i) to permit the basic rental charge and the fair market rental charge to be determined on the basis of operating the project without the payment of the cost of utility services used by such dwelling units; and (ii) to permit the charging of a rental for such dwelling units at such an amount, less than 30 percent of a tenant's adjusted income, as the HUD Secretary determines represents a proportionate decrease for the utility charges to be paid by such tenant, but in no case shall such rental be lower than 25 percent of a tenant's adjusted income.

The project owner shall, as required by the HUD Secretary, accumulate, safeguard, and periodically pay to the HUD Secretary, on a unit-by-unit basis as distinct from a net project basis, all rental charges collected in excess of the basic rental charges ("Section 236 Excess Rents"). With HUD's consent, and subject to certain restrictions, such Section 236 Excess Rents may be retained by the project owner for project use. Otherwise, Section 236 Excess Rents must be remitted to HUD.

In order to induce advances by owners for capital improvements (excluding any owner contributions that may be required by the HUD Secretary), in establishing basic rental charges and fair market rental charges, the HUD Secretary may include an amount that would permit a return of such advances with interest to the owner out of project income, on such terms and conditions as the HUD Secretary may determine. Any resulting increase in rent contributions shall be:

(i) to a level not exceeding the lower of 30 percent of the adjusted family income of the tenant or the published existing fair market rent for comparable housing established under the Section 8 program;

(ii) phased in equally over a period of not less than 3 years, if such increase is 30 percent or more; and

(iii) limited to not more than 10 percent per year if such increase is more than 10 percent but less than 30 percent.

Assistance under the Section 8 program shall be provided, to the extent available under appropriations acts, if necessary, to mitigate any adverse effects of these provisions on income-eligible tenants.

Interest reduction payments are made upon receipt by the HUD Secretary of a billing containing representations of facts by the Administration. If the HUD Secretary finds that interest reduction payments have been excessive because of inaccurate facts contained in the billing or other cause, the Administration is obligated to immediately refund the amount that was overpaid. Adjustments in the interest reduction payments are also made in the event a subsidized dwelling unit is destroyed or rendered not habitable for any reason unless the unit is restored or rehabilitated within a reasonable time or unless an unsubsidized unit is designated in its place.

Covenants of Owner. In the Section 236 Contract the project owner covenants and agrees with respect to each subsidized dwelling unit of the project, among other things, that:

(i) Any revision in the basic rental or fair market rental for any subsidized dwelling unit shall be made or approved by the Administration as well as subject to approval by the HUD Secretary, and the HUD Secretary agrees that it will not unreasonably withhold approval of rent revisions made or approved by the Administration;

(ii) Preference for occupancy in subsidized dwelling units shall be given to displaced families and to families whose incomes are within the lowest practicable limits for obtaining rental units in the project; and

(iii) The mortgagor shall not sell, convey or transfer the project except to a purchaser who is approved by the HUD Secretary and is entitled to participation under Section 236 and who assumes the project owner's duties and obligations under the Section 236 Contract.

Covenants of Administration. The Administration covenants and agrees that it will not assign the project mortgage or agree to the forbearance or deferment of any payment due under the project mortgage without the prior written approval of the HUD Secretary; except that, in connection with the issuance of its notes and bonds for the purpose of providing financing under the project mortgages, the Administration may assign or pledge the project mortgage and its rights thereunder as security for its note or bond holders or to a trustee without the written approval of the HUD Secretary. The HUD Secretary shall terminate payments under the Section 236 Contract if the property is acquired by any owner not eligible under Section 236 of the National Housing Act. Section 236 was amended in 1989 to include public entities as eligible owners, as well as non-profit owners.

Termination of HUD Payments. The HUD Secretary may also terminate interest reduction payments under the Section 236 Contract:

(i) Upon default by the project owner or the Administration under any provision of the agreement; or

(ii) If any action of foreclosure is instituted by the Administration, unless the Administration (i) gives to the HUD Secretary in advance written notice of its intention to institute such foreclosure and (ii) submits to the HUD Secretary in advance a plan acceptable to the HUD Secretary providing for continuity of eligibility of the project for receiving the benefits of Section 236.

A payment default under the related mortgage, in and of itself, is not a default under the Section 236 Contract.

If a project is sold upon foreclosure to a new owner (which could include another public entity on behalf of the Administration), upon satisfaction of the requirements specified in (ii) above, the Section 236 interest reduction payments would continue with respect to any mortgage loan assumed or incurred by the new project owner on the same annual and total basis and formula as specified in the related Section 236 Contract.

In the event the HUD Secretary terminates Section 236 interest reduction payments under the Section 236 Contract, the HUD Secretary shall give prior written notice thereof to the Administration stating the reasons therefor. If payments are terminated or to be terminated, such payments may be reinstated or continued by the HUD Secretary at its discretion and on such conditions as the HUD Secretary may prescribe.

Section 236, the rules, regulations and directives promulgated pursuant thereto and the Section 236 Contracts, do not contain any express requirement that any savings which result from a reduction in the Administration's cost of borrowing due to a refunding of its obligations issued to finance a mortgage loan must be used to lower the interest rate on the mortgage loan and thereby to reduce HUD Payments. Consequently, the Administration does not intend to reduce the interest rate on any of the Transferred Loans receiving Section 236 interest reduction payments as a result of the issuance of the Series 1996 A Bonds to refund the bonds originally issued by the Administration to finance such Loans. Based on the foregoing, the Administration does not believe that HUD or any other party is entitled to all or a portion of the Administration's debt service savings that result from the issuance of the Series 1996 A Bonds. However, no assurance can be provided that HUD will not assert a right to reduce the amount of payments payable under the Section 236 Contracts based upon the issuance of the Series 1996 A Bonds. If such a right is asserted, HUD could take certain actions including attempting to reduce payments under the Section 236 Contract.

Prepayment of Loan. Each Borrower covenanted in the applicable Section 236 Loan documents not to prepay such Loan prior to 20 years from the date the Project was occupied. Each such Loan permits the Borrower to prepay such Loan at any time after such date subject only to certain temporary affordability restrictions and transitional protections for affected tenants. The Year 2000 amendments permit mortgagors of Section 236 Loans to refinance their mortgages (if the mortgages are otherwise eligible for prepayment) while retaining the Section 236 subsidy.

Any prepayment of Loans could result in the redemption of Bonds at any time, at a redemption price equal to 100% of the principal amount of Bonds redeemed, plus accrued interest to the redemption date as described under "THE OFFERED BONDS - Redemption Provisions."

Transfer of Loan. Each Section 236 Contract provides that the corresponding Section 236 Loan may only be assigned, including any assignment or reassignment between the Administration and the Trustee, with HUD's prior written approval.

Decoupling Program. Congress passed legislation in 1999 that permits owners of Section 236 developments to refinance their mortgages (if such mortgages are otherwise eligible for prepayment) while retaining the Section 236 subsidy. HUD program guidelines implementing this legislation describe this as "decoupling" the subsidy from the original mortgage loan. Among other things, in order to benefit from the decoupling program, the development owner must agree to enforce the income restrictions applicable to tenants in the development for a period ending five years beyond the term of the IRP assistance. Under the program, HUD enters into a new IRP Contract with the development owner and the mortgagee pursuant to which the subsidy is continued and the new financing is approved. HUD exercises considerable discretion in implementing the program. IRP Contracts executed pursuant to the decoupling program may have terms different from those described herein for the program generally.

APPENDIX H

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. §1.01.

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

(1) for the making, purchasing or otherwise financing of Qualified Loans;

(2) for the refinancing of Qualified Loans (including, without limitation, Qualified Loans in default);

(3) 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;

(4) for the payment of any "Development Cost" as such term is defined in the Act and any other cost, including, without limitation, costs of issuance, discount, insurance or credit enhancement premiums or fees, fees and expenses of counsel, financial advisors and other professional advisors and consultants, all as permitted by the Act;

(5) for the funding of reserves; or

(6) achieving any other of the Administration's purposes, as described in the Act, as now or hereafter in effect.

Contract with Trustee and Bondholders. §1.02.

As provided in the Act and in consideration of the acceptance by the Trustee of the trusts created pursuant to the Bond Resolution and of the purchase and acceptance of Bonds of any Series issued under the Bond Resolution by any who shall from time to time be holders thereof:

(a) The provisions of the Bond Resolution and applicable Series Resolutions shall be a contract of the Administration with the Trustee 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.

Series Resolutions. §2.02.

The Administration may, in a Series Resolution, allow permitted variances from provisions of the Bond Resolution (including, without limitation, any modifications to redemption notice provisions) and any other provisions deemed advisable by the Administration and not in conflict with or in substitution for the provisions of the Bond Resolution.

Purchase of Bonds. §4.06.

The Administration may purchase or cause to be purchased any Bonds of any particular Series or maturity in lieu of redemption of such Bonds or for any other purpose pursuant to written instructions given by the Administration to the Trustee, provided that, if the purchase price of any Bonds exceeds the then applicable Redemption Price and accrued interest to the date of purchase, such written instructions shall be accompanied by a Cash Flow Certificate which takes into account any redemption or cancellation of Bonds so purchased. Such purchases shall be made in such manner as directed by the Administration. The Administration or the Trustee shall pay the purchase price of such Bonds together with accrued interest thereon from such funds as may be available therefor pursuant to the Bond Resolution, any applicable Series Resolution, or as otherwise may be made available by the Administration.

The Administration may from time to time in its discretion invite tenders for sale of Bonds to the Administration or a person designated by the Administration, either by public offer or private invitation, at such prices or bidding procedure as may be determined by the Administration. Such tender invitations may be made in lieu of redemption of Bonds or for any other purpose.

Funds and Accounts. §5.01.

The following funds and accounts are established under the Bond Resolution:

(1) Bond Proceeds Fund;

(2) Revenue Fund;

(3) Redemption Fund;

(4) Debt Service Reserve Fund;

(5) Collateral Reserve Fund; and

(6) Acquired Development Fund.

All such funds and accounts shall be held and maintained by the Trustee. The Administration may establish accounts and sub-accounts within each fund and account to the extent consistent with the Bond Resolution and such other funds or accounts as may be authorized pursuant to a Supplemental Resolution. All monies or securities held by the Trustee pursuant to the Bond Resolution or a Supplemental Resolution shall be held in trust and applied only in accordance with the provisions of the Bond Resolution, the applicable Supplemental Resolution, the Act and other applicable law.

The Administration may at any time direct the transfer of moneys or Permitted Investments between or among any fund or account created pursuant to the Bond Resolution, provided such transfers are otherwise in accordance with the provisions of the Bond Resolution. The Administration may, but is under no obligation to, at any time deposit or cause to be deposited into any fund or account under the Bond Resolution moneys from any source, including, without limitation, funds of the Administration.

Bond Proceeds Fund. §5.02.

Any proceeds of the sale of Bonds representing principal, premium or other amounts required to be deposited therein pursuant to the Bond Resolution and any Supplemental Resolution or Series Resolution and any other amounts determined by the Administration to be deposited therein from time to time shall be deposited in the Bond Proceeds Fund.

Amounts in the Bond Proceeds Fund shall be expended only: (i) to finance one or more of the purposes authorized by the Bond Resolution; (ii) to pay Cost of Issuance; (iii) to pay principal of and interest on the Bonds when due, to the extent amounts in the Revenue Fund are insufficient for such purpose; (iv) to purchase or redeem Bonds; (v) to pay, purchase or redeem bonds, notes or other obligations of the Administration or any other entity; (vi) for any other use or purpose permitted by the applicable Series Resolution and the Act, and (vii) if so provided in a Supplemental Resolution, to reimburse a Credit Facility Provider or Credit Enhancer for amounts paid or obtained under a Credit Facility or Credit Enhancement for any of the purposes described in clauses (iii), (iv), (v) or (vi) of this paragraph.

The Trustee shall pay out and permit the withdrawal of amounts on deposit in the Bond Proceeds Fund at any time for the purpose of making payments pursuant to clause (i) or (ii) of the preceding paragraph, but only upon receipt of:

(1) a written requisition setting forth each amount to be paid, the person or persons to whom such payment is to be made (which may be or include the Administration) and the purpose of each such payment; and

(2) a certificate of an Authorized Officer identifying such requisition and stating that (A) the amount to be withdrawn from the Bond Proceeds Fund pursuant to such requisition is a proper charge thereon, (B) if such requisition is in connection with the financing of a Loan, including construction advances thereon, such Loan complies with the provisions of the Bond Resolution, and (c) the amount of all payments theretofore or thereupon made by the Administration does not exceed the amount necessary to finance the purpose of such payment.

At any time the Administration may direct the Trustee in writing to transfer amounts in the Bond Proceeds Fund not required for the financing of the Administration's purposes to the Redemption Fund or to apply such amounts directly to the redemption, purchase or retirement of Bonds.

Revenue Fund. §5.03.

The Administration shall cause all Revenues to be deposited promptly with the Trustee in the Revenue Fund. There shall also be deposited in the Revenue Fund any other amounts required to be deposited therein pursuant to the Bond Resolution or any Supplemental Resolution or any other funds from any source directed to be deposited therein by the Administration.

