NEW ISSUE — BOOK-ENTRY ONLY

In the opinion of Bond Counsel, assuming compliance with certain covenants in the Bond Resolutions intended to assure compliance with the applicable provisions of the Internal Revenue Code of 1986, as amended, and subject to the exceptions under "Tax Exemption and Related Considerations" herein, interest on the 2004 Series Bonds is excludable from gross income for federal income tax purposes under existing laws, regulations, rulings and judicial decisions. Interest on the 2004 Series A Bonds is not, and interest on the 2004 Series B Bonds is a tax preference item directly subject to the alternative minimum tax on individuals and corporations. A discussion of the requirements for, the extent of and exceptions to such exclusion is contained under "Tax Exemption and Related Considerations" herein. In the opinion of Bond Counsel, the 2004 Series Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized in their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State of Maryland or by any of its political subdivisions, municipal corporations or public units of any kind under existing law, except that no opinion is expressed as to such exemption from Maryland franchise taxes or estate or inheritance taxes.

$30,000,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
Residential Revenue Bonds
$10,710,000 2004 Series A (Non-AMT)
$19,290,000 2004 Series B (AMT)

D·H·C·D

Dated: Date of Delivery **Due: September 1, as shown on inside cover**

The 2004 Series A Bonds and the 2004 Series B Bonds (collectively, the "2004 Series Bonds") are issuable only as fully registered bonds and initially will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2004 Series Bonds. Purchases of the 2004 Series Bonds will be in book-entry form only, in principal amounts of $5,000, or any integral multiple thereof. Interest on the 2004 Series Bonds is payable semiannually on March 1 and September 1 of each year, commencing on September 1, 2004, by the Trustee to DTC. DTC is to remit such payments to participating financial organizations for subsequent disbursement to beneficial owners of the 2004 Series Bonds. Additional information is contained under the caption "THE 2004 Series Bonds". 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 2004 Series Bonds are subject to redemption prior to maturity at par, plus interest accrued to the date of redemption, at the times and under the conditions set forth under "THE 2004 Series Bonds – Redemption Provisions" herein.

The 2004 Series Bonds are special obligations of the Community Development Administration (the "Administration"), an agency in the Division of Development Finance of the Maryland Department of Housing and Community Development (the "Department"), payable solely from the revenues and assets of the Administration pledged therefor under the Bond Resolution. The Administration has no taxing power. The 2004 Series 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 2004 Series Bonds are offered for delivery when, as and if issued, subject to the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania, Bond Counsel, as to the validity of the 2004 Series Bonds and the excludability from gross income of interest thereon for federal income tax purposes. Certain legal matters will be passed upon for the Administration by an Assistant Attorney General of the State of Maryland and Counsel to the Department. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Atlanta, Georgia. It is expected that the 2004 Series Bonds will be available for delivery through the facilities of DTC in New York, New York on or about May 13, 2004.

UBS Financial Services Inc.

Bear, Stearns & Co. Inc. **Ferris, Baker Watts Incorporated** **Legg Mason Wood Walker Incorporated**

Citigroup **Loop Capital Markets, L.L.C.**

M.R. Beal & Company **Merrill Lynch & Co.**

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

April 28, 2004

MATURITY SCHEDULE

$10,710,000 2004 SERIES A BONDS (Non-AMT)

$10,710,000 Serial Bonds

Due (September 1)	Amount	Interest Rate	Price
2006	$ 525,000	1.80%	100%
2007	885,000	2.10	100
2008	910,000	2.55	100
2009	930,000	3.00	100
2010	960,000	3.20	100
2011	990,000	3.45	100
2012	1,020,000	3.75	100
2013	1,060,000	3.85	100
2014	1,100,000	3.95	100
2015	1,140,000	4.10	100
2016	1,190,000	4.20	100

$19,290,000 2004 SERIES B BONDS (AMT)

$350,000 2.20% Serial Bonds due September 1, 2006 — Price 100%
$4,265,000 5.00% Term Bonds due September 1, 2023 — Price 100%
$1,555,000 5.05% Term Bonds due September 1, 2024 — Not Reoffered
$13,120,000 5.00% Term Bonds due September 1, 2028 — Price 105.133%

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2004 Series Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Administration and by other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. No dealer, broker, salesman or other person has been authorized by the Administration or by the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information and expressions of opinion herein speak only as of the date hereof and are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Administration since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2004 SERIES BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT
of the
Community Development Administration
Maryland Department of Housing and Community Development

Relating to

$30,000,000
Residential Revenue Bonds
$10,710,000 2004 Series A (Non-AMT)
$19,290,000 2004 Series B (AMT)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside cover page (including the maturity schedule) and the Appendices, is to set forth information in connection with the sale by the Community Development Administration (the "Administration"), an agency in the Division of Development Finance of the Department of Housing and Community Development (the "Department"), a principal department of the government of the State of Maryland (the "State"), of its Residential Revenue Bonds, 2004 Series A (the "2004 Series A Bonds") and Residential Revenues Bonds, 2004 Series B (the "2004 Series B Bonds" and, together with the 2004 Series A Bonds, the "2004 Series Bonds").

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

Authorization

The Administration is authorized to issue the 2004 Series Bonds pursuant to Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland, as amended (the "Act"), and a Residential Revenue Bond Resolution providing for the issuance of Residential Revenue Bonds adopted by the Administration as of August 1, 1997 (the "Bond Resolution"), for the benefit of Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank), as trustee (the "Trustee"). The 2004 Series Bonds will be issued pursuant to a Series Resolution Providing for the Issuance and Sale of Residential Revenue Bonds, 2004 Series A (Non-AMT) that will be adopted by the Administration prior to the issuance of the 2004 Series A Bonds (the "2004 Series A Resolution"). The 2004 Series B Bonds will be issued pursuant to a Series Resolution providing for the Issuance and Sale of Residential Revenue Bonds, 2004 Series B (AMT) that will be adopted by the Administration prior to the issuance of the 2004 Series B Bonds (the "2004 Series B Resolution" and, together with the 2004 Series A Resolution, the "Series Resolutions"). The Bond Resolution and the Series Resolutions are collectively called the "Bond Resolutions."

Bonds Issued Under Bond Resolution

As of January 1, 2004, the Administration had issued 41 prior Series of Bonds under the Bond Resolution (the "Prior Bonds"). As of January 1, 2004, $950,965,000 in aggregate principal amount comprising 29 Series of Bonds were outstanding under the Bond Resolution. No Bonds have been issued under the Bond Resolution since that date. See Appendix E hereto for further information. The Bond

Resolution provides for the issuance of Additional Bonds which will be on a parity with the Prior Bonds and the 2004 Series Bonds, and will be equally and ratably secured under the Bond Resolution. See "SECURITY FOR THE BONDS – Additional Bonds" herein. The Administration also plans to issue an additional Series of Bonds at the time of issuance of the 2004 Series Bonds. See "PLAN OF FINANCE" herein. The Prior Bonds and the 2004 Series Bonds, together with any Additional Bonds issued under the Bond Resolution and secured on a parity basis, are referred to collectively as the "Bonds." The Bond Resolution also allows the issuance of Subordinate Bonds which will not be on a parity with the Bonds. To date, the Administration has not issued Subordinate Bonds under the Bond Resolution.

Purpose of Bond Resolution

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

The 1980 General Certificate

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

As of January 1, 2004, $658,310,000 in aggregate principal amount of bonds were outstanding under the 1980 General Certificate. Bonds issued under the Bond Resolution are not secured by or payable from the assets of the 1980 General Certificate.

Draw Down Mortgage Revenue Bonds

The Administration issued its Draw Down Mortgage Revenue Bonds, Series 2002-1 and Series 2002-2, each in an aggregate principal amount not to exceed $250,000,000 (collectively, the "Draw Down Bonds"), pursuant to an Indenture of Trust, dated as of September 1, 2002 (the "Draw Down Indenture"), between the Administration and Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank), as Trustee. Each drawing by the Administration provides funds to be used to pay at maturity or redeem prior to maturity certain Single Family Program Bonds previously issued under the 1980 General Certificate (the "Prior 1980 General Certificate Bonds") and certain Prior Bonds. As a result of the foregoing, funds representing prepayments and repayments of mortgage loans financed with such Prior 1980 General Certificate Bonds and Prior Bonds are transferred and deposited into a bond escrow fund established under the Draw Down Indenture as security for such principal amount of Draw Down Bonds as has been drawn down by the Administration until such time as all or a portion of the

Draw Down Bonds are redeemed or purchased in accordance with the Draw Down Indenture. The Draw Down Bonds are not secured by the Bond Resolution.

Use of Proceeds of the Bonds

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

The 2004 Series A Bonds will be used to (a) refund a portion of the Administration's Draw Down Bonds, as a result of which funds on deposit in the escrow fund established under the Draw Down Indenture representing prepayments and repayments of mortgage loans financed with proceeds of Prior 1980 General Certificate Bonds and Prior Bonds will be made available to make or purchase Mortgage Loans and (b) provide funds to be deposited into the Reserve Fund.

The 2004 Series B Bonds will be used to (a) make or purchase new mortgage loans, (b) refund or pay at maturity all or a portion of certain series of Prior Bonds, as a result of which funds representing prepayments and repayments of mortgage loans financed with proceeds of such Prior Bonds will be made available to make or purchase Mortgage Loans and (c) provide funds to be deposited into the Reserve Fund.

The Series Resolutions will contain Series Program Determinations for the 2004 Series Bonds which limit the Loans to be financed to Mortgage Loans on Single Family Residences and require all such Mortgage Loans to be insured by FHA or guaranteed by the United States Department of Veteran Affairs ("VA") or the United States Department of Agriculture, Rural Development (the "USDA/RD") Guaranteed Rural Housing Loan Program. See Appendix B – "THE PROGRAM" and Appendix G – "FHA MORTGAGE INSURANCE PROGRAM, VA HOME LOAN GUARANTY PROGRAM AND USDA/RD MORTGAGE GUARANTEE PROGRAM".

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

Brief descriptions of the 2004 Series Bonds and the security for the Bonds are included in this Official Statement. Descriptions of the Department and the Administration, the Program, the definitions of certain terms and the summary of certain provisions of the Bond Resolutions are included as Appendices A, B, C and D, respectively. Appendices E and F contain certain information regarding the outstanding indebtedness of the Administration and its redemption requirements for the Bonds from Prepayments of Loans as required by the Code, respectively. A summary of the FHA Mortgage Insurance Program, the VA Home Loan Guaranty Program and the USDA/RD Mortgage Guarantee Program is included as Appendix G. The financial statements of the Program, investments held in the Residential Revenue Bond Funds, information concerning Mortgage Loans financed under the Program and the proposed forms of the opinions of Bond Counsel are included as Appendices H, I, J and K, respectively. **The Appendices to this Official Statement constitute a part of this Official Statement and contain information which any potential investor should read in order to make an informed investment decision.**

Information concerning the 2004 Series Bonds, the Administration and the Program and descriptions of certain provisions of the Act, the 2004 Series Bonds and the Bond Resolutions are included in this Official Statement. All summaries herein of any statute, agreement or document are qualified in their entirety by reference to such statute, agreement or document, and all summaries of the 2004 Series Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Bond Resolutions. Copies of the Bond Resolutions and the Act are available for inspection at the offices of the Administration at 100 Community Place, Crownsville, Maryland 21032-2023. Requests to inspect copies of the Bond Resolutions and the Act should be directed to Anne P. Konrad, Director, Finance, at (410) 514-7326 or by e-mail at konrad@dhcd.state.md.us.

PLAN OF FINANCE

The 2004 Series Bonds will provide funds (i) for deposit into the Program Fund to make or purchase Mortgage Loans, (ii) to refund or pay at maturity all or a portion of certain Prior Bonds and to refund a portion of the outstanding principal amount of the Administration's Draw Down Bonds, thereby making available certain amounts for deposit into the Program Fund to make or purchase Mortgage Loans, and (iii) for deposit into the Reserve Fund.

The Administration also plans to issue on or about May 13, 2004, $20,000,000 aggregate principal amount of its Residential Revenue Bonds, 2004 Series C (AMT) (the "2004 Series C Bonds") which are expected to be issued as variable rate bonds pursuant to the Bond Resolution and a Series Resolution Providing for the Issuance and Sale of Residential Revenue Bonds, 2004 Series C (AMT).

The 2004 Series Bonds are being issued together with the 2004 Series C Bonds under a common plan of finance.