The Trustee shall pay out of the Revenue Fund:

(i) on or before each Interest Payment Date, the amounts required for the payment of Principal Installments or Sinking Fund Installments, if any, and interest due on the Outstanding Bonds on such date, and

(ii) on or before the Redemption Date or date of purchase, the amounts required for the payment of premium, if any, and accrued interest on outstanding Bonds to be redeemed or purchased on such date unless the payment of such accrued interest shall be otherwise provided for,

and in each such case, such amounts shall be applied by the Trustee to such payments; provided that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility or Credit Enhancement are to be used to make the payments referred to in this paragraph, then amounts in the Revenue Fund which would have otherwise been used to make such payments may be applied to reimburse the Credit Facility Provider or Credit Enhancer for the amounts so obtained, all in accordance with such Supplemental Resolution; and, provided further, the foregoing payments with respect to a Series of Subordinate Bonds shall be subject to the requirements and priorities set forth in any applicable Series Resolution authorizing such Series of Subordinate Bonds.

Any amount accumulated in the Revenue Fund up to the unpaid balance of each Sinking Fund Installment may, and, if so directed in writing by the Administration, shall, be applied by the Trustee prior to the fifth day preceding the date the Trustee is required to give notice of redemption of Bonds pursuant to such Sinking Fund Installment: (i) to the purchase of Bonds of the maturity for which such Sinking Fund Installment was established, or (ii) to the redemption of such Bonds, if then redeemable by their terms, at the Redemption Prices referred to above; provided that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility or Credit Enhancement are to be used to make the purchases referred to in this paragraph, then amounts in the Revenue Fund which would have otherwise been used to make such purchases may be applied to reimburse the Credit Facility Provider or Credit Enhancer for the amounts so obtained, all in accordance with such Supplemental Resolution. Upon the purchase or redemption of any Bond, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of the next Sinking Fund Installment shall be credited by the Trustee against future Sinking Fund Installments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer.

On each interest payment date, following any payments made as provided above, and subject to the requirements and priorities set forth in any applicable Series Resolution authorizing a Series of Subordinate Bonds, the Trustee shall transfer from the Revenue Fund:

(i) first, to the Debt Service Reserve Fund, an amount equal to the amount necessary to be transferred to such Fund in order that the amount on deposit therein be equal to the Debt Service Reserve Requirement (or such lesser amount as may be available),

(ii) second, to the Bond Proceeds Fund, such amount as the Administration determines is required to finance the purposes or uses permitted to be paid from the Bond Proceeds Fund, as evidenced by a certificate of an Authorized Officer,

(iii) third, if so directed by the Administration, to the Trustee, an amount equal to the Trustee's unpaid fees and expenses,

(iv) fourth, if so directed by the Administration, to any Credit Facility Providers or Credit Enhancers, an amount equal to any fees due and owing to such Credit Facility Providers or Credit Enhancers,

(v) fifth, to the Administration, an amount equal to any Operating Expenses, to the extent unpaid, and

(vi) sixth, to the entities providing Permitted Investments with respect to the funds and accounts or any arrangements or agreements with respect thereto, amounts equal to the fees due and payable on or before the next succeeding Interest Payment Date to such entities, as designated in a certificate of an Authorized Officer, provided that the transfers made pursuant to the foregoing clauses (ii) through (v) shall be consistent with the most recent Cash Flow Statement or Cash Flow Certificate.

If the amounts to be transferred pursuant to the foregoing clauses (ii) through (v) are greater than permitted by the most recent Cash Flow Statement or Cash Flow Certificate, such greater amounts may be transferred upon the receipt by the Trustee of a new Cash Flow Statement or Cash Flow Certificate taking such increased transfers into account. At any time after the transfers described in (i), (ii), (iii), (iv), (v) and (vi) above have been made, except as otherwise provided in a Supplemental Resolution, the Administration may, upon the written request of an Authorized Officer and upon filing with the Trustee of a Cash Flow Statement or a Cash Flow Certificate, withdraw free and clear of the lien of the Bond Resolution any amount remaining in the Revenue Fund.

The Trustee may at any time make transfers from the Revenue Fund, upon the written direction of an Authorized Officer, to the Redemption Fund for the purposes of such fund. No such transfer shall be made, however, unless there is on deposit in the Revenue Fund after such transfer an amount equal to the Debt Service accrued on all Outstanding Bonds as of the date of such transfer.

No payments shall be required to be made into the Revenue Fund so long as the amount on deposit therein shall be sufficient to pay all outstanding Bonds (including the Sinking Fund Installments for the retirement thereof) in accordance with their terms, and any Revenues thereafter received by the Administration may be applied to any lawful purpose of the Administration free and clear of the pledge and lien of the Bond Resolution.

The Administration reserves the right to transfer any legally available funds, including, without limitation, proceeds of Refunding Bonds, to the Trustee for credit to the Revenue Fund to pay all or a portion of scheduled principal or interest payments on any Loan, to cure or avert a default on any Loan, or to make any payment of principal, premium, interest or Sinking Fund Installment with respect to any or all of the Bonds. The Administration shall be entitled to recover from the Borrower any amounts so advanced, together with interest thereon at the rate payable on the Loan, or to enforce its right to such recovery under the Loan.

Redemption Fund. §5.04.

The Trustee shall credit to the Redemption Fund all Recovery Payments, moneys permitted to be transferred from the Debt Service Reserve Fund, the Revenue Fund and the Bond Proceeds Fund and any other amounts provided by or on behalf of the Administration (including, without limitation, proceeds of refunding bonds or other obligations); each of which shall be used and applied, as directed by an Authorized Officer, to any of the following purposes: (i) to provide additional funds to the Bond Proceeds Fund for an increase in the amount of a Loan authorized by the Administration or for new Loans to be made, purchased or financed by the Administration, (ii) for the purchase or redemption of Outstanding Bonds as directed by an Authorized Officer, or (iii) for transfer to the Revenue Fund of amounts included in a Recovery Payment representing interest on a Loan. Upon the direction of an Authorized Officer, the Trustee shall transfer any excess funds then held in the Redemption Fund to the Revenue Fund.

Upon receipt of the instructions from an Authorized Officer, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with the foregoing paragraph to the purchase of Bonds so designated at the most advantageous price obtainable or the redemption of Bonds.

If, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to purchase or redeem Bonds, then amounts in the Redemption Fund which would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

Debt Service Reserve Fund. §5.05.

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, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Revenue Fund the amount of the deficiency then remaining. See "SECURITY FOR THE BONDS - Debt Service Reserve Fund."

Collateral Reserve Fund. §5.06.

Moneys or Cash Equivalents shall 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, disbursement of moneys or Cash Equivalents from such fund, and maintenance of moneys or Cash Equivalents required to be held in such fund with respect to either a Series of Bonds or generally. The amount of moneys or Cash Equivalents required to be held in the Collateral Reserve Fund may be reduced upon receipt by the Trustee of a Cash Flow Certificate taking into account such reduction and confirmation from each Rating Agency that such reduction, in and of itself, will not cause or result in a reduction of the rating or ratings on the Bonds in effect immediately before such reduction. Any balance in the Collateral Reserve Fund in excess of the Collateral Reserve Requirement, may, at the direction of an Authorized Officer, be withdrawn from the Collateral Reserve Fund and credited by the Trustee to any other fund.

Acquired Development Fund. §5.07.

Acquired Development Receipts shall be held by the Trustee in the Acquired Development Fund and shall 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 shall be transferred to the Revenue Fund. Payments from the Acquired Development Fund shall be made upon the direction of an Authorized Officer. Upon receipt of each such direction of an Authorized Officer, the Trustee shall pay the amount stated therein to the Administration by check or draft or shall arrange for the transfer, deposit or payment of such amounts as directed by the Authorized Officer.

Enforcement of Loan Provisions. §6.05.

The Administration shall 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.

The Administration may, in its discretion, modify, amend or alter any security for, or any terms or provisions, of any Loan or Mortgage, provided that, if such modification, amendment or alteration is material, the Administration has filed with the Trustee a Cash Flow Certificate taking such sale, release, modification, amendment or alteration into account. The Administration may, in its discretion, materially modify, amend, alter, cancel or release Credit Enhancement of any Loan, provided the Administration has filed with the Trustee a Cash Flow Certificate taking such modification, amendment, alteration, cancellation or release into account and a certificate of an Authorized Officer to the effect that any such modification, amendment, alteration, cancellation or release will not adversely affect the rating on the Bonds as in effect immediately before the date of such certification.

Whenever the Administration deems it necessary or appropriate to protect and enforce the rights of the Administration under a Mortgage securing a Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Administration either shall (i) make claim under any Credit Enhancement relating to the Loan and, if required, assign such Loan to the Credit Enhancer, (ii) commence foreclosure proceedings against the Borrower or the Development, or (iii) take such other action or exercise such other rights of the Administration upon default with respect to the Borrower or the Development as may be determined by the Administration to be in the best interests of the Bondholders. If the Loan is the subject to any Credit Enhancement, the Administration may take such actions or commence such proceedings (or refrain therefrom) as necessary or required by the Credit Enhancer and any applicable rules, regulations or procedures applicable to any Credit Enhancement in order to collect upon or exercise its rights with respect to the Credit Enhancement. To the extent necessary for the protection and enforcement of its rights under such Mortgage, the Administration may accept a deed in lieu of foreclosure or bid for and purchase the Development covered by such Mortgage at the foreclosure or other sale thereof and may acquire and take possession of such Development if to do so would, in the Administration's judgment, be in the best interests of the Bondholders.

Upon foreclosure of a Mortgage or upon acquisition of an Acquired Development in lieu of foreclosure of a Mortgage, and so long as the Administration shall have title to or be in possession of the Acquired Development, the Administration may, as the case may be, construct, operate and administer such Acquired Development in the place and stead of the Borrower. To the extent moneys on deposit in the Bond Proceeds Fund relating to the Acquired Development or other moneys are available for such purpose, the Administration may apply such moneys to complete the construction and development thereof, if not already completed. The Administration may pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Acquired Development from money withdrawn from the Acquired Development Fund. The Trustee is authorized to pay to the Administration, upon its request, any amount on deposit in the Bond Proceeds Fund with respect to any Acquired Development foreclosed or otherwise acquired by the Administration, upon receipt of advice from an Authorized Officer that such amount is required to pay an item that would have been included in the cost of the Acquired Development had the Administration not acquired the same.

Upon or after foreclosure of a Development under a Mortgage or acquisition thereof from the Borrower in lieu of foreclosure:

(1) the Administration may convey title to the Acquired Development, provided that such conveyance results in the collection of Credit Enhancement benefits, if any, relating to the Loan;

(2) the Administration may sell the Acquired Development at the best obtainable price, as determined by and in the judgment of the Administration;

(3) the Administration may sell the Acquired Development to a Borrower and make a Loan with respect thereto, as if such Borrower were the original Borrower;

(4) if the Acquired Development has not been completed, the Administration may elect to complete all or any part thereof and sell the Acquired Development as completed and any land not required for such completion as separate parcels for an aggregate price determined in accordance with paragraphs (2) or (5) above; or

(5) notwithstanding the foregoing, if the fair market value of the Acquired Development, as determined by the Administration based on such appraisals as it deems necessary, is less than the amount computed in accordance with the Bond Resolution, it may nevertheless be sold at its fair market value.

Prepayments of Loans. §6.06.

The Bond Resolution provides that the Administration will not consent to the Prepayment of any Loan unless all of the following requirements are met:

(1) The Prepayment is permitted by the Credit Enhancer (if any) of the Loan.

(2) The Administration requires that any voluntary Prepayment shall be in an amount determined by the Administration to be sufficient to provide for payment by the Administration of the following:

(i) an amount sufficient to redeem all Bonds that the Administration, in its discretion, determines to redeem in connection with such Prepayment ("Redemption Bonds") in a principal amount at least equal to the amount of the Prepayment as of the date selected by the Administration for redemption of such Redemption Bonds (the "Redemption Date");

(ii) the interest to accrue on the Redemption Bonds to such Redemption Date and premium due on such Redemption Bonds, if any; and

(iii) the costs and expenses of the Administration in effecting such redemption.

(3) In addition to the foregoing, the Administration may require that any voluntary Prepayment shall include an amount sufficient to provide for payment of other costs and expenses incurred in connection with the issuance of the Outstanding Bonds of the Series from which proceeds were used to finance the Loans, as determined by the Administration (including, without limitation capitalized interest, costs of issuance, reserves, bond discount and legal fees not included in the principal of the Loan).

(4) If required, the Administration furnishes to the Trustee a Cash Flow Certificate taking such Prepayment into account.

In determining the foregoing amount, the Administration may include a reasonable estimate of income to be derived from the investment of such Prepayment until the Redemption Date.

Sale of Loans; Release from Lien of Bond Resolution. §6.07.

The Administration is authorized to sell, assign or otherwise dispose of a Loan (and to release the same from the lien of the Bond Resolution), in addition to a sale, assignment or disposition otherwise permitted under the Bond Resolution or any applicable Supplemental Resolution, provided the proceeds of such sale, assignment or disposition shall be treated as a Recovery Payment for purposes of the Bond Resolution and provided, further, that, with respect to any Loan not in default, the Administration files with the Trustee a Cash Flow Certificate taking into account such sale, assignment or disposition.

The Administration is authorized to release a Loan from the lien of the Bond Resolution, provided the Administration files with the Trustee a Cash Flow Certificate taking into account such release.

The Administration is authorized to release a Loan secured by a Credit Facility or Credit Enhancement, reserves created or held with respect to such Loan or the Series of Bonds (or portion of such Series) issued to make, purchase or finance such Loan and any other moneys to be received with respect to such Loan 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 Loan or the Credit Enhancement securing the Loan, 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.

Maintenance of Debt Service Reserve Requirement. §6.08.

In the event the amounts held in the Debt Service Reserve Fund shall for any reason be less than the Debt Service Reserve Requirement, the Administration shall cause deposits to be made to the Debt Service Reserve Fund from moneys available in the Revenue Fund until the amounts in such fund shall equal or exceed the Debt Service Reserve Requirement. *The failure of the Administration to maintain the Debt Service Reserve Requirement shall not, in and of itself, constitute an Event of Default under the Bond Resolution.* See "SECURITY FOR THE BONDS - Debt Service Reserve Fund."

Accounts and Reports. §6.09.

The Administration shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Program and all funds and accounts established by or pursuant to the Bond Resolution, which shall at all reasonable times be subject to the inspection of the Trustee or of the holders of an aggregate of not less than five percent in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

Annually, within 180 days after the close of each Fiscal Year, the Administration shall file with the Trustee, and otherwise as provided by law, a copy of an annual report for such Fiscal Year, accompanied by an Accountant's Report, including the following statements in reasonable detail: a statement of assets and liabilities as of the end of such period and a statement of income, expenses and changes in fund balances for such period. Revenues and expenses shall be accrued, and assets shall be valued in such manner as is deemed by the Administration and the accountant to be necessary to present fairly the results of operations for the Fiscal Year and the financial position of such funds and accounts at the end of the Fiscal Year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding Fiscal Year.

Cash Flow Statements and Certificates. §6.13.

See the discussion of Cash Flow Statements and Cash Flow Certificates under the heading "SECURITY FOR THE BONDS - Cash Flow Statements and Certificates."

A 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 interest rate used shall be assumed to be the fixed rate, which in the judgment of the remarketing agent for such Bonds, or such other financial consultant selected by the Administration and experienced in the sale of municipal securities (having due regard to the prevailing market conditions), would be necessary to enable such Bonds to be sold at par in the secondary market on the date of such calculation or such higher or lower rate which does not adversely affect any of the Rating Agency's ratings on the Bonds. The calculations contained in a Cash Flow Statement may be prepared by the Administration or a financial advisor or a financial or accounting firm acceptable to the Administration.

Discharge of Lien. §7.01.

If the Administration shall pay or cause to be paid, or there shall otherwise be paid or provision for payment made, to the holders of the Bonds the principal of, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein and in the Bond Resolution, then the estate and rights granted under the Bond Resolution shall terminate and the Trustee shall assign and deliver unto the Administration all rights or property assigned or pledged to the Trustee or otherwise subject to the lien of the Bond Resolution, except cash held by the Trustee or any Paying Agent for the payment of the principal of, premium, if any, and interest on the Bonds.

Any Bond shall be deemed to be paid for all purposes of the Bond Resolution when payment of the principal of, premium, if any, and interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the Bond Resolution) either: (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (A) moneys sufficient to make such payment or (B) either Federal Obligations or Pre-Refunded Municipal Obligations maturing as to principal and interest in such amount and at such time as will ensure, together with any moneys held for payment of the Bonds pursuant to the preceding paragraph, the availability of sufficient moneys to make such payment. At such times as a Bond shall be deemed to be paid under the Bond Resolution, it shall no longer be secured by or entitled to the benefits of the Bond Resolution, except for the purposes of any such payment from such moneys, Federal Obligations or Pre-Refunded Municipal Obligations.

If the Administration shall pay or cause to be paid, or there otherwise shall be paid to the Bondholders of all Outstanding Bonds of a particular Series, the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, such Series of Bonds shall cease to be entitled to any lien, benefit or security under the Bond Resolution and the applicable Series Resolution, and the applicable Series Resolution and all covenants, agreements and obligations of the Administration to the Bondholders of such Series of Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Events of Default. §8.01.

Each of the following shall constitute an event of default under the Bond Resolution:

(a) Interest on any of the Bonds is not paid within 30 days after the same becomes due, or the principal or redemption price of any Bonds is not paid at maturity or at a redemption date at which the Bonds have been called for redemption, or a Sinking Fund Installment is not paid when due;

(b) If there is a material default in the performance or observance of any other of the Administration's covenants, agreements or conditions contained in the Bond Resolution, a Series Resolution or the Bonds, and such default is not remedied after notice thereof; or

(c) If the Administration shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

No default under clause (b) above shall constitute an Event of Default until actual notice of such default shall be given to the Administration by the Trustee or by the holders of not less than 100% in aggregate principal amount of all Bonds Outstanding and the Administration shall have had 180 days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided that if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Administration within the applicable period and diligently pursued until the default is corrected.

Remedies; Rights of Bondholders. §8.02.

Upon the occurrence of an Event of Default described in Paragraph (a) under the heading "Events of Default. §8.01" above, the Trustee may pursue any available remedy under the Act, at law or in equity to enforce the payment of the principal and interest on the Bonds then Outstanding, including, declaring the principal of all Bonds Outstanding and the interest accrued thereon to be immediately due and payable.

In addition, upon the occurrence of an Event of Default, the Administration shall:

(a) if requested so to do by the holders of no less than 100% in aggregate principal amount of Bonds then Outstanding, effectuate the assignment to the Trustee of any or all of the Loans and Mortgages held by the Administration and financed under the Program;

(b) subject the books of record and account of the Administration and all records relating to the Program to the inspection and use of the Trustee and of its agents and attorneys; and

(c) whenever the Trustee shall demand, account as if it were the trustee of an express trust for all Revenues and other money, securities and funds and accounts pledged or held under the Bond Resolution for such period as shall be stated in such demand.

Right of Bondholders to Direct Proceedings. §8.03.

The holders of 100% of the aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Resolution, or for the appointment of a receiver or any other proceedings under the Bond Resolution; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Bond Resolution.

Rights and Remedies of Bondholders. §8.07.

No holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Bond Resolution or for the execution of any trust hereof or for the appointment of a receiver or any other remedy under the Bond Resolution, unless (1) a default has occurred of which the Trustee has been notified or of which it is deemed to have notice, (2) such default shall have become an Event of Default and the owners of not less than 100% in aggregate principal amount of Bonds then Outstanding shall have made written notice to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in their own name or names, (3) they have offered to the Trustee indemnity as required by the Bond Resolution, and (4) the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name. All proceedings at law or in equity shall be instituted, had and maintained for the equal and ratable benefit of the holders of all Bonds then Outstanding (other than owners of Subordinate Bonds, who shall be entitled to the priority established with respect to the applicable Series of Subordinate Bonds). However, nothing contained in the Bond Resolution shall affect or impair the right of any Bondholders to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the obligation of the Administration to pay the principal of and interest on each of the Bonds issued under the Bond Resolution to the respective holders thereof at the time, place, from the source and in the manner expressed in the Bonds.

Waivers of Events of Default. §8.09.

The Trustee may at its discretion waive any Event of Default under the Bond Resolution and its consequences, and shall do so upon the written request of the holders of (1) more than 100% in aggregate principal amount of all the Bonds then Outstanding in respect of which default in the payment of principal or interest, or both, exists, or (2) more than 50% in aggregate principal amount of all Bonds then Outstanding in the case of any other default; provided that there shall not be waived (a) any Event of Default in the payment of the principal of any Outstanding Bonds at the date of maturity or sinking fund redemption date specified therein or (b) any default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission, all arrears of interest or all arrears of payments of principal when due, as the case may be, with interest on overdue principal at the rate borne by the Bonds, and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Administration, the Trustee and the Bondholders shall be restored to their former positions and rights under the Bond Resolution, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Supplemental Bond Resolutions. §9.01 - §9.03.

For any one or more of the following purposes and at any time or from time to time, a resolution of the Administration supplementing the Bond Resolution may be adopted, which resolution, upon filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms to:

(a) close the Bond Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Bond Resolution on, the issuance in the future of Bonds;

(b) add to the covenants or agreements of the Administration in the Bond Resolution, other covenants or agreements to be observed by the Administration which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;

(c) add to the limitations, restrictions or provisions in the Bond Resolution, other limitations, restrictions or provisions to be observed by the Administration which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;

(d) surrender any right, power or privilege reserved to or conferred upon the Administration by the Bond Resolution;

(e) confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Bond Resolution, of the Revenues or any other money, Loans, funds or accounts; or

(f) specify, determine or authorize by Series Resolution any and all matters and things relative to the Bonds of a Series or the proceeds thereof which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect.

For any one or more of the following purposes and at any time or from time to time, a resolution of the Administration, amending or supplementing the Bond Resolution, may be adopted, which, upon (i) filing with the Trustee of a copy thereof certified by an Authorized Officer and (ii) filing with the Administration of an instrument in writing made by the Trustee consenting to such resolution, shall be fully effective in accordance with its terms to:

(a) cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution;

(b) insert such provisions clarifying matters or questions arising under the Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; or

(c) amend the Bond Resolution in any respect which, in the opinion of the Trustee, is not materially adverse to the interests of the Bondholders and will not, in and of itself, adversely affect the ratings on the Bonds in effect immediately before the adoption of such amendment.

Except as provided above, the holders of not less than two-thirds in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in the Bond Resolution to the contrary notwithstanding, to consent to and approve the execution by the Administration and the Trustee of such Supplemental Resolutions hereto as shall be deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Resolution or in any Supplemental Resolutions; provided that nothing in this paragraph shall permit, or be construed as permitting, without the consent of the holders of all Outstanding Bonds, (a) an extension of the maturity or mandatory sinking fund redemption date of the principal of or the interest on any Bond issued under the Bond Resolution, or (b) a reduction in the principal amount of any Bond or the rate of interest, or sinking fund redemption requirements, thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution, or (e) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under the Bond Resolution or (f) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

Investment of Funds and Accounts. §10.02.

Except as otherwise provided in the Bond Resolution, the Administration may direct the Trustee to, and in the absence of direction the Trustee shall, invest moneys in the funds and accounts held by the Trustee in Permitted Investments, the maturity or redemption date (at the option of the Administration or the Trustee) of which shall coincide as nearly as practicable with the times at which moneys in said fund or account will be required for the purposes provided in the Bond Resolution.

Except as otherwise provided in a Series Resolution, the amount in any fund or account held by the Trustee under the provisions of the Bond Resolution shall be determined as of the end of each month as follows:

(i) the bid and asked prices of investments as published by a nationally recognized pricing service on or the date immediately preceding the date of determination, or the average bid price at the time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments;

(ii) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(iii) as to any investment not specified above: the value thereof established by prior agreement between the Administration and the Trustee.

The Trustee shall sell at the best price obtainable, as determined by the Administration, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made.

Trustee. Article XI.

The Trustee or any successor Trustee shall be a bank, trust company or national banking association having trust powers and a combined capital and surplus of not less than $50,000,000. The Trustee shall be 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. The Trustee shall not be liable in connection with the performance of its duties under the Bond Resolution, except for its own negligence or default.

The Trustee may become the owner of or may deal in Bonds or may act as a Servicer as fully and with the same rights it would have if it were not the Trustee. To the extent permitted by law, the Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Bond Resolution, whether or not any such committee shall represent the holders of a majority in aggregate principal amount of the Bonds Outstanding.

The Trustee, or any successor thereof, may at any time resign and be discharged of its duties and obligations created by the Bond Resolution by giving not less than 60 days' written notice to the Administration and giving or publishing notice thereof, specifying the date when such resignation is proposed take effect, within 20 days after the giving of such written notice. Such resignation shall not, however, take effect unless previously a successor shall have been appointed by the Administration or Bondholders as provided in the Bond Resolution, in which event such resignation shall take effect immediately on the appointment of such successor and its acceptance of such appointment.

The Trustee, or any successor thereof, may be removed at any time by the Administration (so long as the Administration is not in default under the Bond Resolution) in its sole discretion (including, without limitation, competitive or negotiated bidding for services) by notice given by the Administration to the Trustee, or by the holders of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Administration, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Bondholders or by their attorneys duly authorized in writing and delivered to the Administration.

If the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed or if any public office shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the holders of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Administration, by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to such successor Trustee and to the Administration. Pending such appointment, the Administration shall forthwith appoint a successor Trustee to fill such vacancy until a successor Trustee shall be appointed by Bondholders as authorized under the Bond Resolution.

The Administration reserves the right to approve, in its sole discretion, any successor Trustee if any Trustee is merged or converted or consolidated or if any Trustee sells or transfers all, substantially all or any portion of its corporate trust business. Any proposed transfer of the trusts created under the Bond Resolution to a successor not approved by the Administration shall constitute sufficient ground for removal of the Trustee. The Administration, in its sole discretion, reserves the right, in the future and from time to time, to undertake to obtain competitive proposals from financial and trust institutions for the performance of the services of Trustee, Registrar and Paying Agent under the Bond Resolution. The Trustee, Paying Agent and Registrar each agree that in the event its proposal is not accepted by the Administration in such circumstances, it shall resign as Trustee, Registrar or Paying Agent upon request of the Administration. Alternatively, at the option of the Administration, the failure of the Trustee, Registrar or Paying Agent to be the party whose proposal is accepted for trustee, registrar or paying agent services in the future shall constitute sufficient reason for removal of the Trustee, Registrar or Paying Agent under the Bond Resolution by the Administration.