THE 2004 SERIES BONDS

General Description

The 2004 Series Bonds are dated as shown on the cover of this Official Statement. The 2004 Series Bonds will be issuable only as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2004 Series Bonds. Purchases of the 2004 Series Bonds will be in book-entry form only, in minimum principal amounts of $5,000 or any integral multiple thereof. The 2004 Series Bonds will mature on September 1 in the years and amounts set forth on the inside cover page of this Official Statement. The 2004 Series Bonds will bear interest from the date of delivery until their maturity or earlier redemption. Interest on the 2004 Series Bonds will be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2004. If any such dates are not business days, then such payments will be made on the next business day. Interest on the 2004 Series Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Application of 2004 Series A Bond Proceeds

(1) The Administration will deposit from the proceeds of the sale of the 2004 Series A Bonds: $10,710,000 into a Redemption Account established pursuant to the 2004 Series A Resolution for the purposes of transferring such funds to the Draw Down Indenture to be applied to the refunding within 90 days of delivery of the 2004 Series A Bonds a portion of the outstanding principal amount of the Administration's Draw Down Bonds. As a result of the foregoing, (a) $10,500,000 on deposit in the escrow fund established under the Draw Down Indenture will be transferred and deposited into the 2004 Series A Program Account of the Program Fund and made available to make or purchase Mortgage Loans and (b) $210,000 on deposit in the escrow fund established under the Draw Down Indenture will be transferred and deposited into the Reserve Fund.

The costs of issuance, including underwriters' compensation, relating to the 2004 Series A Bonds will be funded by the Administration from available moneys not included in the amounts set forth below. The application of proceeds of the 2004 Series A Bonds is summarized below:

Transfer of moneys into 2004 Series A Program Account as a result of current refunding of Draw Down Bonds	$10,500,000
Reserve Fund	210,000
Gross Proceeds of 2004 Series A Bonds	$10,710,000

Application of 2004 Series B Bond Proceeds

The Administration will deposit from the proceeds of the sale of the 2004 Series B Bonds:

(1) $3,807,249.60 into the 2004 Series B Program Account of the Program Fund to provide funds to make or purchase Mortgage Loans and $76,200 into the Reserve Fund; and

(2) $16,080,000 into a Redemption Account established pursuant to the 2004 Series B Resolution for the purposes of refunding within 90 days of delivery of the 2004 Series B Bonds all or a portion of certain series of Prior Bonds. As a result of the foregoing, (a) $15,764,700 of prepayments and repayments of mortgage loans financed with proceeds of Prior Bonds will be transferred and deposited into the 2004 Series B Program Account of the Program Fund and made available to make or purchase Mortgage Loans and (b) $315,300 of the remaining prepayments and repayments of mortgage loans financed with proceeds of Prior Bonds will be transferred and deposited into the Reserve Fund.

The costs of issuance, including underwriters' compensation, relating to the 2004 Series B Bonds will be funded by the Administration from available moneys not included in the amounts set forth below. The application of proceeds of the 2004 Series B Bonds is summarized below:

Deposit of 2004 Series B Bond Proceeds into 2004 Series B Program Account	$ 3,807,249.60	
Transfer of moneys into 2004 Series B Program Account as a result of current refunding of Prior Bonds	15,764,700.00	
Total Deposit to 2004 Series B Program Account		$19,571,949.60
Reserve Fund		391,500.00
Gross Proceeds of 2004 Series B Bonds		$19,963,449.60

Redemption Provisions

Sinking Fund Redemption.

The 2004 Series B Bonds maturing on September 1, 2023, are subject to mandatory redemption in part by lot on March 1, 2017, and on each September 1 and March 1 thereafter to and including September 1, 2023, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

Year (March 1)	Principal Amount	Year (September 1)	Principal Amount
2017	$260,000	2017	$265,000
2018	270,000	2018	280,000
2019	285,000	2019	290,000
2020	295,000	2020	305,000
2021	315,000	2021	320,000
2022	330,000	2022	340,000
2023	350,000	2023**	360,000

** Final maturity.

The 2004 Series B Bonds maturing on September 1, 2024*, are subject to mandatory redemption in part by lot on March 1, 2017, and on each September 1 and March 1 thereafter to and including September 1, 2024, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

Year (March 1)	Principal Amount	Year (September 1)	Principal Amount
2017	$ 40,000	2017	$ 45,000
2018	45,000	2018	45,000
2019	45,000	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	55,000
2024	425,000	2024**	435,000

* Private placement of 2004 Series B Bonds maturing on September 1, 2024 with Fannie Mae.

** Final maturity.

The 2004 Series B Bonds maturing on September 1, 2028, are subject to mandatory redemption in part by lot on March 1, 2017, and on each September 1 and March 1 thereafter to and including September 1, 2028, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

Year (March 1)	Principal Amount	Year (September 1)	Principal Amount
2017	$ 320,000	2017	$ 325,000
2018	335,000	2018	340,000
2019	355,000	2019	360,000
2020	370,000	2020	380,000
2021	390,000	2021	395,000
2022	410,000	2022	420,000
2023	430,000	2023	440,000
2024	455,000	2024	465,000
2025	925,000	2025	950,000
2026	970,000	2026	995,000
2027	1,025,000	2027	1,050,000
2028	495,000	2028**	520,000

** Final maturity.

Optional Redemption. The 2004 Series Bonds are subject to redemption at the option of the Administration, in whole or in part at any time, on or after September 1, 2013, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption.

Special Redemption. The 2004 Series Bonds are subject to special redemption, at the option of the Administration, at the principal amount thereof plus accrued interest thereon, in whole or in part, at any time without premium, except with respect to special redemption of September 1, 2028 Bonds (as defined below) with amounts described in paragraph (2) below as provided in "*PAC Bond Redemption*" herein, from:

(1) Recovery Payments from any Series of Bonds ("Recovery Payment" means any payment by a mortgagor or any other recovery of principal on a Loan not applied to scheduled installment of principal and interest on the Loan (including any deficiency in the payment of any scheduled installments of principal and interest then due and payable or interest paid in connection with a Prepayment of a Loan)). A Recovery Payment includes, without limitation, (i) Prepayments, (ii) the portion of any insurance proceeds received with respect to Program Assets (to the extent not applied to the repair or restoration of any mortgaged premises), (iii) proceeds received in connection with the liquidation of a defaulted Program Asset (less costs and expenses incurred in realizing those amounts), and (iv) amounts from the sale, transfer or other disposition of a Program Asset, or net recovery from Credit Enhancement to the extent not included in Insurance Proceeds, in each case representing such principal amounts);

(2) amounts on deposit in the Program Fund relating to the 2004 Series Bonds and the 2004 Series C Bonds not expended for the purposes of financing Loans (see Appendix B – "THE PROGRAM – Existing Portfolio and Available Funds Under the Bond Resolution"); and

(3) excess Revenues, including without limitation, amounts resulting from any reduction in the Reserve Fund from any Series of Bonds.

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

Application of Prepayments and Excess Revenues. There are a number of requirements which determine how Prepayments and other excess Revenues are to be applied to the special redemption of Bonds.

PAC Bond Redemption. An amount equal to 100% of the Prepayments of Mortgage Loans financed from the proceeds of the 2004 Series Bonds and the Administration's 2004 Series C Bonds will be applied first to the redemption of the 2004 Series B Bonds maturing on September 1, 2028 (the "September 1, 2028 Bonds") in an amount up to the cumulative amounts set forth in the following table, prior to the redemption of other Bonds. (Prepayments of Mortgage Loans financed from the proceeds of the 2004 Series Bonds and the 2004 Series C Bonds shall be referred to herein as the "2004 Series Prepayments".) Such redemption shall be made so that the cumulative amount of such redemptions shall not exceed the cumulative amount shown as of each date set forth in the table below. Such redemptions may occur at such times and with such frequency as the Administration elects, but at least once in each semiannual period, commencing with the semiannual period ending March 1, 2005. Such cumulative amounts are derived from certain assumptions related to such Mortgage Loans including the assumption that all such Mortgage Loans are purchased as expected and that 2004 Series Prepayments on such Mortgage Loans are received at a rate equal to 75% of the Bond Market Association standard prepayment model ("BMA", formerly known as "PSA", the Public Securities Association) and that 100% of such amounts will be used to redeem September 1, 2028 Bonds. If 2004 Series Bonds and 2004 Series C Bonds are redeemed from the proceeds of the 2004 Series Bonds and 2004 Series C Bonds not used to finance Mortgage Loans, the amount of the September 1, 2028 Bonds redeemed will be proportional to the total amount of the 2004 Series Bonds and 2004 Series C Bonds being redeemed, and the cumulative amounts set forth in the table below will be reduced by an amount equal to the product of the cumulative amounts and the proportion of the total amount of the proceeds of the 2004 Series Bonds and 2004 Series C Bonds not used to finance Mortgage Loans being used to redeem the 2004 Series Bonds and 2004 Series C Bonds to the total amount being deposited in the 2004 Series A Program Account, the 2004 Series B Program Account and the 2004 Series C Program Account of the Program Fund. Any September 1, 2028 Bonds redeemed pursuant to the previous sentence shall be redeemed at a premium that maintains the same yield as the original purchase price thereof (as more fully set forth in the 2004 Series B Resolution), plus accrued interest to the date of redemption.

Payment Date	Cumulative Amount	Payment Date	Cumulative Amount
March 1, 2005	$ 235,000	March 1, 2010	$ 8,560,000
September 1, 2005	685,000	September 1, 2010	9,355,000
March 1, 2006	1,340,000	March 1, 2011	10,120,000
September 1, 2006	2,185,000	September 1, 2011	10,860,000
March 1, 2007	3,175,000	March 1, 2012	11,575,000
September 1, 2007	4,150,000	September 1, 2012	12,265,000
March 1, 2008	5,095,000	March 1, 2013	12,930,000
September 1, 2008	6,005,000	September 1, 2013 and thereafter	13,120,000
March 1, 2009	6,885,000		
September 1, 2009	7,735,000		

If the amount available for such redemption is less than $100,000, the Administration may delay redemption of the September 1, 2028 Bonds until the amount available for such redemption totals $100,000 or more.

All amounts of such 2004 Series Prepayments in excess of the cumulative amounts shown above, will be applied, as received, according to the Administration's general practices and in accordance with the Code with respect to application of Prepayments, except that the September 1, 2028 Bonds shall not be so redeemed until no other 2004 Series Bonds and 2004 Series C Bonds remain Outstanding, except as provided below.

2004 Series Prepayments in excess of the amounts set forth in the above table and up to the cumulative amounts set forth in the following table, may be applied to the redemption of Bonds other than the September 1, 2028 Bonds; provided that such 2004 Series Prepayments may be used to redeem the September 1, 2028 Bonds if there are no other 2004 Series Bonds and 2004 Series C Bonds Outstanding or if such redemption is necessary to preserve the tax-exempt status of the 2004 Series Bonds and 2004 Series C Bonds. One hundred percent (100%) of the 2004 Series Prepayments in excess of cumulative amounts set forth in the following table, may be applied by the Administration to the redemption of Bonds, including the September 1, 2028 Bonds. The cumulative amounts in the following table are derived from certain assumptions related to such Mortgage Loans including the assumption that 2004 Series Prepayments are received at a rate equal to 400% of the BMA. If 2004 Series Bonds and 2004 Series C Bonds are redeemed from the proceeds of the 2004 Series Bonds and 2004 Series C Bonds not used to finance Mortgage Loans, the amount of the September 1, 2028 Bonds redeemed will be proportional to the total amount of the 2004 Series Bonds and 2004 Series C Bonds being redeemed, and the cumulative amounts set forth in the table below will be reduced by an amount equal to the product of the cumulative amounts and the proportion of the total amount of the proceeds of the 2004 Series Bonds and 2004 Series C Bonds not used to finance Mortgage Loans being used to redeem the 2004 Series Bonds and 2004 Series C Bonds to the total amount being deposited in the 2004 Series A Program Account, the 2004 Series B Program Account and the 2004 Series C Program Account of the Program Fund.

Payment Date	Cumulative Amount	Payment Date	Cumulative Amount
September 1, 2004	$ 195,000	September 1, 2009	$29,415,000
March 1, 2005	1,460,000	March 1, 2010	31,325,000
September 1, 2005	3,775,000	September 1, 2010	32,990,000
March 1, 2006	6,985,000	March 1, 2011	34,450,000
September 1, 2006	10,840,000	September 1, 2011	35,725,000
March 1, 2007	14,985,000	March 1, 2012	36,840,000
September 1, 2007	18,675,000	September 1, 2012	37,810,000
March 1, 2008	21,920,000	March 1, 2013	38,660,000
September 1, 2008	24,750,000	September 1, 2013	39,400,000
March 1, 2009	27,245,000	and thereafter	

Prepayments on mortgage loans are commonly measured relative to a prepayment standard model. The BMA represents an assumed monthly rate of prepayment of the then outstanding principal balance of a pool of new mortgage loans. BMA does not purport to be either an historic description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans. One hundred percent (100%) BMA assumes prepayment rates of 0.2 percent per year of the then-unpaid principal balance of such mortgage loans in the first months of the life of the mortgage loans and an additional 0.2 percent per year in each month thereafter (for example, 0.4 percent per year in the second month) until the 30th month. Beginning in the 30th month and in each month thereafter during the life of the mortgage loans, 100% BMA assumes a constant prepayment rate of six percent per year. Multiples of BMA will be calculated from this prepayment rate series. For example, 200% BMA assumes prepayment rates will be 0.4 percent per year in month one, 0.8 percent per year in month two, reaching 12% per year in month 30 and remaining constant at 12% per year thereafter.