Publication of Notice. §12.07.

Whenever the Administration or the Trustee is required or permitted to give or publish notice of any event or occurrence under the Bond Resolution, such notice shall be given or published in such manner and by such means as the Administration or the Trustee, as the case may be, shall determine to be appropriate. Such publication may be by (but is not limited to) any of the following means: (1) publication in one or more newspapers or trade journals selected by the Administration or the Trustee, as the case may be; (2) publication by or through one or more financial information reporting services; (3) delivery to one or more "nationally recognized municipal securities information repositories" (as such terms is defined in Securities and Exchange Commission Rule 15c2-12) or any successor repository or entity fulfilling a substantially similar or like role; or (4) by mailing a copy of such notice by first class mail, postage prepaid, to the person entitled to receive the notice at such person's address as shown on the records of the Administration or the Trustee.

APPENDIX I

FINANCIAL STATEMENTS OF THE COMMUNITY DEVELOPMENT ADMINISTRATION HOUSING REVENUE BONDS

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENTADMINISTRATION
HOUSING REVENUE BONDS

JUNE 30, 2004 AND 2003

Community Development Administration
Housing Revenue Bonds

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Reznick Fedder & Silverman
Certified Public Accountants • A Professional Corporation

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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 Housing Revenue Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2004 and 2003, 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 A, the financial statements present only the Community Development Administration Housing Revenue Bonds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2004 and 2003, and the changes in its net assets and cash flows, where applicable, thereof 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 Housing Revenue Bonds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2004 and 2003, 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 and Mortgage-Backed Securities 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 Fedder & Silverman

Baltimore, Maryland
September 28, 2004

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2004 and 2003

	2004	2003
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 49,160	$ 54,903
Investments	42,412	17,040
Mortgage-backed securities	1,643	896
Mortgage loans		
Single family	29	46
Multi-family construction and permanent financing	3,005	3,166
Accrued interest and other receivables	2,731	2,518
Due from other Funds	13	-
Total restricted current assets	98,993	78,569
Restricted long-term assets		
Investments, net of current portion	36,323	30,638
Mortgage-backed securities, net of current portion	311,666	250,938
Mortgage loans, net of current portion and allowance for loan losses		
Single family	648	680
Multi-family construction and permanent financing	84,301	102,822
Deferred bond issuance costs	577	798
Total restricted long-term assets	433,515	385,876
Total restricted assets	$ 532,508	$ 464,445
LIABILITIES AND NET ASSETS		
Current liabilities		
Bonds payable	$ 5,190	$ 8,875
Accrued interest payable	11,573	10,305
Accounts payable	136	264
Deposits by borrowers	5,242	5,883
Total current liabilities	22,141	25,327
Long-term liabilities		
Bonds payable, net of current portion	466,329	379,465
Deposits by borrowers, net of current portion	15,461	20,945
Total long-term liabilities	481,790	400,410
Total liabilities	503,931	425,737
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Restricted	28,577	38,708
Total liabilities and net assets	$ 532,508	$ 464,445

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

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

Years ended June 30, 2004 and 2003

	2004	2003
Operating revenue		
Interest on mortgage loans	$ 7,491	$ 8,752
Interest on mortgage-backed securities	15,190	12,055
(Decrease) increase in fair value of mortgage-backed securities	(11,126)	21,435
Interest income on investments	3,408	2,506
(Decrease) increase in fair value of investments	(678)	889
Fee income	122	93
Other operating revenue	252	55
	14,659	45,785
Operating expenses		
Interest expense on bonds	22,688	19,630
Amortization of bond issuance costs	35	40
Trustee, legal and mortgage servicing costs	57	67
Provision for loan losses	-	18
Loss on early retirement of debt	-	13
Other operating expense	118	133
	22,898	19,901
Operating (loss) income	(8,239)	25,884
Transfers of funds, net, as permitted by various bond indentures	(1,892)	(2,248)
CHANGES IN NET ASSETS	(10,131)	23,636
Net assets at beginning of year	38,708	15,072
Net assets at end of year	$ 28,577	$ 38,708

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 26,543	$ 19,250
Principal and interest received on mortgage-backed securities	16,758	12,862
Escrow funds received	6,629	7,119
Escrow funds paid	(12,704)	(6,865)
Other income received	238	55
Loan fees received	1,601	1,127
Purchase of mortgage loans	(1,701)	(13,999)
Purchase of mortgage-backed securities	(74,170)	(58,000)
Trustee, legal and mortgage servicing costs	(70)	(67)
Other expenses paid	(246)	(137)
Other reimbursements	34	115
Reimbursements due to General Bond Reserve Fund	-	(257)
Net cash used in operating activities	(37,088)	(38,797)
Cash flows from investing activities		
Proceeds from maturities or sales of investments	76,693	60,017
Purchases of investments	(108,433)	(62,910)
Interest received on investments	3,032	2,278
Net cash used in investing activities	(28,708)	(615)
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	108,434	74,185
Payments on bond principal	(25,255)	(8,585)
Reimbursement of bond costs	186	22
Interest on bonds	(21,420)	(18,270)
Transfers among Funds	(1,892)	(2,248)
Net cash provided by noncapital financing activities	60,053	45,104
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(5,743)	5,692
Cash and cash equivalents on deposit with trustee at beginning of year	54,903	49,211
Cash and cash equivalents on deposit with trustee at end of year	$ 49,160	$ 54,903

(continued)

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2004 and 2003

	2004	2003
Reconciliation of operating (loss) income to net cash from operating activities		
Operating (loss) income	$ (8,239)	$ 25,884
Adjustments to reconcile operating (loss) income to net cash used in operating activities		
Decrease (increase) in assets		
Mortgage loans	17,252	(3,442)
Mortgage-backed securities	(72,601)	(57,193)
Accrued interest and other receivables	(213)	(229)
Due from other Funds	(13)	10
(Decrease) increase in liabilities		
Accounts payable	(128)	132
Accrued interest payable	1,268	1,360
Deposits by borrowers	(6,125)	189
Due to other Funds	-	(267)
Amortizations		
Deferred income on loans	(118)	(89)
Investment discounts and premiums	5	4
Deferred bond issuance costs	35	40
Decrease (increase) in fair value of investments	678	(889)
Decrease (increase) in fair value of mortgage-backed securities	11,126	(21,435)
Loan fees deferred	1,597	1,123
Loss on early retirement of debt	-	13
Interest received on investments	(3,032)	(2,278)
Interest on bonds	21,420	18,270
Net cash used in operating activities	$ (37,088)	$ (38,797)

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2004 and 2003

NOTE A - 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 Article 83B, Sections 2-201 through 2-208) of the Annotated Code of Maryland to meet the shortage of adequate, safe and sanitary housing in the State of Maryland, particularly for persons or families of limited income. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

The accompanying financial statements only include CDA's Housing Revenue Bonds (the Fund). CDA's other Funds are not included. The Fund was established to issue bonds to provide funds to finance or refinance loans for various types of housing. As of June 30, 2004 and 2003, Housing Revenue Bonds have primarily financed multi-family projects.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is set up in accordance with CDA's enabling legislation and the Resolution providing for the issuance of Housing Revenue Bonds (Resolution). The Fund is an enterprise fund of the State of Maryland and uses the accrual basis of accounting.

Generally Accepted Accounting Principles

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily U.S. Treasury and agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2004 and 2003, all of CDA's cash equivalents are invested in a money market mutual fund which is more fully described in Note C.

Investments

Investments are principally governmental debt securities or contracts 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, if exercise of the call within the next fiscal year is probable. Investments are more fully described in Note C.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage-Backed Securities

These guaranteed securities are issued in connection with mortgage loans on multi-family projects. They are stated at fair value, based on quoted market prices. It is the intention of CDA to hold these securities to maturity or until the payoff of the related multi-family loan. Mortgage-backed securities are more fully described in Note C.

Mortgage Loans

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

Allowance for Loan Losses

Substantially all the mortgage loans of the Fund are insured or guaranteed by agencies of the U.S. Government or the Maryland Housing Fund. CDA has two uninsured non-amortizing multi-family loans in the Fund, totaling $724. CDA has established a loss reserve of $18 for these uninsured loans using evaluations from the Department's asset management group. Management believes the allowance established is adequate.

Accrued Interest and Other Receivables

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

Deferred Bond Issuance Costs

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 I.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of original issue discounts or premiums. See Notes F and G for more information.

Deposits by Borrowers

This account consists of escrows and reserves held by CDA on behalf of multi-family housing developments. CDA invests these deposits and, for reserves, allows earnings to accrue to the benefit of the mortgagor. Escrows represent amounts held by CDA for mortgage insurance and hazard insurance premiums and real estate taxes, all of which are generally paid annually and which are classified as a short-term liability. Based on the current year's reserve disbursements, CDA has estimated the short-term reserve liability. The balance of the reserves is classified as long-term. See Note H for further information on changes in long-term obligations.

Mortgage Yield Limitations

All mortgage loans are subject to yield limitations under the Internal Revenue Service Code (the Code) in order for the associated bonds to maintain their tax-exempt status. At the time of bond issuance, CDA determines the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the Code. If at any time the composite yields on the transferred loans are out of compliance with the Code, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2004 and 2003, all mortgage loan yield calculations are in compliance with the Code.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest on Mortgage Loans and Mortgage-Backed Securities

Interest on mortgage loans and mortgage-backed securities is calculated using the effective interest method.

Fee Income

CDA earns multi-family financing fees at loan origination. These fees are deferred and amortized over the life of the loan.

Administrative Support

In addition to expenses incurred directly by the Fund, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund and are 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 (the 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 K 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 CDA's activities are considered to be operating.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reclassifications

Certain 2003 amounts have been reclassified to conform to 2004 financial statement presentation.

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

Proceeds from bonds are invested in authorized investments as defined in the Resolution until required for purchasing mortgage-backed securities or originating mortgage loans, funding reserves, redeeming outstanding bonds and notes, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. government agencies, political subdivisions in the United States, bankers' acceptances, repurchase agreements, corporate debt securities and certificates of deposit with foreign or domestic banks. All CDA accounts held in trust by the trustee are kept separate from the assets of the bank and from other trust accounts.

Cash and Cash Equivalents

As of June 30, 2004 and 2003, the Fund had $49,160 and $54,903, respectively, invested in money market mutual funds (Federated Treasury Obligations Fund and ARK U.S. Government Cash Management Corporate II Class Fund, respectively) which are classified as cash and cash equivalents. The Federated Treasury Obligations Fund invests exclusively in U.S. Treasuries and in repurchase agreements collateralized by Treasury securities and is rated AAAm by Standard & Poor's and Aaa by Moody's Investor Services. As of June 30, 2003, the ARK U.S. Government Cash Management Corporation II Class Fund invested exclusively in obligations of the U.S. government and its agencies and instrumentalities and in repurchase agreements. It was rated AAA by Standard & Poor's and Aaa by Moody's Investors Services as of June 30, 2003.

(in thousands)

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

As of June 30, 2004 and 2003, the cost of these money market mutual funds approximates fair value.

The money market mutual funds are not categorized by credit risk because they are not evidenced by securities that exist in physical or book entry form.

Investments

Obligations of the U. S. Treasury are held in CDA's account by the trustee.

For repurchase agreements and guaranteed investment contracts, collateral is held by the trustee of the Fund or its agent. The agreements and contracts are at fixed interest rates, with maturities ranging from less than one year to less than three years.

As of June 30, 2004, the amortized cost and fair value of the Fund's investments, by type of investment, was as follows:

	Fair Value	Amortized Cost
Obligations of the U.S. Treasury	$ 6,214	$ 5,532
Repurchase agreements and guaranteed investment contracts	72,521	72,521
	$ 78,735	$ 78,053

(in thousands)

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

As of June 30, 2003, the amortized cost and fair value of the Fund's investments, by type of investment, was as follows:

	Fair Value	Amortized Cost
Obligations of the U.S. Treasury	$ 6,897	$ 5,537
Repurchase agreements and guaranteed investment contracts	40,781	40,781
	$ 47,678	$ 46,318

Mortgage-Backed Securities

All mortgage-backed securities held by CDA are guaranteed by the Government National Mortgage Association (GNMA), an instrumentality of the United States government. GNMA securities are "fully modified pass-through" mortgage-backed securities which require monthly payments by a Federal Housing Administration (FHA) approved lender, as the issuer of the Guaranteed Security to CDA. GNMA guarantees timely payment of principal and interest on Guaranteed Securities. It is the intention of CDA to hold these securities until the underlying loan is paid in full.

As of June 30, 2004, the cost and fair value of mortgage-backed securities was as follows:

Fair Value	Cost
$ 313,309	$ 306,776

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

Fair Value	Cost
$ 251,834	$ 234,174

(in thousands)

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

Category of Risk

Investments and mortgage-backed securities are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, with securities held by CDA or its agent in CDA's name.
Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department in CDA's name.
Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in CDA's name.