The following table sets forth the last year and weighted average number of years that the September 1, 2028 Bonds will be Outstanding ("Average Life") based on the receipt of 2004 Series Prepayments at certain percentages of the BMA and certain assumptions related to the Mortgage Loans financed from the proceeds of the 2004 Series Bonds and 2004 Series C Bonds, including the assumptions that (1) all such Mortgage Loans are purchased at the times currently anticipated by the Administration, (2) 2004 Series Prepayments in amounts not exceeding a cumulative percentage of 400% of the BMA are applied as when received to redeem 2004 Series Bonds and 2004 Series C Bonds other than the September 1, 2028 Bonds and (3) 2004 Series Prepayments in excess of 400% of the BMA are applied proportionally to the redemption of all 2004 Series Bonds and 2004 Series C Bonds then Outstanding, including the September 1, 2028 Bonds.

Percent of BMA Standard Prepayment Model	Last Year Outstanding	Average Life
0%	2028	19.75
25%	2027	11.95
50%	2018	6.86
75%	2013	4.99
100%	2013	4.99
150%	2013	4.99
200%	2013	4.99
250%	2013	4.99
300%	2013	4.99
400%	2013	4.99
500%	2013	4.92

However, 2004 Series Prepayments in excess of 400% of the BMA are not required to be applied proportionally to the redemption of all 2004 Series Bonds and 2004 Series C Bonds then Outstanding. Actual events, including, among others, the actual receipt of 2004 Series Prepayments and the application of such 2004 Series Prepayments in excess of 400% of the BMA to the redemption of September 1, 2028 Bonds in amounts that are less than or greater than an amount that is proportional to all 2004 Series Bonds and 2004 Series C Bonds then Outstanding, will be different than the events assumed in determining the above table. Therefore, the actual last year and weighted average number of years that the September 1, 2028 Bonds will be Outstanding may differ from any of the years or percentages stated above.

Unless otherwise provided in a Series Resolution, or required by the 1986 Code, excess Revenues and Prepayments of Mortgage Loans financed with proceeds of any Series of Bonds, to the extent transferred to the Redemption Fund, may be applied to the redemption of the Series having the highest effective bond yield unless otherwise directed by the Administration. As a result, the 2004 Series Bonds and 2004 Series C Bonds may be redeemed from excess Revenues and Prepayments of Mortgage Loans financed with the proceeds of other Series of Bonds, except that the September 1, 2028 Bonds shall not be so redeemed until no other 2004 Series Bonds and 2004 Series C Bonds remain Outstanding. Excess Revenues and Prepayments generated from the 2004 Series Bonds and 2004 Series C Bonds may be applied to the redemption of other Series of Bonds, except as described above under the heading "*PAC Bond Redemption*."

Before June 2, 2003, Bonds redeemed by the Administration under the Bond Resolution were redeemed with prepayments attributable to the same Series of Bonds or other Series of Bonds with the same date of issuance. Going forward, the Administration generally expects to apply Excess Revenues or Prepayments to the redemption of the Series having the highest effective bond yield. The Administration reserves the right to redeem Bonds, including the 2004 Series Bonds and 2004 Series C Bonds, that do not have the highest effective bond yield under the terms and conditions described in the previous paragraph.

The 2004 Series A Bonds, the 2004 Series B Bonds and the 2004 Series C Bonds are being issued under a common plan of finance. From the issue date of the 2004 Series A Bonds, the 2004 Series B Bonds and the 2004 Series C Bonds to the tenth anniversary of such issue date, the 1986 Code requires that an increasing portion of repayments of principal and Prepayments of Mortgage Loans attributable to the proceeds of the 2004 Series A Bonds, the 2004 Series B Bonds and the 2004 Series C Bonds be applied to pay the principal portion of debt service or to redeem the 2004 Series A Bonds, the 2004 Series B Bonds and the 2004 Series C Bonds (the "Ten Year Rule"). From and after the tenth anniversary of such issue date, the Ten Year Rule requires that all of the repayments of principal and Prepayments of Mortgage Loans attributable to the proceeds of the 2004 Series A Bonds, the 2004 Series B Bonds and the 2004 Series C Bonds be applied to pay the principal portion of debt service or to redeem the 2004 Series A Bonds, the 2004 Series B Bonds and the 2004 Series C Bonds. A table showing the percentages of repayments of principal and Prepayments received from each Series of Bonds previously issued under the Bond Resolution which are required to be applied in this manner is included as Appendix F hereto.

Risks of Redemption as a Result of Nonorigination. Subject to a *de minimis* exception, proceeds relating to the 2004 Series Bonds and 2004 Series C Bonds deposited directly to the Program Fund to make or purchase Mortgage Loans and not used to finance Mortgage Loans within 42 months of the date of issuance will be used to redeem the 2004 Series Bonds as required by the 1986 Code. See Appendix B – "THE PROGRAM – Existing Portfolio and Available Funds Under the Bond Resolution."

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

Risks of Redemption as a Result of Prepayments and Other Excess Revenues. All Mortgage Loans permit partial or complete prepayment without penalty. Mortgage Loans also may be terminated prior to their respective final maturities as a result of events such as default, sale (including potentially a sale of all or part of the Mortgage Loan portfolio), condemnation or casualty loss. A number of factors, including general economic conditions, homeowner mobility and mortgage market interest rates, will affect the rate of actual prepayments for a particular portfolio of mortgage loans. Therefore, it is difficult to predict prepayments for the Administration's portfolio from available data about other pools of mortgage loans.

The investment of funds held under the 1980 General Certificate, which has been used to finance the Administration's Single Family Program since 1980, have historically generated significant revenues in excess of the amount necessary to pay scheduled principal of and interest on bonds and required bond redemptions. If, in the future, the Administration receives excess Revenues under the Bond Resolution and determines not to make or purchase new Mortgage Loans with excess Revenues, the Administration will apply such excess Revenues (together with funds made available as a result of the reduction in reserve fund requirements) in accordance with the provisions of the Bond Resolutions and federal tax laws, which provisions may require the special redemption of Bonds from such excess Revenues. See "Application of Prepayments and Excess Revenues" above.

General Provisions. If fewer than all of the 2004 Series Bonds and 2004 Series C Bonds of like Series and maturity are to be redeemed and are no longer held in book-entry form, the Administration will determine the particular 2004 Series Bonds and 2004 Series C Bonds or portions thereof to be called for redemption. The Trustee will mail notice of the redemption to the registered owners of any 2004 Series Bonds and 2004 Series C Bonds or portions thereof to be redeemed not less than 15 days (or, in the case of 2004 Series Bonds and 2004 Series C Bonds then registered under DTC's book-entry-only system of registration, 30 days) nor more than 90 days before any date upon which 2004 Series Bonds and 2004 Series C Bonds may be redeemed at their last addresses appearing upon the registration books. Such notice by mail is sufficient and published notice of the call for redemption need not be given. The notice of redemption may be conditional. If conditional, the notice will set forth the conditions precedent to such redemption and if such conditions have not been met prior to the redemption date, such notice will be of no force and effect. Notice otherwise having been provided, the 2004 Series Bonds and 2004 Series C Bonds designated in the notice will become due and payable at the applicable redemption price, plus interest accrued to the redemption date. On and after the redemption date, such 2004 Series Bonds and 2004 Series C Bonds will cease to bear interest and such 2004 Series Bonds and 2004 Series C Bonds will no longer be considered as outstanding under the Bond Resolution.

DTC and Book-Entry

At the time of delivery of the 2004 Series Bonds, DTC will act as securities depository for the 2004 Series Bonds. The ownership of one fully registered 2004 Series Bond for each maturity in the aggregate principal amount of such maturity will be initially registered in the name of Cede & Co., as nominee for DTC. DTC 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, as amended. DTC holds securities that its participants (the "DTC Participants") deposit with DTC. DTC also facilitates the settlement among DTC Participants of securities transactions, such as transfers and pledges, through electronic computerized book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of the DTC Participants, the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the 2004 Series Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for the 2004 Series Bonds on the records of DTC. The ownership interest of the actual purchaser of each 2004 Series Bond (the "Beneficial Owner") is in turn to be recorded through the records of the DTC Participant or Indirect Participant. Beneficial Owners will not receive from DTC written confirmations of purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2004 Series Bonds are to be accomplished by entries made on the books of DTC Participants who act on behalf of the Beneficial Owners and Indirect Participants. Beneficial Owners will not receive certificates of 2004 Series Bonds representing their ownership interest in the 2004 Series Bonds, and will not be, or be considered to be, owners thereof under the Bond Resolutions so long as the book-entry system is utilized. The requirement for physical delivery of securities in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the securities are transferred by DTC Participants on DTC's records.

To facilitate subsequent transfers, all 2004 Series Bonds deposited by DTC Participants with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of the 2004 Series Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC's records reflect the identity only of the DTC Participants to whose accounts such 2004 Series Bonds are credited, which may or may not be the Beneficial Owners. It is the responsibility of DTC Participants and Indirect Participants to keep account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. If fewer than all of the 2004 Series Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest attributable to each DTC Participant in such issue to be redeemed. Such selection of the 2004 Series Bonds to be redeemed will not be governed by the Bond Resolutions and will not be conducted by the Administration or the Trustee.

Neither DTC nor Cede & Co. will consent or vote with respect to the 2004 Series Bonds. 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 DTC Participants to whose accounts the 2004 Series Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

The Trustee will make payments of principal of, redemption premium, if any, and interest on the 2004 Series Bonds to DTC or its nominee, Cede & Co., as registered owner of the 2004 Series Bonds. The current practice of DTC is to credit the accounts of the DTC Participants upon receipt of moneys in accordance with their respective holdings shown on the records of DTC. If appropriate, DTC Participants will forward such payments to Indirect Participants. DTC Participants will be responsible for disbursing such payments to Indirect Participants or Beneficial Owners. DTC, the Trustee and the Administration are not responsible for and make no representations concerning the manner of, or any charges that may be associated with, payments by DTC Participants or Indirect Participants to Beneficial Owners.

Neither the Administration nor the Trustee will have any responsibility or obligation to DTC Participants or the persons for whom DTC Participants act as nominees with respect to the payments or the providing of notice to DTC Participants, Indirect Participants or Beneficial Owners or the selection of portions of the 2004 Series Bonds for redemption. The Administration and the Trustee make no representation concerning the accuracy of the description herein of the operations of DTC, DTC Participants or Indirect Participants.

The Administration and the Trustee cannot give any assurances that DTC will distribute payments of principal of, redemption premium, if any, and interest on the 2004 Series Bonds paid to DTC or its nominee, as the registered owner, or any redemption or other notices, to the DTC Participants or that they will do so on a timely basis, that DTC Participants or Indirect Participants will distribute to Beneficial Owners any such payments or notices received by them or do so on a timely basis, or that DTC will serve and act in a manner described in this Official Statement.

The Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of the 2004 Series Bonds.

Definitive Bonds

DTC (or a successor securities depository) may discontinue providing its service with respect to the 2004 Series Bonds at any time by giving notice to the Administration and discharging its responsibilities with respect thereto under applicable law. In addition, the Administration, in its sole discretion and without the consent of any other person, may elect not to use or may terminate the services of DTC (or a successor securities depository). Under such circumstances, 2004 Series Bonds in definitive form will be delivered as provided in the Bond Resolutions and registered in accordance with the instructions of the purchasers, and the following requirements of the Bond Resolutions will apply. Interest on the 2004 Series Bonds will be payable by check or draft mailed by the Trustee to the registered owner thereof or, upon the request of a registered owner of 2004 Series Bonds having a principal amount of $1,000,000 or more, by wire transfer from the Trustee to the registered owner thereof. The principal of and redemption premium, if any, are payable at the corporate trust office of the Trustee upon presentation of the 2004 Series Bonds on or after the date of maturity or redemption. Each exchange or transfer of the 2004 Series Bonds may require the payment by the owner of any tax, fee or other charge imposed by law and a reasonable transfer fee of the Trustee.

SECURITY FOR THE BONDS

Provisions of Bond Resolution

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

(1) proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of Outstanding Bonds);

(2) the Administration's right, title and interest in and to all Program Assets financed from such proceeds;

(3) Revenues;

(4) all money, investments and other assets held in the funds and accounts established by or pursuant to the Bond Resolution and the earnings thereon, except for any money, investments, assets or income held in the Rebate Fund or in any fund or account created by a Series Resolution or a Supplemental Resolution which provides that such fund or account shall not be subject to the lien of the Bond Resolution; and

(5) any and all other property of every description and nature from time to time hereafter by delivery or by writing of any kind conveyed, pledged, assigned or transferred to the Trustee as and for additional security under the Bond Resolution by the Administration or by anyone on its behalf or with its written consent.