All investments and mortgage-backed securities of the Fund are classified as Category 1.

NOTE D - MORTGAGE LOANS

Approximately 99% of all the mortgage loans are secured by first liens on the related property and are credit enhanced through the FHA mortgage insurance program, the Federal Home Loan Mortgage Corporation, the Maryland Housing Fund, Fannie Mae or GNMA. As of June 30, 2004, interest rates on such loans range from 3.0% to 14.5%, with remaining loan terms from approximately 6 years to 40 years. As of June 30, 2003, interest rates on such loans range from 3.7% to 14.5%, with remaining loan terms from 7 years to 40 years.

NOTE E - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2004 and 2003 were as follows:

	2004	2003
Accrued mortgage loan interest	$ 626	$ 744
Escrows due from multi-family mortgagors	356	406
Accrued investment interest	1,571	1,201
Negative arbitrage due from mortgagors	178	167
	$ 2,731	$ 2,518

(in thousands)

NOTE F - BONDS PAYABLE

The bonds issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the applicable indentures. These bonds do not constitute debt of and are not guaranteed by the State of Maryland or any other program of the State of Maryland or any political subdivision. The provisions of the Resolution require or allow for the special redemption of bonds 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 prices range from 100% to 102% of the principal amount. All bonds are tax-exempt and have fixed interest rates.

The following is a summary of the bond activity for the year ended June 30, 2004 and the debt outstanding and bonds payable as of June 30, 2004:

					Bond Activity					
	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2003	New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	Debt Outstanding at June 30, 2004	Discounts/ Premiums and Other Deferred Costs	Bonds Payable at June 30, 2004
Housing Revenue Bonds										
Series 1996 A	11/1/1996	4.80%-5.95%	2003-2023	$ 83,565	$ -	$ (3,680)	$ (19,585)	$ 60,300	$ -	$ 60,300
Series 1996 B	11/1/1996	4.80%-5.95%	2003-2028	1,910	-	(40)	-	1,870	-	1,870
Series 1997 A	6/1/1997	4.60%-6.00%	2003-2039	36,160	-	(300)	-	35,860	-	35,860
Series 1997 B	9/1/1997	4.50%-5.75%	2003-2039	7,500	-	(60)	-	7,440	-	7,440
Series 1997 C	12/1/1997	4.30%-5.65%	2003-2039	13,695	-	(120)	-	13,575	-	13,575
Series 1998 A	4/1/1998	4.30%-5.625%	2003-2040	10,760	-	(100)	-	10,660	-	10,660
Series 1999 A	2/1/1999	3.80%-5.35%	2003-2041	16,135	-	(140)	-	15,995	-	15,995
Series 1999 B	10/15/1999	4.70%-6.40%	2003-2042	15,650	-	(190)	-	15,460	-	15,460
Series 1999 C	10/15/1999	5.85%-6.40%	2014-2040	515	-	(5)	-	510	-	510
Series 1999 D	12/1/1999	4.75%-6.35%	2003-2042	14,045	-	(265)	-	13,780	-	13,780
Series 2000 A	10/1/2000	4.60%-6.10%	2003-2042	27,445	-	(200)	-	27,245	-	27,245
Series 2001 A	7/1/2001	3.95%-5.625%	2005-2043	29,645	-	-	-	29,645	-	29,645
Series 2001 B	10/1/2001	3.15%-5.45%	2004-2043	47,630	-	-	(570)	47,060	-	47,060
Series 2002 A	3/1/2002	3.00%-5.70%	2004-2043	9,500	-	-	-	9,500	-	9,500
Series 2002 B	10/1/2002	2.20%-5.05%	2005-2045	34,435	-	-	-	34,435	-	34,435
Series 2002 C	10/1/2002	2.20%-5.00%	2005-2035	6,740	-	-	-	6,740	-	6,740
Series 2002 D	10/1/2002	2.20%-5.00%	2005-2035	8,280	-	-	-	8,280	-	8,280
Series 2003 A	4/1/2003	3.00%-5.22%	2008-2045	24,730	-	-	-	24,730	-	24,730
Series 2003 B	7/1/2003	2.35%-5.00%	2007-2045	-	17,660	-	-	17,660	-	17,660
Series 2003 C	9/1/2003	2.70%-5.90%	2007-2045	-	10,735	-	-	10,735	(6)	10,729
Series 2003 D	12/1/2003	2.50%-5.125%	2007-2045	-	12,080	-	-	12,080	-	12,080
Series 2004 A	1/1/2004	2.30%-5.10%	2007-2045	-	11,130	-	-	11,130	-	11,130
Series 2004 B	3/31/2004	2.50%-4.70%	2009-2046	-	20,320	-	-	20,320	-	20,320
Series 2004 C	6/10/2004	4.00%-5.40%	2010-2047	-	36,515	-	-	36,515	-	36,515
Totals				$ 388,340	108,440	$ (5,100)	$ (20,155)	$ 471,525	$ (6)	$ 471,519

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

NOTE F - BONDS PAYABLE (Continued)

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

					Bond Activity					
	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2002	New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	Debt Outstanding at June 30, 2003	Discounts/ Premiums and Other Deferred Costs	Bonds Payable at June 30, 2003
Housing Revenue Bonds.										
Series 1996 A	11/01/96	4.65%-5.95%	2003-2023	$ 90,995	$ -	$ (3,725)	$ (3,705)	$ 83,565	$ -	$ 83,565
Series 1996 B	11/01/96	4.65%-5.95%	2003-2028	1,955	-	(45)	-	1,910	-	1,910
Series 1997 A	06/01/97	4.50%-6.00%	2003-2039	36,445	-	(285)	-	36,160	-	36,160
Series 1997 B	09/01/97	4.35%-5.75%	2003-2039	7,555	-	(55)	-	7,500	-	7,500
Series 1997 C	12/01/97	4.20%-5.65%	2003-2039	13,810	-	(115)	-	13,695	-	13,695
Series 1998 A	04/01/98	4.20%-5.625%	2003-2040	10,855	-	(95)	-	10,760	-	10,760
Series 1999 A	02/01/99	3.70%-5.35%	2003-2041	16,345	-	(210)	-	16,135	-	16,135
Series 1999 B	10/15/99	4.55%-6.40%	2003-2042	15,735	-	(85)	-	15,650	-	15,650
Series 1999 C	10/15/99	5.85%-6.40%	2014-2040	520	-	(5)	-	515	-	515
Series 1999 D	12/01/99	4.65%-6.35%	2003-2042	14,305	-	(260)	-	14,045	-	14,045
Series 2000 A	10/01/00	4.60%-6.10%	2003-2042	27,445	-	-	-	27,445	-	27,445
Series 2001 A	07/01/01	3.95%-5.625%	2005-2043	29,645	-	-	-	29,645	-	29,645
Series 2001 B	10/01/01	3.15%-5.45%	2004-2043	47,630	-	-	-	47,630	-	47,630
Series 2002 A	03/01/02	3.00%-5.70%	2004-2043	9,500	-	-	-	9,500	-	9,500
Series 2002 B	10/01/02	2.20%-5.05%	2005-2045	-	34,435	-	-	34,435	-	34,435
Series 2002 C	10/01/02	2.20%-5.00%	2005-2035	-	6,740	-	-	6,740	-	6,740
Series 2002 D	10/01/02	2.20%-5.00%	2005-2035	-	8,280	-	-	8,280	-	8,280
Series 2003 A	04/01/03	3.00%-5.22%	2008-2045	-	24,730	-	-	24,730	-	24,730
Totals				$ 322,740	$ 74,185	$ (4,880)	$ (3,705)	$ 388,340	$ -	$ 388,340

(in thousands)

NOTE G - DEBT SERVICE REQUIREMENTS

As of June 30, 2004, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to year end and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note F) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

Years ended June 30,	Interest	Principal
2005	$ 24,090	$ 5,190
2006	24,847	6,230
2007	24,549	6,810
2008	24,206	8,610
2009	23,825	8,540
2010-2014	112,141	49,995
2015-2019	98,257	52,575
2020-2024	85,359	46,390
2025-2029	72,101	53,155
2030-2034	55,965	66,840
2035-2039	35,764	82,065
2040-2044	13,528	70,750
2045-2049	949	14,375
Total	$ 595,581	$ 471,525

(in thousands)

NOTE G - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2003, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to year end and excluding the effect of unamortized discounts/premiums and other deferred costs) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

Years ended June 30,	Interest	Principal
2004	$ 20,756	$ 8,875
2005	20,691	5,620
2006	20,401	6,960
2007	20,066	7,580
2008	19,699	8,075
2009-2013	91,881	45,940
2014-2018	78,351	51,720
2019-2023	65,681	40,140
2024-2028	54,725	39,605
2029-2033	42,426	49,905
2034-2038	27,118	60,885
2039-2043	9,909	54,600
2044-2048	494	8,435
Total	$ 472,198	$ 388,340

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2004 and 2003

NOTE H - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2004, were as follows:

	Beginning balance	Additions	Reductions	Change in deferred amounts for issuance discounts/premiums	Due within one year	Ending balance
Long-term bonds payable	$ 379,465	$ 108,440	$ (16,380)	$ (6)	$ (5,190)	$ 466,329
Deposits by borrowers	20,945	6,579	(6,821)	-	(5,242)	15,461
Total long-term liabilities	$ 400,410	$ 115,019	$ (23,201)	$ (6)	$ (10,432)	$ 481,790

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

	Beginning balance	Additions	Reductions	Change in deferred amounts for issuance discounts/premiums	Due within one year	Ending balance
Long-term bonds payable	$ 317,835	$ 74,185	$ (3,680)	$ -	$ (8,875)	$ 379,465
Deposits by borrowers	-	33,693	(6,865)	-	(5,883)	20,945
Total long-term liabilities	$ 317,835	$ 107,878	$ (10,545)	$ -	$ (14,758)	$ 400,410

NOTE I - INTERFUND ACTIVITY

In accordance with the Resolution, net assets in Housing 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.

(in thousands)

NOTE I - INTERFUND ACTIVITY (Continued)

During the years ended June 30, 2004 and 2003, the Fund transferred the following amounts, as permitted to other Funds:

	2004	2003
Multi-family financing fees transferred to the General Bond Reserve Fund	$ (1,597)	$ (1,123)
Transfer surplus funds from the Multi-Family Housing Revenue Bonds for loan originations	830	-
Excess revenue transferred to the General Bond Reserve Fund	(1,125)	(1,125)
	$ (1,892)	$ (2,248)

As of June 30, 2004 and 2003, interfund balances consisted of the following:

	2004	2003
Other interfund transfer activity due from the General Bond Reserve Fund	$ 13	$ -

NOTE J - MORTGAGE INSURANCE

Approximately 99% of all CDA's mortgage loans have mortgage insurance as described in Note D.

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

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

NOTE K - PENSION AND OTHER POST-RETIREMENT BENEFITS

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

NOTE L - COMMITMENTS

As of June 30, 2004, CDA had commitments to purchase approximately $76,500 in GNMA mortgage-backed securities. These securities will be purchased with the proceeds of bonds already issued in the Fund to finance mortgage loans on multifamily projects. The interest rates on these securities range from 4.86% to 6.16%. CDA also had a commitment to fund a 4% mortgage loan of $1,250 in the Fund. This loan is uninsured with two tranches. The first tranche of $139 is amortizing monthly for 40 years; the balance is payable from surplus cash.

NOTE M - SUBSEQUENT EVENT

Subsequent to the year ended June 30, 2004, CDA redeemed Series 1996 A bonds in the amount of $150 on August 17, 2004.