The pledge and security interest are subject to (i) the power of the Administration to direct the withdrawal of amounts from such funds and accounts free and clear of such pledge and security interest upon the conditions provided in the Bond Resolution subject to the filing of a Cash Flow Certificate, (ii) other specific limitations set forth in the Bond Resolution and (iii) with respect to one or more Series of Bonds, the power of the Administration to grant a lien on the same property and rights (or any portion thereof) on a parity with or subordinate to the lien granted to the Trustee for the benefit of the owners of the Bonds (provided, however, any funds, assets or other property pledged to or for the benefit of the Credit Enhancer or Credit Facility Provider shall be available to the Credit Enhancer or Credit Facility Provider only after it has made payment under the Credit Enhancement or Credit Facility, as appropriate) and to exclude all moneys deposited into any fund or account with respect thereto from the pledge to the Trustee securing payment of the Bonds or to limit such pledge. Moneys necessary to pay arbitrage rebate, if any, to the United States are administered outside of, and are not subject to the lien of, the Bond Resolution. For a description of the provisions of the Bond Resolution for releasing of moneys or other assets from the lien of the Bond Resolution, see “SECURITY FOR THE BONDS – Cash Flow Statements and Certificates”.

The pledge made and security interests granted by the Bond Resolution and the covenants and agreements therein set forth are for the equal benefit, protection and security of holders of all Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bond over any other except as expressly provided or permitted herein. Subordinate Bonds need not be of equal rank with other Bonds and shall be entitled to the preferences and priorities provided in the Series Resolution authorizing the issuance of Subordinate Bonds. See “SECURITY FOR THE BONDS”.

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

Program Assets

Loans. The Mortgage Loans expected to be financed with the proceeds of the 2004 Series Bonds and 2004 Series C Bonds may be either whole Mortgage Loans or participations in Mortgage Loans. Mortgage Loans (including participations in Mortgage Loans) financed by the Administration with proceeds of the 2004 Series Bonds and 2004 Series C Bonds will be pledged as Program Assets under the Bond Resolution, and the Trustee will retain all right, title and interest in each such Mortgage Loan or participation interest for the equal and ratable security of the Bonds.

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

Each such Mortgage Loan financed in this manner and retained under the Mortgage Participation Agreement is expected to have an original term of 30 years, with equal monthly payments of principal and interest. Each such Mortgage Loan is expected to bear interest at fixed annual rates to be established from time to time by the Administration, with as little as 0% of the interest allocable to participation interests purchased with amounts available from the Program Fund under the 1980 General Certificate and up to 100% of the interest allocable to participation interests purchased with proceeds of the Bonds. The interest rate of such Mortgage Loans resulting from blending the interest rates attributable to the participation interests purchased from amounts available from the Program Fund under the 1980 General Certificate with the interest rates attributable to the participation interests purchased from the proceeds of the Bonds will comply with the requirements of the Code.

Each of the Loans financed with the proceeds of Prior Bonds issued under the Bond Resolution have been Mortgage Loans. Initially, each of the Loans was required to be secured by Credit Enhancement in the form of FHA mortgage insurance. Loans financed from the proceeds of the 1998 Series D Bonds and Series of Bonds issued thereafter may have FHA insurance or a USDA/RD guarantee; and loans financed from the proceeds of the 1999 Series C Bonds, the 1999 Series D Bonds and the Series of Bonds issued thereafter may be insured by FHA or guaranteed by VA or USDA/RD. See Appendix G – "FHA MORTGAGE INSURANCE PROGRAM, VA HOME LOAN GUARANTY PROGRAM AND USDA/RD MORTGAGE GUARANTEE PROGRAM". Each of the Loans expected to be financed with the proceeds of the 2004 Series Bonds will be Mortgage Loans insured by FHA or guaranteed by VA or USDA/RD. Proceeds of FHA mortgage insurance or a VA or USDA/RD guarantee paid upon default of Mortgage Loans held by the Fiscal Agent under the Mortgage Participation Agreement will be apportioned on a pro rata basis in conformance with the participation interests held in each Mortgage Loan. The Bond Resolution does *not* require that a Loan financed in the future be secured by Credit Enhancement. Credit Enhancement of all or a portion of a Loan, if any, will be provided in accordance with the applicable provisions set forth in the Series Resolution authorizing a particular Series of Bonds. Credit Enhancement of Loans includes (but is not limited to) any credit enhancement, insurance, guaranty, risk-sharing arrangement or any other form of credit support for a Loan (or any portion thereof) as provided in any Series Resolution or Supplemental Resolution.

Each of the Mortgage Loans financed with the proceeds of the Prior Bonds and each of the Mortgage Loans expected to be financed with the proceeds of the 2004 Series Bonds will be secured by a first lien mortgage. However, the Bond Resolution does *not* require that a Loan financed in the future be secured by a Mortgage constituting a mortgage lien on a Development, or that the lien of any Mortgage be a first lien. Any of the Loan requirements may be varied pursuant to Credit Enhancement of such Loan or, if the Loan is not Credit Enhanced, as required or permitted by the Administration.

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

Generally, the ability of the Administration to pay debt service on the Bonds depends upon the receipt of sufficient Revenues, principally comprising principal and interest payments on Loans, and earnings on investment of moneys in funds and accounts under the Bond Resolution. The Reserve Fund has been established to provide for the payment of debt service on the Bonds if Revenues for that purpose are at any time insufficient. If, however, Borrowers fail to satisfy their respective obligations under the Program and the proceeds of Credit Enhancement, if any, are insufficient, sufficient moneys may not be available to pay principal of and interest on the Bonds. The failure of a Borrower to make timely payment on its Loan or the occurrence of an event of default with respect to a Program Asset does not constitute a default with respect to any other Program Asset. Similarly, the occurrence of an Event of Default under the Bond Resolution does not, of itself, constitute an event of default with respect to any Program Asset. Under such circumstances, neither the Administration nor the Trustee has the right to accelerate payment of any Program Asset not in default. The 2004 Series Bonds are not secured by or payable from the assets and revenues of the 1980 General Certificate.

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

Reserve Fund

The Reserve Requirement, as of any date of calculation, is the aggregate of the amounts specified as the Reserve Requirement for each Series of Bonds in the applicable Series Resolution. During fiscal year 1997, the Administration adopted the provisions of GASB 31, which require that the financial statements of the Administration reflect investments at fair value. Accordingly, the balance of the Reserve Fund reported at December 31, 2003, includes investments at fair value. As of December 31, 2003, the available balance in the Reserve Fund was $21,895,811, of which $12,467 was cash equivalents. The fair value of investments was $21,883,344, of which $21,287,291 was the book value of investments and $596,053 was the increase in fair value of investments. See APPENDIX I – "INVESTMENTS HELD IN THE RESIDENTIAL REVENUE BOND FUNDS" herein. The amount currently on deposit in the Reserve Fund is at least equal to the aggregate Reserve Requirement established in the Series Resolutions which is 2% of the sum of: (i) the aggregate lendable proceeds on deposit in the 2004 Series Proceeds Account of the Program Fund relating to the 2004 Series Bonds and all Prior Bonds, and (ii) the aggregate principal amount of the Mortgage Loans then outstanding made or purchased from amounts described in clause (i) above.

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

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

Collateral Reserve Fund

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

Moneys, Cash Equivalents, Program Assets, Non-Conforming Loans and other assets may be deposited into the Collateral Reserve Fund in accordance with the requirements of a Series Resolution or a Supplemental Resolution. Such Series Resolution or Supplemental Resolution may establish terms, conditions and provisions relating to the funding of the Collateral Reserve Fund, disbursement of moneys or Cash Equivalents and the sale, disposition or release of Non-Conforming Loans from the Collateral Reserve Fund as well as the maintenance of such assets required to be held in such fund with respect to either a Series of Bonds or generally. The Collateral Reserve Fund was established with an initial deposit of $8,750,000. As of December 31, 2003, the fund had purchased Mortgage Loans with an original principal balance of $8,764,712. As of December 31, 2003, the Collateral Reserve Fund held Mortgage Loans with an outstanding principal balance of $7,075,821, and Investment Obligations in the amount of $2,978,619. See APPENDIX I – "INVESTMENTS HELD IN THE RESIDENTIAL REVENUE BOND FUNDS" herein.

Cash Flow Statements and Certificates

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

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

(i) Revenues;

(ii) interest and other income estimated by the Administration to be derived from the investment or deposit of money available for payment of the 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);

(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 Investment Obligations held in any Fund or account pledged to the payment of the Bonds (valued at their cost to the Administration, as adjusted by amortization of the discount or premium paid upon purchase of such obligations ratably to their respective maturities), together with accrued but unpaid interest thereon, (2) the outstanding principal balance of Loans, together with accrued but unpaid interest thereon, and (3) any other assets, valued at their realizable value, pledged for the payment of the Bonds, 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.

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

(i) upon purchase or redemption of Bonds of a Series in a manner other than (A) as contemplated in the most recent Cash Flow Statement filed by the Administration with the Trustee, or (B) on a basis whereby the Bonds of each maturity of such Series are purchased or redeemed in the proportion that the amount Outstanding of such maturity bears to the total amount of all Outstanding Bonds of such Series, with respect to purchases or redemptions to be made from Recovery Payments or excess Revenues;

(ii) prior to withdrawing moneys from the Revenue Fund for payment to the Administration free and clear of the pledge and lien of the Bond Resolution, in an amount in excess of the amounts determined to be available for such purpose in the most recent Cash Flow Statement filed with the Trustee;

(iii) prior to selling or otherwise transferring any Loan not in default, except with respect to the sale or release of Non-Conforming Loans and Loans secured by a Credit Facility or a Credit Enhancement which continues in effect after such release provided that payment is made under the Credit Enhancement or Credit Facility.

A Cash Flow Certificate shall consist of a statement of an Authorized Officer of the Administration to the effect of one of the following: (1) the proposed action is consistent with the assumptions set forth in the most recent Cash Flow Statement; or (2) after giving effect to the proposed action, in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding, the amounts described in clauses (i) through (iv) in the description of the Cash Flow Statement above will be sufficient, in the judgment of an Authorized Officer of the Administration, to pay the principal of and interest on all Outstanding Bonds described in the calculation, except that to the extent specified in a Supplemental Resolution, a fund or account established in said Supplemental Resolution shall not be taken into account in connection with such Cash Flow Certificate; or (3) the proposed action will not in and of itself materially adversely affect the amounts described in clauses (i) through (iv) in the description of the Cash Flow Statement above, except with respect to such funds or accounts 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 shall be based upon the Administration's reasonable expectations, and shall be based upon assumptions consistent with those used in the most recent Cash Flow Statement or such other assumptions as shall not adversely affect any of the Rating Agencies' ratings on the Bonds. Such assumptions and information are subject to change which may materially affect the conclusions expressed in the statement or certificate. Accordingly, Bondholders should be aware that the existence of a Cash Flow Statement or Cash Flow Certificate does not assure that the conclusions expressed therein will accurately reflect future revenues or events.

Investment of Funds

Pending application to the purposes of each fund or account, moneys held in the various funds and accounts under the Bond Resolution will be invested in Investment Obligations. See Appendix C – "DEFINITIONS – Investment Obligations" and Appendix B – "THE PROGRAM – Existing Portfolio and Available Funds Under the Bond Resolution" herein. The Administration expects that moneys held in the Program Accounts for the 2004 Series Bonds will be invested in an investment agreement, which constitutes an Investment Obligation. As of December 31, 2003, the proceeds of Prior Bonds held in the Program Fund, the Revenue Fund, the Reserve Fund and the Collateral Reserve Fund were invested in the Investment Obligations set forth in Appendix I – "INVESTMENTS HELD IN THE RESIDENTIAL REVENUE BOND FUNDS" herein.

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

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

Credit Facilities

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

A Credit Facility may be: (i) an unconditional and irrevocable letter of credit in form and drawn on a bank or banks acceptable to the Administration, so long as the providing of such letter of credit does not, as of the date it is provided, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any of the Rating Agencies, (ii) cash, (iii) a certified or bank check, (iv) Investment Obligations, or (v) any other credit facility similar to the above in purpose and effect, including, but not limited to, a guaranty, standby loan or purchase commitment, insurance policy, surety bond or financial security bond or any combination thereof, which, in any case secures all or a portion of one or more Series of Bonds.

Credit Enhancement

Forms of credit enhancement may include mortgage insurance provided through the FHA mortgage insurance programs, the VA and the USDA/RD guarantee programs, private mortgage insurance policies and the Maryland Housing Fund ("MHF") mortgage insurance program. (MHF, an insurance fund in the Department, has not engaged in new insurance activity since early 1997.) Other forms of credit enhancement also may include letters of credit, insurance policies, sureties, guarantees or any other security arrangement upon which the Administration or the Trustee may draw to provide credit support for Program Assets under the Bond Resolutions. Each of the Loans expected to be financed with the proceeds of the 2004 Series Bonds will be secured by Credit Enhancement in the form of FHA mortgage insurance or a VA or USDA/RD guarantee. Future Loans may, but are not required to be, secured by Credit Enhancement. See "SECURITY FOR THE BONDS".

General Bond Reserve Fund

As an additional source of funds for the payment of principal of and interest on the bonds and notes issued or to be issued by the Administration, including the 2004 Series Bonds, the Administration has established the General Bond Reserve Fund (the "General Bond Reserve Fund") pursuant to an Indenture of Trust by and between the Administration and Manufacturers and Traders Trust Company, Baltimore, Maryland, as successor trustee, dated as of June 29, 1984, as supplemented. Amounts on deposit in the General Bond Reserve Fund, to the extent available, may be used to pay the principal of and interest on bonds and notes of the Administration in the event that revenues and assets specifically pledged to such bonds and notes are not sufficient for the payment of principal of and interest on such notes or bonds. In addition, the Administration uses moneys in the General Bond Reserve Fund to cover costs of operation of the Administration.

Balances. During fiscal year 1997, the Administration adopted the provisions of GASB 31, an accounting standard adopted by the Government Accounting Standards Board. GASB 31 requires the financial statements of the Administration to reflect investments at fair value. Accordingly, the balance of the General Bond Reserve Fund as reported at December 31, 2003, includes investments at fair market value. As of December 31, 2003, the available balance in the General Bond Reserve Fund was $39,377,839, of which $8,422,218 was cash equivalents. The fair value of investments was $30,955,621, of which $29,993,288 was the book value of investments and $962,333 was the increase in fair value of the investments. The Administration may withdraw funds within the General Bond Reserve Fund, or may pledge such funds to specific obligations, at any time for any purposes under the Act.

On May 19, 1997, the Director of the Administration adopted a determination, approved by the Secretary, stating 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).

Special Restrictions. As of December 31, 2003, 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) $602,546 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 fall below 101% under the bond resolution for the Administration's Housing Revenue Bonds, 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 bonds or Bonds, as applicable.

Unless a default has occurred with respect to payment of any principal (or, if applicable, any redemption premium) of the Bonds or other bonds issued by the Administration, the Administration may, subject to any limitations set forth in the preceding paragraph, withdraw amounts in the General Bond Reserve Fund or may pledge amounts in the General Bond Reserve Fund to specific obligations at any time for any purposes under the Act. Upon the occurrence of an event of default with respect to any bonds secured by the General Bond Reserve Fund, the trustee for the defaulted bonds may file a claim against the General Bond Reserve Fund in an amount equal to the amount in default, and upon filing such a claim will have a lien on the General Bond Reserve Fund in the amount of such claim. In the event of multiple defaults, claims against the General Bond Reserve Fund are given priority based upon time of receipt by the General Bond

Reserve Fund trustee. There can be no assurance that moneys will be available in the General Bond Reserve Fund for the payment of principal of or interest on the Bonds. The Trustee is also the trustee for the General Bond Reserve Fund.

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

Additional Bonds

The Administration, from time to time, may issue Additional Bonds which are on a parity with and shall be entitled to the same benefits and security under the Bond Resolution as all other Bonds previously issued under the Bond Resolution, including the 2004 Series Bonds and except Subordinate Bonds (described below). A series of Additional Bonds shall be authorized and issued under and secured by the Bond Resolution pursuant to the authorization contained in a resolution of the Administration relating to such series of Additional Bonds (a "Series Resolution"). A series of Additional Bonds may be issued to finance or refinance Program Assets, including, but not limited to, Mortgage Loans, to refund Bonds or other obligations (including bonds issued by the Administration under resolutions other than the Bond Resolution), to fund reserves, to pay Costs of Issuance or to achieve any other of the Administration's purposes. Each Series Resolution authorizing the issuance of such series of Additional Bonds shall set forth the details of such Additional Bonds as well as any determinations by the Administration relating to Program Assets to be financed with the proceeds of such Additional Bonds. See Appendix D – "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Issuance of the Bonds" herein.

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

The Administration, from time to time, may issue Additional Bonds to be secured by the Bond Resolution and a Series Resolution relating to such series of Additional Bonds, on a subordinated basis ("Subordinated Bonds"), subject to the conditions provided in the Bond Resolution and the related Series Resolution. A series of Subordinated Bonds may be payable from Revenues derived from the Bond Resolution, but only after payment of all other amounts payable from Revenues with respect to Bonds which are not Subordinated Bonds having a higher priority to payment from such Revenues. See Appendix D – "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Authorization of Subordinate Bonds; Conditions Precedent to Delivery" herein.

TAX EXEMPTION AND RELATED CONSIDERATIONS

Federal Law

The proceeds from the 2004 Series Bonds will be used to finance Loans on Single Family Residences. The federal tax laws provide that interest on bonds issued for this purpose will be excluded from gross income for federal income tax purposes provided the bonds meet requirements set forth in various sections of the Internal Revenue Code of 1986, as amended (the "1986 Code"), principally Section 143 concerning qualified mortgage bonds. References herein to Section 143 and other provisions of the 1986 Code incorporate counterpart provisions of the Internal Revenue Code of 1954, as amended (the "1954 Code"), principally Section 103A of the 1954 Code, to the extent applicable to the 2004 Series Bonds. Under Section 143, a qualified mortgage bond is a bond which is issued as part of an issue the proceeds of which are used to finance owner-occupied residences meeting certain requirements relating to loan eligibility, Targeted Areas, arbitrage and other matters.

The loan eligibility requirements of Section 143 applicable to the 2004 Series Bonds are that (1) the residence on which the Mortgage Loan is made is a single family residence which is located in the State and can reasonably be expected to become the principal residence of the Borrower within a reasonable time after the Mortgage Loan is made; (2) except in certain limited circumstances, no part of the proceeds is to be used to acquire or replace any existing mortgage; (3) the acquisition cost (excluding usual and reasonable settlement or financing costs) of a property may not exceed a set percentage of the average area purchase price for residences in the area where the residence is located, which percentage depends on certain factors enumerated in Section 143; (4) with certain exceptions, the Borrower shall not have had a present ownership interest in his principal residence during the preceding three years; (5) with certain exceptions, the family income of the Borrower shall not exceed 115%, for families of three or more individuals, or 100%, for families of less than three individuals, of median gross income for the area in which the residence is located or the State, whichever is greater; and (6) the loan shall not be assumable unless the requirements of (1), (3), (4) and (5) above are met at the time of the assumption. An issue is treated as meeting the loan eligibility requirements of Section 143 if (1) the issuer in good faith attempted to meet all of the requirements before the loans were executed; (2) 95% or more of the proceeds of the issue used to finance loans was devoted to residences which met all such requirements at the time the loans were executed; and (3) any failure to comply with the loan eligibility requirements is corrected within a reasonable period after such failure is first discovered.

The 1986 Code imposes additional requirements to maintain the exclusion from gross income for federal income tax purposes of interest on the 2004 Series Bonds. These requirements impose limits on the yield that the Administration may realize from Mortgage Loans, require arbitrage from investment income to be rebated to the Internal Revenue Service, limit the period during which Mortgage Loans may be originated, limit the size of reserve funds and the amount of proceeds that may be spent on costs of issuance, and require prepayments of the Mortgage Loans to be used for bond redemptions in certain circumstances. The Administration intends to make or purchase the Mortgage Loans financed with the proceeds of the 2004 Series Bonds and any other Series of Bonds which may be designated by the Administration at interest rates that comply with such requirements. Pursuant to the Series Resolutions, the Administration will covenant, in substance, to take, or refrain from taking, action, as necessary to comply with such requirements, unless in the opinion of Bond Counsel, it is not necessary to comply with such requirements in order to assure the exclusion from gross income for federal income tax purposes of interest on the 2004 Series Bonds.

The terms and conditions of the Program documents have been designed to meet the requirements of the 1986 Code. The Administration will covenant in the Series Resolutions to meet these requirements and to take all steps necessary to comply with these requirements, including, but not limited to, initiating and pursuing foreclosure proceedings with respect to ineligible Mortgage Loans if repurchase obligations are either unavailable or prove to be unenforceable for any reason, so long as any 2004 Series Bonds issued to finance such Mortgage Loans are outstanding. See Appendix B – "THE PROGRAM – Eligible Mortgage Loans". Noncompliance with the requirements in the Program documents and the Series Resolutions would cause interest on the 2004 Series Bonds to become includable in the gross income of the holders thereof retroactively to the date of issue and adversely affect the price of the 2004 Series Bonds in the secondary market.

Assuming continuous compliance with certain covenants in the Bond Resolutions intended to assure compliance with the applicable provisions of the 1986 Code and with the procedures established by the Administration, in the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the 2004 Series Bonds is excludable from gross income of the holders thereof for federal income tax purposes, except as hereinafter described.

The following provisions of law may affect the exclusion from gross income for federal income tax purposes of interest on the 2004 Series Bonds or other federal income tax consequences of ownership of the 2004 Series Bonds with regard to certain taxpayers:

(a) Property and casualty insurance companies are required to reduce the amount of their deductible underwriting losses by 15% of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations, including the 2004 Series Bonds, acquired after August 7, 1986. If the amount of its reduction exceeds the amount otherwise deductible as losses incurred, such excess may be included in income.

(b) Section 265 of the 1986 Code provides generally that taxpayers may not deduct interest expense on debt incurred or continued to purchase or carry tax-exempt obligations, including the 2004 Series Bonds. Section 265 further provides that banks and other financial institutions may not deduct the portion of their interest expense allocable to certain tax-exempt obligations, including the 2004 Series Bonds, acquired after August 7, 1986.

(c) Interest on the 2004 Series A Bonds is not a "tax preference item" directly subject to the alternative minimum tax imposed on individuals and corporations under the 1986 Code.

(d) Although interest on the 2004 Series A Bonds is not a "tax preference item" directly subject to the alternative minimum tax, interest on the 2004 Series A Bonds is included in the "adjusted current earnings" (i.e., alternative minimum taxable income as adjusted for certain items including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the 1986 Code) of certain corporations (other than S corporations, regulated investment companies, real estate investment trusts, real estate mortgage investment conduits or financial asset securitization investment trusts) for taxable years beginning after 1989, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and before reduction for certain net operating losses).

(e) Interest on the 2004 Series B Bonds is a "tax preference item" directly subject to the alternative minimum tax imposed on individuals and corporations under the 1986 Code.

(f) Certain recipients of social security and railroad retirement benefits are required to include a portion of such benefits within gross income by reason of receipt of interest on tax-exempt obligations, including the 2004 Series Bonds.

(g) For foreign corporations operating branches in the United States, Section 884 of the 1986 Code imposes a branch-level tax on certain earnings and profits. Interest on tax-exempt obligations, such as the 2004 Series Bonds, may be included in the determination of such domestic branch taxable base on which this tax is imposed.

(h) If during a taxable year an S corporation has subchapter C earnings and profits at the close of its taxable year and more than 25% of the gross receipts of the S corporation are passive investment income, which includes interest on tax-exempt obligations such as the 2004 Series Bonds, the interest on the 2004 Series Bonds may be subject to federal income taxation under Section 1375 of the 1986 Code. Holders of the 2004 Series Bonds which are S corporations should consult their tax advisors as to whether the interest on the 2004 Series Bonds will be included in their income which is subject to the tax imposed under Section 1375 of the 1986 Code.

The September 1, 2028 Bonds are being sold at a premium. An amount equal to the excess of the issue price of a September 1, 2028 Bond over its stated redemption price at maturity constitutes original issue premium on such September 1, 2028 Bond. An initial purchaser of a September 1, 2028 Bond must amortize any premium in accordance with Section 171 of the Code. Purchasers of the September 1, 2028 Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a September 1, 2028 Bond.

The above summary of possible indirect tax consequences may not be exhaustive. All purchasers of the 2004 Series Bonds should consult their tax advisors regarding the possible federal income tax consequences of ownership of the 2004 Series Bonds.

The opinions referred to herein as to the treatment of interest on the 2004 Series Bonds for federal income tax purposes are based upon laws, regulations, rulings and decisions in effect as of the date hereof. There can be no assurance that legislation will not be introduced or enacted after the issuance and delivery of the 2004 Series Bonds so as to affect adversely the exclusion from gross income for federal income tax purposes applicable to the 2004 Series Bonds. Under such circumstances, the Administration has no obligation to redeem or to increase the rate of interest paid on the 2004 Series Bonds. Each purchaser of the 2004 Series Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation.

State and Local Tax Exemption

In the opinion of Bond Counsel, the 2004 Series Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized from their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State, or by its political subdivisions, municipal corporations or public units of any kind under existing law, except that no opinion is expressed as to such exemption from Maryland franchise taxes or estate or inheritance taxes. Interest on the 2004 Series Bonds may be subject to state or local income taxes in jurisdictions other than the State under applicable state or local tax laws. All purchasers of the 2004 Series Bonds should consult their tax advisors regarding the tax status of the 2004 Series Bonds in a particular state or local jurisdiction other than the State.

FINANCIAL STATEMENTS FOR THE PROGRAM

The financial statements for the year ended June 30, 2003 of the Community Development Administration Residential Revenue Bonds (the "Fund") have been audited by Reznick Fedder & Silverman, and the financial statements for the Fund for the year ended June 30, 2002 were audited by other auditors, all as described in the Independent Auditor's Report of Reznick Fedder & Silverman accompanying the financial statements in Appendix H to this Official Statement. As indicated in the report of the auditors, such financial statements have been prepared in conformity with accounting principles and the audit has been conducted in accordance with auditing standards generally accepted in the United States. Unaudited financial statements for the Residential Revenue Bonds of the Administration for the period ended December 31, 2003 are also included in Appendix H to this Official Statement.