Community Development Administration
Housing Revenue Bonds

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

June 30, 2004 and 2003
(Unaudited)

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

For investments held by CDA as of June 30, 2004, the following schedule summarizes the increase/decrease in fair value for each of these years and the cumulative difference between fair value and amortized cost:

FY 1997	$	(352)
FY 1998		832
FY 1999		(407)
FY 2000		48
FY 2001		193
FY 2002		157
FY 2003		889
FY 2004		(678)
Cumulative total	$	682

For mortgage-backed securities held by CDA as of June 30, 2004, the following schedule summarizes the increase/decrease in fair value for each of these years and the cumulative difference between fair value and cost:

FY 2000	$	(3,825)
FY 2001		(3,291)
FY 2002		3,340
FY 2003		21,435
FY 2004		(11,126)
Cumulative total	$	6,533

Community Development Administration
Housing Revenue Bonds

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

June 30, 2004 and 2003
(Unaudited)

For investments held by CDA as of June 30, 2003, the following schedule summarizes the increase/decrease in fair value for each of these years and the cumulative difference between fair value and amortized cost:

FY 1997	$	(352)
FY 1998		832
FY 1999		(407)
FY 2000		48
FY 2001		193
FY 2002		157
FY 2003		889
Cumulative total	$	1,360

For mortgage-backed securities held by CDA as of June 30, 2003, the following schedule summarizes the increase/decrease in fair value for each of these years and the cumulative difference between fair value and cost:

FY 2000	$	(3,825)
FY 2001		(3,291)
FY 2002		3,340
FY 2003		21,435
Cumulative total	$	17,659

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS

Unaudited Interim Financial Statements
For the three month period ended
September 30, 2004

Community Development Administration
Housing Revenue Bonds

Balance Sheets
(in thousands)

As of September 30, 2004 and June 30, 2004

	9/30/2004 (Unaudited)	6/30/2004 (Audited)
Restricted assets		
Restricted current assets:		
Cash on deposit with trustee	$ 41,106	$ 49,160
Investments	36,589	42,412
Mortgage-backed securities	1,755	1,643
Single family mortgage loans	34	29
Multi-family mortgage loans	3,494	3,005
Accrued interest and other receivables	2,966	2,731
Due from other Funds	13	13
Total restricted current assets	85,957	98,993
Restricted long-term assets:		
Investments, net of current portion	30,539	36,323
Mortgage-backed securities, net of current portion	334,268	311,666
Single family mortgage loans, net of current portion	635	648
Multi-family mortgage loans, net of current portion	83,215	84,301
Deferred bond issuance costs	568	577
Total restricted long-term assets	449,225	433,515
Total restricted assets	$ 535,182	$ 532,508
Liabilities and net assets		
Current liabilities:		
Accrued interest payable	$ 6,370	$ 11,573
Accounts payable	137	136
Bonds payable	6,135	5,190
Deposits by borrowers	5,007	5,242
Total current liabilities	17,649	22,141
Long-term liabilities:		
Bonds payable, net of current portion	462,119	466,329
Deposits by borrowers, net of current portion	14,357	15,461
Total long-term liabilities	476,476	481,790
Total liabilities	494,125	503,931
Net assets:		
Restricted	41,057	28,577
Total net assets	41,057	28,577
Total liabilities and net assets	$ 535,182	$ 532,508

See accompanying notes.

Community Development Administration
Housing Revenue Bonds

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

For the three months ended September 30, 2004 and September 30, 2003

	9/30/2004 (Unaudited)	9/30/2003 (Unaudited)
Operating revenue		
Interest on mortgage loans	$ 1,688	$ 2,073
Interest on mortgage-backed securities	4,457	3,462
Interest income on investments	1,027	652
Increase (decrease) in fair value of mortgage-backed securities	11,226	(5,131)
Increase (decrease) in fair value of investments	360	(323)
Fee income	40	27
Other operating revenue	-	14
	18,798	774
Operating expenses		
Interest expense on bonds	6,259	5,431
Trustee, legal and mortgage servicing costs	50	32
Amortization of bond issuance costs	8	10
Loss on early retirement of debt	1	-
	6,318	5,473
Operating income	12,480	(4,699)
Changes in net assets	$ 12,480	$ (4,699)
Changes in net assets		
Net assets at beginning of period	$ 28,577	$ 38,708
Changes in net assets	12,480	(4,699)
Net assets at end of period	$ 41,057	$ 34,009

See accompanying notes.

Community Development Administration
Housing Revenue Bonds

Statements of Cash Flows
(in thousands)

For the three months ended September 30, 2004 and September 30, 2003

	9/30/2004 (Unaudited)	9/30/2003 (Unaudited)
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 2,362	$ 2,926
Principal and interest received on mortgage-backed securities	4,935	3,817
Escrow funds received	1,187	1,760
Escrow funds paid	(2,487)	(2,976)
Loan fees received	5	1
Purchase of mortgage loans	-	(886)
Purchase of mortgage-backed securities	(11,966)	(16,499)
Trustee, legal and mortgage servicing costs	(50)	(32)
Other expenses paid	-	(128)
Net cash from operating activities	(6,014)	(12,017)
Cash flows from investing activities		
Proceeds from maturities or sales of investments	11,966	18,385
Purchases of investments	-	(28,388)
Interest received on investments	721	381
Net cash from investing activities	12,687	(9,622)
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	-	28,388
Payments on bond principal	(3,265)	(6,690)
Interest on bonds	(11,462)	(10,260)
Net cash from noncapital financing activities	(14,727)	11,438
Net decrease in cash on deposit with trustee	(8,054)	(10,201)
Cash on deposit with trustee at beginning of period	49,160	54,903
Cash on deposit with trustee at end of period	$ 41,106	$ 44,702

Reconciliation of operating income to net cash

Community Development Administration
Housing Revenue Bonds

Statements of Cash Flows
(in thousands)

For the three months ended September 30, 2004 and September 30, 2003

		9/30/2004 (Unaudited)		9/30/2003 (Unaudited)
from operating activities				
Operating income (loss)	$	12,480	$	(4,699)
Adjustments to reconcile operating income to net cash from operating activities --				
Decrease (increase) in assets				
Mortgage loans		640		(78)
Mortgage-backed securities		(11,488)		(16,144)
Accrued interest and other receivables		(235)		(194)
Increase (decrease) in liabilities				
Accounts payable		1		(156)
Accrued interest payable		(5,203)		(4,829)
Deposits by borrowers		(1,339)		(1,235)
Amortizations				
Deferred income on loans		(35)		(26)
Investment premiums		1		1
Deferred bond issuance costs		8		10
Decrease (increase) in fair value of investments		(360)		323
Decrease (increase) in fair value of mortgage-backed securities		(11,226)		5,131
Loss on early retirement of debt		1		-
Interest received on investments		(721)		(381)
Interest on bonds		11,462		10,260
Net cash from operating activities	$	(6,014)	$	(12,017)

See accompanying notes.

Community Development Administration
Housing Revenue Bonds

Notes to Unaudited Interim Financial Statements
(in thousands)

September 30, 2004

1. **Basis of presentation:**

   In the opinion of management, the accompanying interim financial statements of the Community Development Administration (CDA) Housing Revenue Bonds present fairly the financial position at September 30, 2004 and the results of its operations for the three months ended September 30, 2004 and September 30, 2003. 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 September 30, 2004 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, 2004 and for the year then ended, which have been included elsewhere in this disclosure. The results of operations presented in the accompanying financial statements are not necessarily representative of operations for the entire year.

2. **Investments and mortgage-backed securities:**

   In accordance with GASB 31, CDA reflects investments and mortgage-backed securities at fair value.

   Investments
   As of September 30, 2004, the fair value of the investments was $67,128 of which $66,086 was the cost of these investments and $1,042 was the cumulative increase in fair value. The increase in fair value of investments for the period ended September 30, 2004 was $360.

   Mortgage-backed securities
   As of September 30, 2004, the fair value of the mortgage-backed securities was $336,023 of which $318,264 was the cost of these mortgage-backed securities and $17,759 was the cumulative increase in fair value. The increase in fair value of mortgage-backed securities for the period ended September 30, 2004 was $11,226.

3. **Mortgage loans:**

   During the three months ended September 30, 2004, CDA purchased mortgage-backed securities in the amount of $11,966.

4. **Bonds Payable:**

   On August 17, 2004, CDA redeemed, prior to maturity, $150 of Housing Revenue Bonds. A loss of $1 was incurred.

5. **Subsequent events:**

   On November 23, 2004, CDA issued $3,270 of Housing Revenue Bonds Series 2004 D.

6. **Reclassification:**

   Certain 2003 amounts have been reclassified to conform to 2004 financial statement presentation.

APPENDIX J

FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

MARYLAND HOUSING FUND

JUNE 30, 2004 AND 2003

Maryland Housing Fund

TABLE OF CONTENTS

Reznick Fedder & Silverman
Certified Public Accountants • A Professional Corporation

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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, 2004 and 2003, 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 A, 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, 2004 and 2003, and the changes in its net assets and cash flows, where applicable, thereof 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, 2004 and 2003, 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.

Reznick Fedder & Silverman

Baltimore, Maryland
August 27, 2004

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Maryland Housing Fund

STATEMENTS OF NET ASSETS

June 30, 2004 and 2003

	2004	2003
ASSETS		
CURRENT ASSETS		
Unrestricted current assets		
Cash on deposit with State Treasurer		
Operating account	$ 3,775,068	$ 3,337,181
Loans and interest receivable, net of allowance for loans and related losses	136,017	1,323,756
Acquired property	2,795,989	3,108,421
Other	335,795	224,045
Total unrestricted current assets	7,042,869	7,993,403
Restricted current assets		
Cash on deposit with State Treasurer		
Loan account	96,088,827	94,870,938
Total restricted current assets	96,088,827	94,870,938
Total current assets	103,131,696	102,864,341
NONCURRENT ASSETS		
Investments	821,921	867,121
Loans, net of allowance and current portion	577,493	651,068
Total noncurrent assets	1,399,414	1,518,189
Total assets	$ 104,531,110	$ 104,382,530

(continued)

Maryland Housing Fund

STATEMENTS OF NET ASSETS - CONTINUED

June 30, 2004 and 2003

	2004	2003
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 285,689	$ 240,263
Accrued compensated absences	82,447	87,618
Accrued workers' compensation	1,240	16,740
Mortgage escrow accounts	436,788	402,950
Unearned premiums	1,464,643	2,052,557
Allowance for unpaid insurance losses	14,945,941	24,393,779
Total current liabilities	17,216,748	27,193,907
LONG-TERM LIABILITIES		
Accrued compensated absences, net of current portion	124,342	117,864
Accrued workers' compensation, net of current portion	6,760	91,260
Mortgage escrow accounts, net of current portion	821,921	867,121
Total long-term liabilities	953,023	1,076,245
Total liabilities	18,169,771	28,270,152
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Restricted net assets		
Multi-Family Reserves	44,698,739	44,698,739
Regular Single-Family Reserves	32,273,875	32,273,875
Revitalization (Pilot) Reserves	2,224,450	2,224,450
Home and Energy Loan Reserves	500,000	500,000
Unallocated Reserves	16,391,763	15,173,874
Total restricted net assets	96,088,827	94,870,938
Unrestricted accumulated deficit	(9,727,488)	(18,758,560)
Total net assets	86,361,339	76,112,378
Total liabilities and net assets	$ 104,531,110	$ 104,382,530

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF REVENUES AND EXPENSES

Years ended June 30, 2004 and 2003

	2004	2003
Operating revenues		
Net premiums	$ 3,509,276	$ 4,607,963
Interest income on loans	603,862	570,446
Other income	7,067	37,399
Total operating revenues	4,120,205	5,215,808
Operating expenses		
Benefit from losses and expenses related to claims	(8,270,670)	(2,119,434)
Net losses on sales of acquired property	302,615	1,900,157
Salaries and related benefits	2,500,148	2,531,314
General and administrative	557,040	625,710
Total operating expenses	(4,910,867)	2,937,747
Operating income	9,031,072	2,278,061
Nonoperating revenues		
Restricted interest income on investments	1,217,889	1,964,142
Unrestricted interest income on investments	-	2,915
Total nonoperating revenues	1,217,889	1,967,057
CHANGE IN NET ASSETS	$ 10,248,961	$ 4,245,118

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF CHANGES IN NET ASSETS

Years ended June 30, 2004 and 2003

	Restricted Funds						
	Multi-Family Reserves	Regular Single-Family Reserves	Revitalization (Pilot) Reserves	Home and Energy Loan Reserves	Unallocated Reserves	Unrestricted Accumulated Deficit	Total
Balance at June 30, 2002	$ 44,698,739	$ 32,273,875	$ 2,224,450	$ 500,000	$ 23,209,732	$ (21,039,536)	$ 81,867,260
Interest income allocated at the discretion of DHCD Secretary	-	-	-	-	1,964,142	(1,964,142)	-
Transfers to the State Treasury	-	-	-	-	(10,000,000)	-	(10,000,000)
Change in net assets	-	-	-	-	-	4,245,118	4,245,118
Balance at June 30, 2003	44,698,739	32,273,875	2,224,450	500,000	15,173,874	(18,758,560)	76,112,378
Interest income allocated at the discretion of DHCD Secretary	-	-	-	-	1,217,889	(1,217,889)	-
Change in net assets	-	-	-	-	-	10,248,961	10,248,961
Balance at June 30, 2004	$ 44,698,739	$ 32,273,875	$ 2,224,450	$ 500,000	$ 16,391,763	$ (9,727,488)	$ 86,361,339

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF CASH FLOWS

Years ended June 30, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Receipts from premiums	$ 3,486,337	$ 4,552,152
Premiums refunded	(525,081)	(427,711)
Receipts from loans	1,502,999	2,004,551
Payments for loans	(152,885)	(2,161,195)
Receipts from mortgage escrows	166,123	161,923
Payments for mortgage escrows	(132,285)	(121,752)
Sale proceeds from acquired properties	5,466,910	5,257,335
Receipts from miscellaneous fees	6,033	33,013
Payments for properties acquired	(6,212,005)	(6,232,145)
Payments for salaries and related benefits	(2,610,784)	(2,587,086)
Payments for general and administrative expenses	(557,475)	(622,203)
Net cash provided by (used in) operating activities	437,887	(143,118)
Cash flows from investing activities		
Receipts from interest earned on investments	1,217,889	2,112,143
Transfer of unallocated reserves to the State	-	(10,000,000)
Net cash provided by (used in) investing activities	1,217,889	(7,887,857)
NET INCREASE (DECREASE) IN CASH	1,655,776	(8,030,975)
Cash, beginning of year	98,208,119	106,239,094
Cash, end of year	$ 99,863,895	$ 98,208,119

(continued)

Maryland Housing Fund

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30, 2004 and 2003

	2004	2003
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income	$ 9,031,072	$ 2,278,061
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Decrease in allowance for unpaid insurance losses	(9,447,838)	(3,072,222)
Decrease in acquired property	312,432	1,846,297
(Increase) decrease in investments and other assets	(66,550)	34,683
Decrease in accounts payable and other accrued liabilities	(64,629)	(76,380)
Decrease in unearned premiums	(587,914)	(539,209)
Decrease (increase) in loans and interest receivable	1,261,314	(614,348)
Net cash provided by (used in) operating activities	$ 437,887	$ (143,118)

See notes to financial statements

NOTE A - PROGRAM DESCRIPTION

The Maryland Housing Fund (MHF) was established in 1971 by Section 3-201 through 3-208 of Article 83B 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, 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 division of the Department of Housing and Community Development (DHCD).