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

LITIGATION

There is no pending litigation of any nature restraining or enjoining or seeking to restrain or enjoin the issuance, sale or delivery of the 2004 Series Bonds or in any way contesting or affecting the validity of the 2004 Series Bonds, the Bond Resolutions or other proceedings of the Secretary taken with respect to the authorization, issuance or sale of the 2004 Series Bonds, the Bonds, the Program, the pledge or application of any moneys under the Bond Resolutions, or the existence or powers of the Administration.

LEGAL MATTERS

The authorization, issuance and delivery of the 2004 Series Bonds are subject to receipt of the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania, Bond Counsel, which will be in substantially the form set forth in Appendix K. Certain legal matters pertaining to the Administration will be passed upon by an Assistant Attorney General of the State and Counsel to the Department. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Atlanta, Georgia.

LEGALITY FOR INVESTMENT

Under the Act, the 2004 Series 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 2004 Series Bonds are securities which may properly and legally be deposited with and received by any State or municipal officer or any unit or political subdivision of the State for any purpose for which the deposit of bonds or other obligations of the State is authorized by law.

UNDERWRITING

The 2004 Series Bonds (except for the $1,555,000 2004 Series B Bonds due September 1, 2024, which are being purchased directly by Fannie Mae (the "Placed 2004 Series B Bonds")) are being purchased by UBS Financial Services Inc., Bear, Stearns & Co. Inc., Ferris, Baker Watts, Incorporated, Legg Mason Wood Walker, Incorporated, Citigroup Global Markets Inc., Loop Capital Markets, L.L.C., M.R. Beal & Company and Merrill Lynch & Co. (collectively, the "Underwriters") on a negotiated basis. The Underwriters have jointly and severally agreed to purchase all but not less than all of the 2004 Series Bonds (other than the Placed 2004 Series B Bonds) from the Administration at a price equal to the principal amount thereof, plus accrued interest. The Underwriters will receive compensation in the form of an underwriting fee aggregating $245,973.05 with respect to the 2004 Series Bonds. The obligation of the Underwriters to purchase the 2004 Series Bonds being reoffered and of Fannie Mae to purchase the Placed 2004 Series B Bonds will be subject to certain terms and conditions, including the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices of the 2004 Series Bonds being reoffered may be changed, from time to time, by the Underwriters. The Underwriters may offer and sell the 2004 Series Bonds being reoffered to certain dealers (including dealers depositing 2004 Series Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside cover page hereof. The Underwriters' obligation to purchase the 2004 Series Bonds being reoffered is expressly conditioned upon the simultaneous purchase of the Placed 2004 Series B Bonds by Fannie Mae; provided, however, that if for any reason the Placed 2004 Series B Bonds are not purchased by Fannie Mae, then the Placed 2004 Series B Bonds may be purchased by the Underwriters on the terms and conditions described in this section with respect to the 2004 Series Bonds being reoffered by the Underwriters.

RATINGS

Fitch, Inc. ("Fitch") has assigned to the 2004 Series Bonds the rating of "AA", and Moody's Investors Service ("Moody's") has assigned to the 2004 Series Bonds the rating of "Aa2". Each rating reflects only the view of Fitch and Moody's, respectively, and an explanation of such rating may be obtained from the issuing rating agency. There is no assurance that such ratings will be maintained for any given period of time or that they will not be lowered or withdrawn entirely by the issuing rating agency, if, in its judgment, circumstances so warrant. A downward change in or withdrawal of a rating may have an adverse effect on the market price of the 2004 Series Bonds. The Administration has no obligation or duty to provide Owners of the 2004 Series Bonds with notice of any change in or withdrawal of a rating.

SECONDARY MARKET DISCLOSURE

The Administration has agreed, in accordance with the provisions of Rule 15c2-12 (the "Rule"), adopted by the Securities and Exchange Commission (the "Commission") under the Securities and Exchange Act of 1934, to provide to each nationally recognized municipal securities information repository ("NRMSIR") and to the appropriate state information depository ("SID"), if any, for the State of Maryland, in each case as designated by the Commission in accordance with the Rule, within 120 days of the end of each fiscal year, the following annual financial information and operating data (commencing with the fiscal year ended June 30, 2004):

(1) a copy of the annual financial statements of the Residential Revenue Bond Program financed with the Bonds prepared in accordance with generally accepted accounting principles and audited by a certified public accountant; and

(2) information regarding the status of the portfolio of Program Assets expected to be financed, and which are financed, with the proceeds of Bonds and the status of all Funds and Accounts held as security for the Bonds, which information shall be in a form generally provided by the Administration with respect to its existing single family program including:

- (a) information concerning the existing Program Assets portfolio securing the Bonds;
- (b) information concerning the status of available funds to finance Program Assets;
- (c) information concerning any additional collateral or credit enhancements securing Program Assets or the Bonds;
- (d) information concerning delinquencies and foreclosures of Program Assets; and
- (e) information concerning Program Asset prepayments and Bond redemptions.

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

The Administration has agreed to provide, in a timely manner, to (i) each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and (ii) the SID, if any, notice of the occurrence of any of the following events with respect to the 2004 Series Bonds, if material:

i. principal and interest payment delinquencies,

ii. non-payment related defaults,

iii. unscheduled draws on debt service reserves reflecting financial difficulties,

iv. unscheduled draws on credit enhancements, if any, reflecting financial difficulties,

v. substitution of credit or liquidity providers, if any, or their failure to perform,

vi. adverse tax opinions or events affecting the tax-exempt status of the 2004 Series Bonds,

vii. modifications to rights of Bondholders,

viii. bond calls,

ix. defeasances,

x. release, substitution, or sale of property securing repayment of the 2004 Series Bonds, or

xi. rating changes.

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

The Administration has reserved the right to terminate its obligation to provide financial information and notices of material events, as described above, if and when the Administration no longer remains an obligated person with respect to the 2004 Series Bonds within the meaning of the Rule.

The Administration has agreed that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders of the 2004 Series Bonds, and will be enforceable by any holder of 2004 Series Bonds or any beneficial owner of the 2004 Series Bonds. Such holders' and beneficial owners' rights to enforce the provisions of this undertaking are limited to a right to obtain specific performance of the Administration's obligations with respect thereto. Any failure by the Administration to comply with the provisions of its undertaking will not be an event of default with respect to the Bonds, under the Bond Resolution or under the 2004 Series Resolution.

The provisions of the undertaking with respect to the Rule described above may be amended, without the consent of the holders of the 2004 Series Bonds or any beneficial owners of the 2004 Series C

Bonds, to the extent required or permitted by any amendment to the Rule becoming effective after the date hereof.

MISCELLANEOUS

Summaries and Descriptions in Official Statement

The summaries and explanation of, or references to, the Act, the program documents, the Bond Resolutions and the 2004 Series Bonds included in this Official Statement do not purport to be comprehensive or definitive; such summaries, references and descriptions are qualified in their entirety by reference to each such document, copies of which are on file at the offices of the Administration. The descriptions of the FHA insurance program, the VA mortgage guaranty program and the USDA/RD mortgage guarantee program do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the applicable statutes and regulations.

Financial Advisor

Caine Mitter & Associates Incorporated, in association with Columbia Equity Financial Corp. (collectively, the "Financial Advisor"), have served as financial advisors to the Administration in connection with the sale of the 2004 Series Bonds.

Selection and Compensation of Professionals

The Administration selects its independent auditor through a competitive process in accordance with State procurement law. Compensation of the auditor is not contingent on the sale of the 2004 Series Bonds. The Financial Advisor is selected by the Administration periodically through a process of solicitation of proposals. The Financial Advisor may receive a broker's commission in connection with the placement of a contract for investment of the proceeds of the 2004 Series Bonds. Compensation of the Financial Advisor is not contingent on the sale of the 2004 Series 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 2004 Series Bonds. The Underwriters are selected by the Administration periodically through a process of solicitation of proposals. Compensation of the Underwriters and their counsel is contingent on the sale of the 2004 Series Bonds.

* * * * *

This Official Statement is not to be construed as a contract or agreement between the Administration and the owners of any of the 2004 Series Bonds.

The execution and delivery of this Official Statement 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

April 28, 2004

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APPENDIX A

THE DEPARTMENT AND ADMINISTRATION

General Information

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

The Secretary of Housing and Community Development (the "Secretary") is the head of the Department and is appointed by the Governor with the advice and consent of the Senate. The Department consists of 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, and the Administration and the Maryland Housing Fund appears on page A-6 hereof.

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

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

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

The Division of Finance and Administration 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 under the direction of the Chief Financial Officer of the Department who reports to the Director of the Administration with respect to its financial functions. MHF's finance function is a part of the Division of Finance and Administration under the direction of the Chief Financial Officer who reports 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 a Revenue Bond Advisory Board (the "Board") that provides independent advice and expertise to the Department with respect to issuance of revenue bonds, including the Bonds. The Board consists of seven members appointed by the Secretary, including the Deputy Secretary (who chairs the Board), one other representative of the Department, two representatives of other agencies of State government (one from an agency which issues revenue bonds), one representative of the State Treasurer's Office, and two members of the public. The Board reviews and makes recommendations to the Secretary with respect to each issuance of bonds. The Secretary has the final authority to approve each issuance after receipt of the Board's recommendation. When urgent action is required, the Secretary may approve an issuance of bonds without action by the Board or may vary the terms of the Board's recommendation. In addition, the Board advises the Department on procedures for issuing bonds and on selection and performance of financial advisors and underwriters.

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

The office of the Administration is located at 100 Community Place, Crownsville, Maryland 21032. Inquiries for documents or concerning this Official Statement should be directed to Anne P. Konrad, Director, Finance at (410) 514-7326 or by e-mail at 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 22 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.

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 Administration, effective February 2, 2004. Prior to joining the Department, 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.

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 1980 and received his M.B.A. degree from the University of Baltimore in 1991.

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

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 Housing

As of December 31, 2003, the staff of the Administration consists of approximately 117 positions and an additional 13 vacancies, including more than 108 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, 32 are currently involved in Single Family Housing Programs in a professional or technical capacity. Certain information relating to the senior staff who have primary responsibilities for Finance and for Single Family Housing is briefly described below.

Anne P. Konrad, Director, Finance has been with the Department since March 1993. She was the Senior Multi-Family Underwriter with the Maryland Housing Fund 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.

Tonna Phelps was appointed Director of Single Family Housing, effective August 11, 2003, having served as Acting Director since January 2003. Ms. Phelps has been with the Administration since 1977. For the ten years preceding her appointment as Acting Director, she was the Administrator for Development Assistance Programs under the Administration's Multifamily Programs, managing federal

HOME funds, the Maryland Affordable Housing Trust, and other federal and State programs. She has also served as Administrator for Mortgage Purchase under Single Family Housing. In addition, Ms. Phelps currently represents the Administration on various interagency committees throughout State government. Ms. Phelps holds a B.S. in Business Administration from the University of Baltimore.