MHF is an enterprise fund of the State of Maryland (the State) and follows the accrual basis of accounting.

MHF's single-family programs insure mortgages made by private Maryland lending institutions, Baltimore City and the Community Development Administration of the State of Maryland (CDA). These programs include:

- Regular Single-Family Program - MHF is liable for the first loss, up to 25% of the mortgage amount, depending on the loan-to-value ratio.

- Baltimore City Pilot, State Pilot, Pension Loan and Baltimore Residential Programs - MHF insures loans made for the purpose of stimulating the flow of private mortgage capital into areas which have suffered decreasing home ownership and associated economic and social instability. MHF insures 100% of the mortgage amounts.

- Pool Insurance - MHF insures mortgages predominately financed through proceeds of revenue bonds of CDA and is liable for the balance of the loan not covered under primary insurance. Coverage is limited to 10% of lendable proceeds for the aggregate of revenue bond issues (stop-loss). MHF also insures loans financed by certain bonds issued by the

NOTE A - PROGRAM DESCRIPTION (Continued)

City of Baltimore with a 10% stop-loss and on one series of City bonds at a 20% 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 and a portion of mortgage loans financed by one series of bonds issued by the City of Baltimore. Notwithstanding the reinsurance provided by the Wisconsin Mortgage Assurance Corporation, the MHF pool insurance coverage in force also includes coverage for mortgage loans financed by these series.

- Home and Energy Loan Program (HELP) - MHF insures loans made for the purpose of rehabilitation and energy conservation in owner occupied or rental housing financed by CDA's Home and Energy Loan Program and is liable for up to 100% of the loan amounts.

MHF's Multi-Family Program provides several plans, but all existing multi-family insurance, other than the program for private lenders, is 100% insurance of projects financed by revenue bonds. Currently, MHF is insuring loans for CDA, the Housing Opportunities Commission of Montgomery County, the Housing Authority for Prince George's County and SunTrust Mortgage, Inc.

In early 1997, MHF suspended all new insurance activity (except for pool insurance on certain single-family loans). However, on an ongoing basis, MHF may consider undertaking insurance commitments on a limited basis.

In 2002, the Department re-opened a limited multi-family program of MHF insuring mortgage loans known as "SHOP" (Special Housing Opportunity 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.

In March 2004, enacted Legislation allocated up to $1.6 million of Revitalization Reserves to insure loans made to victims of Hurricane Isabel. No new insurance had been written under this program as of June 30, 2004. This Legislation expires May 31, 2005.

MHF has allocated separate reserve funds for the Multi-Family Program, Regular Single-Family Program, Revitalization (Pilot) Program and the Home and Energy Loan Program. Insurance of single-family mortgage loans funded by certain CDA housing mortgage revenue bonds provides 100% coverage and is backed by the multi-family reserve fund. Insurance offered to private lenders for permanent mortgages in publicly designated renewal or redevelopment areas provides 100% coverage and is also backed by the multi-family reserve fund.

NOTE A - PROGRAM DESCRIPTION (Continued)

MHF's restricted funds are derived from the net proceeds of five issues of 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. In 2003, restricted funds were decreased due to a transfer of $10,000,000 to the State Treasury. The unrestricted accumulated deficit reflects MHF's operations since inception less interest income.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 has 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.

Cash on Deposit with State Treasurer

All cash is deposited with the State Treasurer. The cash is pooled with all other State funds and invested under State guidelines.

Investments

Investments consist of U.S. government treasury notes and zero-coupon bonds carried at fair value based on quoted market prices. Investments are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, with securities held by MHF or its agent in MHF's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department in MHF's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in MHF's name.

All investments of MHF are classified as Category 1.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2004, acquired property consists of $1,825,602 of single-family property and $970,387 of multi-family property. As of June 30, 2003, acquired property consists of $2,017,670 of single-family property and $1,090,751 of multi-family property.

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.

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.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Salaries and Related Benefits

MHF is subject to an allocation of intradepartmental support costs of the DHCD, which are included in salaries and related benefits 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.

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.

Revenues and Expenses

MHF distinguishes operating revenues and expenses from nonoperating 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 salary, general and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The interest earned on restricted investments is restricted revenue.

Reclassifications

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

NOTE C - CASH ON DEPOSIT WITH STATE TREASURER

Principally all cash is held on deposit with the State Treasurer and invested as a component of the State of Maryland investment portfolio. Investment earnings on amounts credited to the operating account do not accrue to the benefit of the MHF. In 2003, MHF transferred $10,000,000 to the State Treasury. There was no transfer in 2004. For additional information on the risk categories of cash, see the State of Maryland Comprehensive Annual Financial Report.

NOTE D - 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, 2004 and 2003:

	2004	2003
Multi-Family	$ 10,866,564	$ 12,174,824
Single-Family	160,084	190,307
Interest receivable on loans	5,013,941	4,498,420
	16,040,589	16,863,551
Allowance for possible losses on Multi-Family loans	(10,287,015)	(10,393,832)
Allowance for possible losses on Single-Family loans	(29,715)	-
Allowance for possible losses on interest receivable	(5,010,349)	(4,494,895)
Total allowance for possible losses	(15,327,079)	(14,888,727)
Loans and interest receivable, net of allowance for loans and related losses	$ 713,510	$ 1,974,824
Current portion, net of allowance	$ 136,017	$ 1,323,756
Noncurrent portion, net of allowance	577,493	651,068
Loans and interest receivable, net of allowance for loans and related losses	$ 713,510	$ 1,974,824

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

Changes in the allowance for possible losses on loans and interest receivable were as follows for the years ended June 30, 2004 and 2003:

	2004	2003
Balance, beginning of year	$ 14,888,727	$ 14,780,508
Provision charged to operations	438,352	326,665
Charge-offs	-	(218,446)
Balance, end of year	$ 15,327,079	$ 14,888,727

NOTE E - UNEARNED PREMIUMS

The unearned premiums for the unexpired terms of all policies in force or written as of June 30, 2004 and 2003, and the changes for the years then ended were as follows:

	2004			
	Unearned premiums at beginning of year	Premiums written	Premiums earned	Unearned premiums at end of year
Single-Family Programs				
Baltimore City Pilot, State Pilot, Pension Loan, and Baltimore Residential Programs	$ 7,554	$ 14,203	$ 15,846	$ 5,911
Community Development Administration under Multi-Family Reserves	791	1,978	1,960	809
Regular	885,246	1,101,112	1,447,817	538,541
Pool insurance	403,109	694,605	806,714	291,000
Home and Energy Loan	1,049	1,554	1,874	729
Total Single-Family Programs	1,297,749	1,813,452	2,274,211	836,990

NOTE E - UNEARNED PREMIUMS (Continued)

	2004			
	Unearned premiums at beginning of year	Premiums written	Premiums earned	Unearned premiums at end of year
Multi-Family Programs				
Construction and Permanent Mortgages	$ 593,100	$ 982,459	$ 1,101,256	$ 474,303
Additional Insurance Premium	130,951	70,161	75,782	125,330
Multi-Family HELP Program	2,289	1,461	3,507	243
SHOP Loans	28,468	53,830	54,521	27,777
Total Multi-Family Programs	754,808	1,107,911	1,235,066	627,653
Total for the year ended June 30, 2004	$ 2,052,557	$ 2,921,363	$ 3,509,277	$ 1,464,643

	2003			
	Unearned premiums at beginning of year	Premiums written	Premiums earned	Unearned premiums at end of year
Single-Family Programs				
Baltimore City Pilot, State Pilot, Pension Loan, and Baltimore Residential Programs	$ 8,955	$ 17,891	$ 19,292	$ 7,554
Community Development Administration under Multi-Family Reserves	935	2,142	2,286	791
Regular	1,180,417	1,830,519	2,125,690	885,246
Pool insurance	488,160	916,978	1,002,029	403,109
Home and Energy Loan	1,274	2,318	2,543	1,049
Total Single-Family Programs	1,679,741	2,769,848	3,151,840	1,297,749

NOTE E - UNEARNED PREMIUMS (Continued)

	2003			
	Unearned premiums at beginning of year	Premiums written	Premiums earned	Unearned premiums at end of year
Multi-Family Programs				
Construction and Permanent Mortgages	$ 743,140	$ 1,167,468	$ 1,317,508	$ 593,100
Additional Insurance Premium	137,967	68,699	75,715	130,951
Multi-Family HELP Program	2,563	7,618	7,892	2,289
SHOP Loans	28,355	55,120	55,007	28,468
Total Multi-Family Programs	912,025	1,298,905	1,456,122	754,808
Total for the year ended June 30, 2003	$ 2,591,766	$ 4,068,753	$ 4,607,962	$ 2,052,557

NOTE F - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2004 and 2003 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
Compensated absences	$ 205,482	$ 138,445	$ (137,138)	$ 206,789	$ 82,447
Workers' compensation	108,000	-	(100,000)	8,000	1,240
Mortgage escrows	1,270,071	166,123	(177,485)	1,258,709	436,788
Total for the year ended June 30, 2004	$ 1,583,553	$ 304,568	$ (414,623)	$ 1,473,498	$ 520,475

	Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
Compensated absences	$ 216,979	$ 141,270	$ (152,767)	$ 205,482	$ 87,618
Workers' compensation	153,000	-	(45,000)	108,000	16,740
Mortgage escrows	998,309	396,192	(124,430)	1,270,071	402,950
Total for the year ended June 30, 2003	$ 1,368,288	$ 537,462	$ (322,197)	$ 1,583,553	$ 507,308

NOTE G - 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, 2004, 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 paid a claim, MHF also reserves for losses based on past loss experiences and the current real estate market.

MHF's reserving 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 benefit from losses. Management believes that the allowance for unpaid insurance losses at June 30, 2004 was appropriately established on an aggregate basis and was adequate to cover the ultimate net cost of settling reported and unreported claims.

NOTE G - ALLOWANCE FOR UNPAID INSURANCE LOSSES (Continued)

Changes in allowance for unpaid insurance losses were as follows:

	Single-Family	Multi-Family	Total
Balance at June 30, 2002	$ 15,130,558	$ 12,335,443	$ 27,466,001
Provision (benefit) charged to operations	742,670	(1,282,245)	(539,575)
Charge-offs	(2,314,201)	(218,446)	(2,532,647)
Balance at June 30, 2003	13,559,027	10,834,752	24,393,779
Benefit charged to operations	(5,310,940)	(2,580,861)	(7,891,801)
Charge-offs	(1,556,037)	-	(1,556,037)
Balance at June 30, 2004	$ 6,692,050	$ 8,253,891	$ 14,945,941

NOTE H - COMMITMENTS AND CONTINGENCIES

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, 2004, were as follows:

	Insured Mortgages			
	Original Commitments		Current Balances	
	Number	Amount	Amount	Contingent Liability
Primary insurance coverage				
100% insured (Baltimore City Pilot, State Pilot, Pension Loan and Baltimore Residential Programs)	165	$ 5,312,747	$ 4,345,132	$ 4,345,132
25% insured	5,682	329,332,771	269,969,011	67,492,253
Home and Energy Loan Program (up to 100% insured, second lien)	27	290,073	65,558	65,558
Total	5,874	$ 334,935,591	$ 274,379,701	$ 71,902,943
Pool insurance coverage	7,976	$ 464,916,738	$ 378,457,423	$ 160,384,837

NOTE H - COMMITMENTS AND CONTINGENCIES (Continued)

For pool insurance, as of June 30, 2004, MHF was contingently liable as insurer for an amount not to exceed $160,384,837. Coverage is limited to 10% of lendable proceeds for the aggregate of revenue bond issues (stop-loss). For a portion of the insured loan portfolio, FHA has the primary only insurance coverage and MHF has only the pool insurance coverage. MHF also insures loans financed by certain bonds issued by the City of Baltimore with a 10% stop-loss and on one series of City of Baltimore bonds at 20% 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, and a portion of mortgages financed by one series of bonds issued by the City of Baltimore.

Multi-Family Mortgages

MHF insured mortgage loans as of June 30, 2004, net of partial claim payments, were as follows:

	Number	Current Balances
Construction and Permanent mortgages financed by CDA	58	$ 155,726,321
CDA Multi-Family HELP Program	1	263,667
CDA Single-Family loans under Multi-Family reserves	27	663,634
CDA Group Homes/SHOP Loans	113	9,103,065
Loans financed by the Housing Opportunities Commission of Montgomery County	4	10,598,744
Loans financed by the Housing Authority for Prince George's County	1	397,151
Loans financed by SunTrust Mortgage, Inc.	2	5,432,390
	206	$ 182,184,972

NOTE I - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of MHF and 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 SEPTEMBER 30, 2004

(UNAUDITED)

Maryland Housing Fund

STATEMENTS OF NET ASSETS

September 30, 2004 and June 30, 2004

(Unaudited)

	Unaudited 9/30/2004	Audited 6/30/2004
ASSETS		
CURRENT ASSETS		
Unrestricted current assets		
Cash on deposit with State Treasurer		
Operating account	$ 4,821,463	$ 3,775,068
Investments	135,675	-
Loans and interest receivable, net of allowance for loans and related losses	108,429	136,017
Acquired property	2,708,257	2,795,989
Other	20,922	335,795
Total unrestricted current assets	7,794,746	7,042,869
Restricted current assets		
Cash on deposit with State Treasurer		
Loan account	96,337,216	96,088,827
Total restricted current assets	96,337,216	96,088,827
Total current assets	104,131,962	103,131,696
NONCURRENT ASSETS		
Investments	913,713	821,921
Loans, net of allowance and current portion	570,639	577,493
Total noncurrent assets	1,484,352	1,399,414
Total assets	$ 105,616,314	$ 104,531,110

(continued)

Maryland Housing Fund

STATEMENTS OF NET ASSETS - CONTINUED

September 30, 2004 and June 30, 2004

(Unaudited)

	Unaudited 9/30/2004	Audited 6/30/2004
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 1,146,445	$ 285,689
Accrued compensated absences	82,447	82,447
Accrued workers' compensation	1,240	1,240
Mortgage escrow accounts	363,020	436,788
Unearned premiums	1,364,853	1,464,643
Allowance for unpaid insurance losses	13,524,071	14,945,941
Total current liabilities	16,482,076	17,216,748
LONG-TERM LIABILITIES		
Accrued compensated absences, net of current portion	124,342	124,342
Accrued workers' compensation, net of current portion	6,760	6,760
Mortgage escrow accounts, net of current portion	913,713	821,921
Total long-term liabilities	1,044,815	953,023
Total liabilities	17,526,891	18,169,771
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Restricted net assets		
Multi-Family Reserves	44,698,739	44,698,739
Regular Single-Family Reserves	32,273,875	32,273,875
Revitalization (Pilot) Reserves	2,224,450	2,224,450
Home and Energy Loan Reserves	500,000	500,000
Unallocated Reserves	16,775,827	16,391,763
Total restricted net assets	96,472,891	96,088,827
Unrestricted accumulated deficit	(8,383,468)	(9,727,488)
Total net assets	88,089,423	86,361,339
Total liabilities and net assets	$ 105,616,314	$ 104,531,110

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF REVENUES AND EXPENSES

For the three months ended September 30, 2004 and 2003

(Unaudited)

	Unaudited 9/30/2004	Unaudited 9/30/2003
Operating revenues		
Net premiums	$ 709,620	$ 980,932
Interest income on loans	145,830	138,537
Other income	1,379	995
Total operating revenues	856,829	1,120,464
Operating expenses		
Benefit from losses and expenses related to claims	(1,237,090)	(1,878,915)
Net (gain) losses on sales of acquired property	(50,101)	223,167
Salaries and related benefits	640,000	560,000
General and administrative	160,000	240,000
Total operating expenses	(487,191)	(855,748)
Operating income	1,344,020	1,976,212
Nonoperating Revenues		
Restricted interest income on investments	384,064	323,640
Total nonoperating revenues	384,064	323,640
CHANGE IN NET ASSETS	$ 1,728,084	$ 2,299,852

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF CHANGES IN NET ASSETS

For the three months ended September 30, 2004 and years ended June 30, 2004 and 2003

(Unaudited)

	Restricted Funds						
	Multi-Family Reserves	Regular Single-Family	Revitalization (Pilot) Reserves	Home and Energy Loan Reserves	Unallocated Reserves	Unrestricted Accumulated Deficit	Total
Balance at June 30, 2003	$ 44,698,739	$32,273,875	$ 2,224,450	$ 500,000	$15,173,874	$ (18,758,560)	##########
Interest income allocated at the discretion of DHCD Secretary	-	-	-	-	1,217,889	(1,217,889)	-
Change in net assets	-	-	-	-	-	10,248,961	10,248,961
Balance at June 30, 2004	44,698,739	32,273,875	2,224,450	500,000	16,391,763	(9,727,488)	86,361,339
Interest income allocated at the discretion of DHCD Secretary	-	-	-	-	384,064	(384,064)	-
Change in net assets	-	-	-	-	-	1,728,084	1,728,084
Balance at September 30, 2004	$ 44,698,739	$32,273,875	$ 2,224,450	$ 500,000	$16,775,827	$ (8,383,468)	##########

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF CASH FLOWS

For the three months ended September 30, 2004 and 2003

(Unaudited)

	Unaudited 9/30/2004	Unaudited 9/30/2003
Cash flows from operating activities		
Receipts from premiums	$ 703,392	$ 1,113,631
Premiums refunded	(89,112)	(228,242)
Receipts from loans	174,721	112,508
Receipts from mortgage escrows	40,638	41,604
Payments for mortgage escrows	(114,406)	(72,610)
Sale proceeds from acquired properties	1,318,292	1,045,387
Receipts from miscellaneous fees	1,121	736
Payments for properties acquired	(900,513)	(1,886,570)
Payments for salaries and related benefits	(80,131)	(91,965)
Payments for general and administrative expenses	(7,607)	(6,717)
Net cash provided by operating activities	1,046,395	27,762
Cash flows from investing activities		
Receipts from interest earned on investments	248,389	218,249
Net cash provided by investing activities	248,389	218,249
NET INCREASE IN CASH	1,294,784	246,011
Cash, beginning of year	99,863,895	98,208,119
Cash, end of year	$ 101,158,679	$ 98,454,130

Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income	1,344,020	1,976,212
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Decrease in allowance for unpaid insurance losses	(1,421,870)	(2,506,272)
Decrease (increase) in acquired property	87,732	(301,220)
Decrease in investments and other assets	223,081	179,307
Increase in accounts payable and other accrued liabilities	878,780	734,172
Decrease in unearned premiums	(99,790)	(136,621)
Decrease in loans and interest receivable	34,442	82,184
Net cash provided by operating activities	$ 1,046,395	$ 27,762

See notes to financial statements

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

September 30, 2004 and June 30, 2004

(Unaudited)

1. GENERAL DISCLOSURE

In the opinion of management, the accompanying financial statements of the Maryland Housing Fund present fairly the financial position at September 30, 2004 and the results of its operations for the three months ended September 30, 2004. 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 LOSSES 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 September 30, 2004 and June 30, 2004:

	9/30/2004	6/30/2004
Multi-Family	$ 10,712,794	$ 10,866,564
Single-Family	156,882	160,084
Interest receivable on loans	5,142,021	5,013,941
	16,011,697	16,040,589
Allowance for possible losses on Multi-Family loans	(10,164,059)	(10,287,015)
Allowance for possible losses on Single-Family loans	(28,949)	(29,715)
Allowance for possible losses on interest receivable	(5,139,621)	(5,010,349)
Total allowance for possible losses	(15,332,629)	(15,327,079)
Loans and interest receivable, net of allowance for loans and related losses	$ 679,068	$ 713,510
Current portion, net of allowance	$ 108,429	$ 136,017
Noncurrent portion, net of allowance	570,639	577,493
Loans and interest receivable, net of allowance for loans and related losses	$ 679,068	$ 713,510

Changes in the allowance for possible losses on loans and interest receivable were as follows for the period ended September 30, 2004 and June 30, 2004:

	9/30/2004	6/30/2004
Balance, beginning of year	$ 15,327,079	$ 14,888,727
Provision charged to operations	5,550	438,352
Balance, end of period	$ 15,332,629	$ 15,327,079

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2004 and June 30, 2004

(Unaudited)

3. ALLOWANCE FOR UNPAID INSURANCE LOSSES (Continued)

Changes in allowance for unpaid insurance losses were as follows:

	Single-Family	Multi-Family	Total
Balance at June 30, 2003	$ 13,559,027	$ 10,834,752	$ 24,393,779
Benefit charged to operations	(5,310,940)	(2,580,861)	(7,891,801)
Charge-offs	(1,556,037)	-	(1,556,037)
Balance at June 30, 2004	6,692,050	8,253,891	14,945,941
Benefit charged to operations	(949,151)	(299,620)	(1,248,771)
Charge-offs	(173,099)	-	(173,099)
Balance at September 30, 2004	$ 5,569,800	$ 7,954,271	$ 13,524,071

APPENDIX K

BOOK ENTRY SYSTEM

DTC will act as securities depository for the Offered Bonds. The Offered Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Offered Bond certificate will be issued for each maturity of the Offered Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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 & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor'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.

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 and 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 and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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. Beneficial Owners of Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Offered Bond documents. For example, Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding the Offered Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Offered Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Administration or the Trustee, on 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 redemption proceeds, distributions, and dividend payments 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 will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Offered Bonds at any time by giving reasonable notice to the Administration or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Offered Bonds certificates are required to 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, Offered Bonds certificates will be printed and delivered.

The 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.

APPENDIX L

PROPOSED FORM OF LEGAL OPINION OF BOND COUNSEL

LETTERHEAD OF HAWKINS DELAFIELD & WOOD LLP, WASHINGTON, D.C.

[Closing Date]

Community Development Administration
Maryland Department of Housing and
Community Development
100 Community Place
Crownsville, Maryland 21032

COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
Housing Revenue Bonds
$6,385,000 Series 2005 A

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 the issuance and sale of $6,385,000 aggregate principal amount of its Housing Revenue Bonds, Series 2005 A (the "Offered Bonds").

The Offered Bonds are being issued under and pursuant to (1) Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland, as amended (the "Act"), (2) the resolution of the Administration adopted as of November 1, 1996, entitled "Resolution Providing for the Issuance of Housing Revenue Bonds" (the "Bond Resolution"), and (3) the resolution of the Administration, adopted as of February 1, 2005, pursuant to which the Series 2005 A Bonds are authorized to be issued (the "Series Resolution"). The Bond Resolution and the Series Resolution are referred to collectively as the "Resolution." The Director of the Administration determined, pursuant to Section 2-206(c) of the Act, that the issuance of the Offered Bonds is necessary to achieve one or more purposes of the Administration, and such determination was approved by the Secretary of Housing and Community Development. Capitalized terms used in this opinion and not otherwise defined in this opinion shall have the meanings set forth in the Resolution or the Act.

Applicable Federal tax law establishes certain requirements which must be met subsequent to the delivery of the Offered Bonds in order to assure that interest on the Offered Bonds will be and will remain excludable from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). The Administration has covenanted in the Bond Resolution to at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest on the Offered Bonds will be and will remain excludable from gross income for Federal income tax purposes. The

Administration has also delivered a certificate dated the date of this opinion containing representations, provisions and procedures relating to compliance with the requirements of the Code. Noncompliance by the Administration with such provisions and procedures may require the inclusion of interest on the Offered Bonds in gross income for Federal income tax purposes retroactive to the date of issuance, regardless of when such noncompliance occurs or is discovered. In rendering this opinion, we have assumed compliance by the Administration with the aforementioned covenant and representations, provisions and procedures set forth in the aforementioned certificate.

Based upon the foregoing, we are of the opinion that:

1) Under the Constitution and laws of the State, the Act is valid and the Administration has been duly created and validly exists as an agency in the Division of Development Finance of the Department with such political and corporate powers as set forth in the Act and with good, right and lawful authority, among other things, to carry out the Program of making Qualified Loans, to issue the Offered Bonds to provide funds therefor and to perform its obligations under the terms and conditions of the Resolution.

2) The Resolution has been duly adopted by the Administration and approved by the Secretary and is valid and binding upon the Administration and is enforceable in accordance with its terms.

3) The Offered Bonds are valid and legally binding limited obligations of the Administration secured by a pledge in the manner and to the extent set forth in the Resolution and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution. The Resolution creates the valid pledge of and the valid lien which it purports to create upon the Revenues and other assets and income described in the Resolution, subject only to the provisions of the Resolution permitting the use and payment thereof for or to the purposes and on the terms and conditions set forth in the Resolution.

4) Under existing law, interest on the Offered Bonds is excludable from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any Offered Bond for any period during which such Offered Bond is held by a person who is a "substantial user" of the facilities financed with the Bond proceeds or a "related person" to such a substantial user, both within the meaning of Section 147(a) of the Code. In addition, interest on the Offered Bonds is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code, and such interest is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

5) Under existing statutes, the Offered Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, are exempt from taxation of every kind and nature whatsoever by the State of Maryland, except that no opinion is expressed with respect to any exemption from Maryland franchise taxes or estate or inheritance taxes.

The foregoing opinion is qualified only to the extent that the enforceability of the Offered Bonds and the Resolution may be limited by bankruptcy, moratorium, insolvency, or other laws affecting creditors' rights or remedies generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We express no opinion regarding any other Federal or state tax consequences with respect to the Offered Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Offered Bonds, or under state and local tax law.

Very truly yours,