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

Other Housing Programs of the Department

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

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

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

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

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

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

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

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

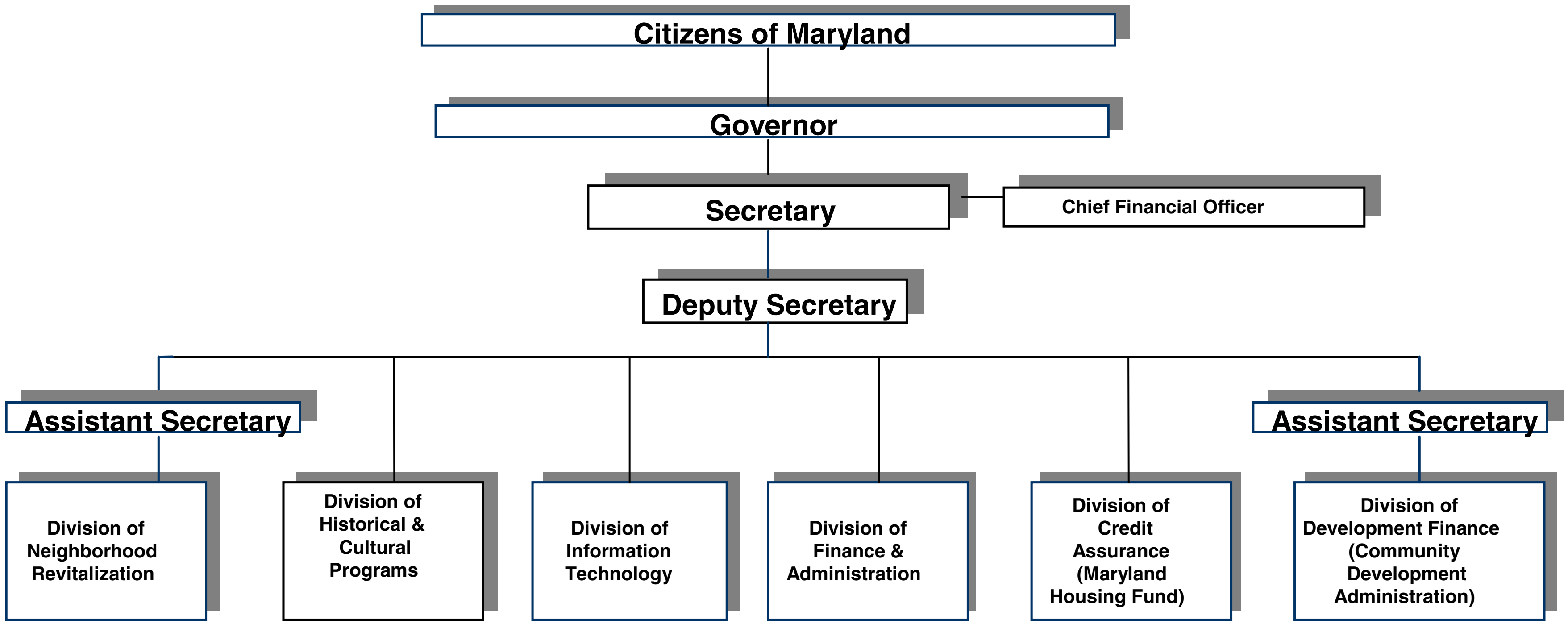
In addition, the Department was selected by HUD as the Contract Administrator for Project-Based Section 8 Housing Assistance Payment ("HAP") Contracts for the State of Maryland. As Contract Administrator, the Department makes payments to each property owner with the terms of the HAP Contracts and HUD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

Infrastructure Financing Programs

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

Department of Housing and Community Development

Organizational Chart



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

APPENDIX B

THE PROGRAM

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

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

Existing Portfolio and Available Funds Under the Bond Resolution

Existing Portfolio. As of December 31, 2003, the Mortgage Loan portfolio of the Administration under the Bond Resolution consisted of 7,281 Mortgage Loans with an aggregate principal amount outstanding of $618,407,078.

Participations in Mortgage Loans. The Administration may finance Mortgage Loans by purchasing participation interests in such Mortgage Loans, which may include Mortgage Loans financed with different Series of Bonds issued under the Bond Resolution, or Mortgage Loans financed with proceeds of bonds issued under the 1980 General Certificate and bonds issued under the Bond Resolution. Where participation interests involve the 1980 General Certificate, payments of principal on all such Mortgage Loans, including Prepayments or recoveries from foreclosure of defaulted Mortgage Loans, will be allocated on a pro rata basis in conformance with the contributions of proceeds from bonds issued under the 1980 General Certificate and bonds issued under the Bond Resolution. Each such Mortgage Loan shall bear interest at a rate determined from time to time by the Administration, with as little as 0% of such interest allocable to participation interests purchased with proceeds of bonds issued under the 1980 General Certificate and up to 100% of such interest allocable to participation interests purchased with proceeds of bonds issued under the Bond Resolution. As described below in "Certain Information Relating to Mortgage Loans", portions of several series of bonds under the Bond Resolution each have been blended with 0% funds from the 1999 First Series Bonds which were issued under the 1980 General Certificate.

In addition, the following table sets forth, as of December 31, 2003, information on the number of whole loans and participation loans in the Mortgage Loan portfolio under the Bond Resolution:

Whole Loans and Participation Loans
as of December 31, 2003 (1)

	Current Number of Mortgage Loans	Original Principal Amount	Outstanding Principal Balance 12/31/03
Loans financed entirely under the Bond Resolution	6,023	$545,674,797	$522,144,450
Participation loans financed under both the Bond Resolution and the 1980 General Certificate (2)	1,258	102,440,967	96,262,628
TOTAL	7,281	$648,115,764	$618,407,078

(1) Individual amounts may not add up to the total amount because of rounding.
(2) The amount of participation loans is split between the Bond Resolution and the 1980 General Certificate. The participation loans are equally counted both in the Bond Resolution and the 1980 General Certificate.

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

Status of Available Funds. The chart below sets forth the status of available funds under the Bond Resolution as of March 11, 2004.

Residential Revenue Bond Program
Status of Available Proceeds (in thousands) (2)
as of March 11, 2004

Source of Funds	Date of Issuance	Total Available for Mortgage Loans	Amount of Loans Purchased(3)	Amount of Unused Proceeds	Amount Available for Commitment	Reservations Against Available Funds (1)
1999 Series E & F	08/31/1999	$ 78,431	$ 78,411		$ 20	$ 2
2000 Series H	12/20/2000	58,824	53,314	$5,500	10	10
2001 Series A & B	03/28/2001	68,319	54,085	14,200	34	33
2001 Series G & H	09/25/2001	58,823	47,029	10,200	1,594	-
2002 Series A	02/26/2002	7,848	4,152		3,696	-
2003 Series A, B, C	12/09/2003	44,818	44,749	_____	69	69
TOTAL		$317,063	$281,740	$29,900	$5,423	$114
Warehouse Loan Fund(4)		45,000	14,672		30,328	52,646

(1) The Administration expects that a certain percentage of applicants receiving reservations will not proceed to funding. Therefore, the Administration accepts reservations in an amount exceeding the funds available. To the extent necessary because of over-reservations or for other reasons, loans may be purchased into other series in a manner consistent with federal law.
(2) Individual amounts may not add up to the total amount because of rounding.
(3) In the context of this chart Amount of Loans Purchased includes loan origination fees paid to the Originating Lenders on 0 point loans and de minimus amounts of remaining proceeds transferred or to be transferred to corresponding revenue accounts.
(4) The Warehouse Loan Fund is funded from excess revenues and is intended to provide an interim funding source for loans purchased in between the bond issuance dates. For additional information, see "*Use of Funds from the Sale of 2004 Series Bonds*."

The chart above sets forth the Status of Funds as of March 11, 2004. Funds have been reserved as of that date for loans at interest rates ranging from 4.00% to 4.95%. Most of the funds have been reserved for whole loans, while some of the loans are participation loans to be funded from various series of bonds issued under the Bond Resolution. For information on interest rates for purchased loans, see "Certain Information Relating to Mortgage Loans – *Mortgage Loans by Interest Rate and Series as of December 31, 2003*" below. As a result of economic refundings and management of bond proceeds, the Administration has been able to generate funds which bear an interest rate of 0%. In December 2003, the

Administration issued the 2003 Series C Bonds, a series of variable rate bonds issued together with the fixed rate 2003 Series A and B Bonds under a common plan of finance which allowed the Administration to offer competitive interest rates for loans purchased with the proceeds of those Bonds. Through the issuance of variable rate Bonds and the availability of 0% funds available to subsidize interest rates, the Administration has been able to set lending rates for the general program based on market conditions. The current interest rates for the general program are: 4.95% with zero points and 4.75% with two points. Interest rates for new loans are subject to change, depending upon available funds and market conditions.

Initially, the series resolutions for the prior series of Bonds limited the Loans to Mortgage Loans on Single Family Residences, and required all of the Mortgage Loans to be insured by FHA mortgage insurance. The series resolutions for the 1998 Series D Bonds and the Series of Bonds issued thereafter also permit a USDA/RD guarantee. Furthermore, the series resolutions for the 1999 Series C Bonds and the 1999 Series D Bonds and the Series of Bonds issued thereafter also permit a VA guarantee. However, the Bond Resolution does not require that Loans be secured by Credit Enhancement. Furthermore, the Bond Resolution permits the Administration to require future Loans which it finances with Bonds to be insured with Credit Enhancement other than FHA mortgage insurance, or VA or USDA/RD guarantee. Such Credit Enhancement may include a variety of forms and may be provided by a variety of Credit Enhancers in addition to FHA, VA or USDA/RD.

The 1997 Series A and Series B Series Resolutions required, in part, that the Loan amount not exceed (1) the lesser of the purchase price or the appraised value of the property, plus (2) any financed up-front mortgage insurance premium. FHA, however, permits the fully insured Loan amount to include not only the up-front mortgage insurance premium, but, under certain circumstances, certain closing costs and other costs as well. Furthermore, through the FHA Section 203(k) Program, FHA will insure certain loans for up to 110 percent of the expected after-rehabilitation value of the property, plus permitted closing costs. Because the limitations in the Series Resolutions exceeded the limitations for FHA-insured loans, the Series Resolutions were amended by Supplemental Resolutions dated as of December 1, 1997 to provide that a Mortgage Loan may not exceed the maximum amount that FHA will insure for that Loan.

Use of Funds from the Sale of 2004 Series Bonds. The Administration expects to apply all or a portion of the $30,071,949.60 of 2004 Series Bond proceeds available to make or purchase Mortgage Loans to reimburse amounts on deposit in its Warehouse Loan Fund established under the Collateral Reserve Fund of the Bond Resolution previously applied to purchase Mortgage Loans. Any such amount not used to reimburse amounts previously applied to purchase Mortgage Loans will be applied to make or purchase Mortgage Loans not previously purchased by the Administration. Origination fees (including discount points) for the Mortgage Loans shall be 2% (or as otherwise permitted by the Administration). Each Mortgage Loan has, or is expected to have, an original term of 30 years, with equal monthly payments of principal and interest. Pending application to the purposes of each fund or account, moneys held in various funds and accounts under the Bond Resolution will be invested in Investment Obligations.

All Mortgage Loans purchased, or for which the purchase price was reimbursed, with proceeds of the 2004 Series Bonds on deposit in the Program Fund have been, or are expected to be purchased primarily from Mortgage Lenders to finance the acquisition of existing, newly constructed or substantially rehabilitated Single Family Residences located throughout the State, including Targeted Areas. For reasons discussed in "'Smart Growth' Requirements" below, all newly constructed homes financed by Mortgage Loans will be located in priority funding areas.

The Administration may use all or a portion of the total amount available for Mortgage Loans from the proceeds of the 2004 Series Bonds to purchase, or to reimburse the purchase price of, Mortgage Loans financing the acquisition of Single Family Residences located in the Counties of Allegany, Anne

Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Frederick, Garrett, Harford, Howard, Kent, Queen Anne's, St. Mary's, Somerset, Talbot, Washington, Wicomico, Worcester and the City of Baltimore (the "Participating Counties"), from Mortgage Lenders on behalf of such Participating Counties which are expected to request that the Administration issue some or all of their allocable portion of the total amount of qualified mortgage bonds pursuant to federal and State law. The allocation of each Participating County is held available for the Participating County for at least 60 days from the date of issuance of the 2004 Series Bonds. The Administration may extend such 60-day period for a reasonable period, upon the request of a Participating County or at the discretion of the Administration, if such extension will not impair the Administration's ability to repay the 2004 Series Bonds. If the Participating County does not use some or all of its allocation within the required period, the Administration may reallocate the funds to another Participating County or use the funds to purchase Mortgage Loans that finance the acquisition of Single Family Residences located in other jurisdictions of the State.

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

Eligible Mortgage Loans

General Provisions. Each Mortgage Loan must comply with the Act and with the following conditions: (1) a deed of trust must be executed and recorded in accordance with the requirements of existing laws; (2) the deed of trust must be the subject of a title insurance policy in an amount at least equal to the outstanding principal amount of the Mortgage Loan, insuring that the deed of trust constitutes a first lien, subject only to permitted liens and encumbrances; (3) the Mortgage Loan must be subject to FHA mortgage insurance or a VA or USDA/RD guarantee; (4) the Mortgage Loan must require either (a) escrow payments on the part of the Borrower with respect to all taxes, assessments, water rates, ground rents, sewer rates, common area expense, insurance premiums (including mortgage insurance premiums) and other charges and prior items or (b) reasonable alternative arrangements for the payment of such amounts which are satisfactory to the Administration and acceptable to the Trustee; (5) the monthly payments of principal of and interest on the Mortgage Loan must be established at the time the Mortgage Loan is made; and (6) the property securing the Mortgage Loan must be insured, with a uniform standard extended coverage endorsement, as and to the extent required by the Administration to protect its interest against loss or damage by fire, and other hazards, and by flooding if the Single Family Residence is located in an area designated as having specific flood hazards. See Appendix G – "FHA MORTGAGE INSURANCE PROGRAM, VA HOME LOAN GUARANTY PROGRAM AND USDA/RD MORTGAGE GUARANTEE PROGRAM".

Purchase Price Limitations. The federal tax law and the Act place limits on the maximum purchase price of a residence financed with a Mortgage Loan. The maximum purchase price permitted under the federal tax law may vary from county to county, and currently ranges from $189,682 in Talbot County (all of which is a Non-Targeted Area under the Code) and non-Targeted Areas in Wicomico and Worcester Counties, to $420,199 for homes in Targeted Areas of the Washington, D.C. primary metropolitan statistical area. In addition, FHA maximum mortgage amounts vary from county to county and currently range from $160,176 for Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, Talbot, Wicomico and Worcester Counties, to $290,319 for the Washington, D.C. primary metropolitan statistical area, which includes Calvert, Charles, Frederick, Montgomery and Prince Georges Counties. In certain counties, the insurer's or guarantor's maximum mortgage amounts may be less or more than the maximum purchase prices permitted under federal tax law. The maximum purchase price of a residence financed by the Administration may not exceed the lesser of either the insurer's or guarantor's mortgage limit or the maximum purchase price established by federal tax law. Lower purchase price limits may apply to certain Mortgage Loans made available at interest rates that are lower than those generally available or for other programmatic reasons. In addition, maximum purchase price limits may be set lower for Mortgage Loans to be financed in particular community development projects of Single Family Residences or through Homeownership Initiatives.

Mortgage Loan Amounts. The maximum amount of a Mortgage Loan may not exceed the FHA maximum insured mortgage loan amount, or the maximum loan amount guaranteed by VA or USDA/RD as applicable. Under certain circumstances, the mortgage insurer or guarantor may allow financing above the amount of the purchase price of the mortgaged property in order to permit the financing of an up-front mortgage insurance premium, funding fee, guarantee fee, permitted closing costs, and other permitted costs such as rehabilitation and related costs permitted by FHA under the FHA Section 203(k) Rehabilitation Insured Mortgage Program. The Administration may finance such costs as part of the Mortgage Loan. Therefore, a substantial proportion of the Mortgage Loans are expected to have loan-to-value ratios which equal or exceed 100%. The USDA/RD guarantee permits financing of closing costs and guarantee fee above the purchase price, as long as the total loan amount does not exceed the appraised value.

Borrower Income Limitations. The federal tax law and the Act place limits on maximum annual income of Borrowers eligible to receive Mortgage Loans. From time to time the Secretary may determine income limits other than those that are generally applicable (subject to the limits imposed by Section 143). In addition, the insurer or guarantor may have maximum income limits that may differ from the limits imposed by federal law or the Act. The maximum income limit permitted under the federal tax law, which is adjusted for household size, may vary from county to county, and currently ranges from $72,000 for a one- or two-person household in certain non-Targeted Areas of the State to $119,560 for a three-person or larger household in certain Targeted Areas of the Washington, D.C. primary metropolitan statistical area. The maximum annual household income of Borrowers eligible to receive Mortgage Loans may not exceed the lesser of the maximum income limits permitted under federal tax law or by the mortgage insurer or guarantor. Lower income limits may apply to certain Mortgage Loans made available at interest rates that are lower than those generally available or for other programmatic reasons. In addition, maximum income limits may be set lower for Mortgage Loans to be financed in particular community development projects of Single Family Residences or through Homeownership Initiatives.

"Smart Growth" Requirements. Title 5, Subtitle 7B (Priority Funding Areas) of the State Finance and Procurement Article of the Maryland Annotated Code (the "Smart Growth Act"), enacted in 1997, in general requires the Administration to ensure that newly constructed homes financed by Program loans are located in certain "priority funding areas." The Smart Growth Act requirement does not apply if the loan is financed through bonds issued under a county's transfer of its allocation to the Administration under Title 13, Subtitle 8 of the Financial Institutions Article. See "Existing Portfolio and Available Funds Under the Bond Resolution – *Application of Proceeds of 2004 Series Bonds*".

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

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

(1) each Borrower must certify that the proceeds of the Mortgage Loan will be used only to acquire a Single Family Residence located in the State to be owned and occupied by the Borrower, and, except in certain limited circumstances, will not be used to acquire or replace an existing mortgage or other financing of a residence or any improvements thereto;

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

(3) subject to certain exceptions, each Borrower must (a) provide to the Mortgage Lender or the Administration such Borrower's income tax information filed with the Internal Revenue Service during the preceding three years and (b) certify, and the Administration also examines the income tax information as evidence, that the Borrower had no present ownership interest in a principal residence of the Borrower at any time during the three-year period ending on the date the Mortgage Loan is originated, unless the home to be financed is located in a Targeted Area, as defined below, where such prohibition on prior homeownership is not dictated; and

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

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

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

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

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

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

Mortgage Loans Purchased from Mortgage Lenders

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

The Division of Development Finance (the "Division") performs the initial screening of Mortgage Loans for eligibility under the criteria set forth above. See "Eligible Mortgage Loans" herein. After a Mortgage Lender obtains a reservation for a potential Borrower, the Mortgage Lender submits the potential Mortgage Loan to the Division. The Division reviews the potential Mortgage Loan for eligibility under the criteria set forth above.

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

The Administration purchases Mortgage Loans at a price equal to the outstanding principal balance thereof. Except as permitted otherwise by the Administration, the Mortgage Lender may collect origination fees ("points") in an amount not exceeding 2% of the original balance of the Mortgage Loan, including the fee paid to the Administration. Under the two-point program, the Mortgage Lenders pay the Administration a fee ranging between 1/4 of one percent and one percent, depending on when the purchase file is approved. The Mortgage Lender thus receives a one percent origination fee and may receive a service release fee ranging between 3/4 of one percent of the purchase price and 0 percent, depending on when the purchase file is approved. Such fees paid to the Administration are not revenues under the Bond Resolution. Under the zero-point program, the Administration pays the Mortgage Lender a fee ranging between one percent and one and 3/4 of one percent, depending on when the purchase file is approved.

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

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

Special Mortgage Purchase Agreements. The Administration may enter into alternate mortgage purchase agreements with certain Mortgage Lenders that are not Fannie Mae or Freddie Mac approved sellers of mortgage loans and that serve areas where there is insufficient availability of such approved sellers of mortgage loans. Such alternate mortgage purchase agreements provided by the Administration currently include a requirement of loan eligibility review by the Administration prior to commitment by the Mortgage Lender.

Provisions for Repurchase of Mortgage Loans. Each Purchase Agreement further provides or will provide that the Mortgage Lender will repurchase any Mortgage Loan sold to the Administration, upon written notice by the Administration, if at any time (1) the Administration determines that any representation was untrue or incomplete when made or a misstatement of a material fact exists in any of the documents delivered in connection with such Mortgage Loan; (2) there is a failure to deliver required Mortgage Loan documents; (3) any mortgage insurance with respect to such Mortgage Loan lapses because of the negligence of the Mortgage Lender with respect to the servicing of such Mortgage Loan; (4) the Administration suffers or is threatened with a material loss by reason of the misfeasance, nonfeasance or malfeasance of the Mortgage Lender or its agent acting as servicer of such Mortgage Loan; (5) any payment of principal and interest is not made on the Mortgage Loan or the initial premium for any mortgage insurance is not paid and, on the basis of such non-payment, the issuer of mortgage insurance refuses to pay a claim on such Mortgage Loan; and (6) the Mortgage Lender, without prior written consent of the Administration, waives the enforcement of (or consents on behalf of the Administration to waive) the particular provisions of the Mortgage Loan requiring that (a) the Mortgage Loan is due on sale and may not be assumed except to the extent that the Mortgage Loan so provides; (b) at the time the Mortgage Loan is made, the Borrower shall not borrow additional amounts secured by the lien of the deed of trust without the consent of the Administration; and (c) an event of default permitting acceleration of the indebtedness shall occur if the Administration determines that any representation or statement of a material fact in any document executed in connection with the Borrower's application or the origination of such Mortgage Loan was or is untrue or incomplete.

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

Homeownership Initiatives and Developer Reservations

Homeownership Initiatives. From time to time, the Administration may set aside a portion of proceeds of the Bonds for special initiatives that promote targeted homeownership objectives. For these special initiatives, the Administration may adjust interest rates, income limits and other eligibility criteria, within the requirements of the 1986 Code or the 1954 Code, as applicable, and the requirements of the credit enhancer. No initiatives were in progress as of December 31, 2003. The HotSpot Homeownership Initiative has closed.

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

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

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

Status of Funds Under the 1980 General Certificate

As of December 31, 2003, no funds were available for purchasing loans.

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

Mortgage Loans Made by the Administration

The Administration is authorized to originate Mortgage Loans, but will not originate FHA, VA or USDA/RD loans unless it becomes an FHA, VA or USDA/RD lender. If the Administration becomes an FHA, VA or USDA/RD lender, the process would be as follows: The Administration would receive a completed application for a Mortgage Loan financing the acquisition of a Single Family Residence in certain Single Family Projects, and the staff of the Administration would review the information in the application, make a determination of creditworthiness of the prospective Borrower, and approve the Mortgage Loan for mortgage insurance or a guarantee. Among other things, the staff would determine that the Borrower complied with the Program eligibility requirements. The Administration would issue a commitment to make a Mortgage Loan to such Borrower and a settlement date would be scheduled. The Administration may but generally has not charged loan origination fees in the past in connection with Mortgage Loans made directly by the Administration.

Mortgage Loans originated by the Administration that are found to be ineligible under Section 103A or Section 143 are not subject to repurchase by any Mortgage Lender. In order to preserve the exclusion from gross income for federal income tax purposes of the interest payable on the 2004 Series Bonds, the loans may be sold out of the Bond Resolution portfolio or the Administration may declare such Mortgage Loans in default and commence foreclosure proceedings or take other appropriate measures. Foreclosure is an equitable remedy subject to various defenses and judicial discretion.

Servicing of Mortgage Loans

Mortgage Agency Agreements. Each Mortgage Loan is serviced under a Mortgage Agency Agreement by a financial institution that is approved by Fannie Mae. See "Participating Mortgage Agents" herein. All Mortgage Loans reserved with the Administration on or after October 1, 2002, are serviced by the master servicer. Currently, the master servicer is Columbia National Incorporated ("CNI"), under a master Mortgage Agency Agreement through which CNI receives a monthly servicing fee of 1/12 of 0.23% of the unpaid principal balance of the Mortgage Loan serviced. Mortgage Loans reserved with the Administration before October 1, 2002, generally are serviced by the originating Mortgage Lender (the "Mortgage Agent"). The Mortgage Agent receives a monthly servicing fee of either 1/12 of 0.25% or 1/12 of 0.375% of the unpaid principal balance of each Mortgage Loan serviced and is entitled to reimbursement of certain expenses.

The Administration has selected a new master servicer, Bogman, Inc. Bogman, Inc. will receive a flat fee of $6.75 per loan per month and will be entitled to reimbursement of certain expenses. Loans are expected to begin transferring from CNI to Bogman, Inc. during 2004. In addition, the Administration has notified its servicers that the Administration may potentially transfer all existing loans to Bogman, Inc.

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

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

Mortgage Agents are required to comply with detailed requirements set forth in the Administration's servicing manual.

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

With respect to the Mortgage Loans, Asset Management:

(1) monitors the servicing performance of the Mortgage Agents for compliance with the requirements of the Mortgage Agency Agreement and the Administration's servicing manual by requiring from each Mortgage Agent:

(a) monthly Mortgage Loan delinquency reports;

(b) annual audited financial statements; and

(c) an annual certification that the Mortgage Agent is complying with the Mortgage Agency Agreement and the Administration's servicing manual;

(2) directs and reviews Mortgage Agents' handling of Mortgage Loan delinquencies;

(3) directs and evaluates Mortgage Agents' actions in connection with foreclosure proceedings; and

(4) analyzes delinquencies and foreclosures and creates and implements corrective action plans.

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

Estimated Revenues of Program

Under Section 143 of the Code, the yield of the Mortgage Loans or participations therein allocable to each Series of Bonds issued under the Bond Resolution (other than with any contributions by the Administration) may not exceed the yield of such Series of Bonds by more than 1-1/8 percentage points. All Revenues derived from such Mortgage Loans are available for payment of the Bonds. However, except as otherwise permitted under the 1986 Code, an amount equal to the portion of Revenues derived from investments in Investment Obligations made in connection with such Series of

Bonds (other than with contributions by the Administration) that exceeds a yield equal to the yield of such Series of Bonds (calculated in accordance with Section 143 of the Code, whichever is applicable) or represents gains made on such investments must be paid to the United States. Such restrictions limit the amounts available to pay the principal of and interest on the Bonds. The Administration estimates that, in each year in which the 2004 Series Bonds are scheduled to be outstanding, there will be sufficient moneys available under the Bond Resolution to pay the principal of and interest on the Bonds, after payment of (1) fees and expenses of the fiduciaries and (2) the estimated costs of servicing the Mortgage Loans and other Program expenses.

Repurchase of Mortgage Loans

From January, 1998 through December 31, 2003, the Administration demanded repurchase of 152 Mortgage Loans with an outstanding principal balance of $14,657,337. Twenty-seven of the loans have been repurchased by the Mortgage Lender or Mortgage Agent. One hundred two repurchase demands were resolved and did not require repurchase. Twenty-three repurchase demands remain outstanding.

Participating Mortgage Agents

The following financial institutions currently are servicing Mortgage Loans financed under the Bond Resolution pursuant to a Mortgage Agency Agreement. The principal balances of any Mortgage Loans (including participations in Mortgage Loans) being serviced as of December 31, 2003, are set forth below:

RESIDENTIAL REVENUE BOND PROGRAM
LOAN PORTFOLIO BY SERVICER
as of December 31, 2003 (1)

Servicer	Current Outstanding Principal	Percentage of Current Total Outstanding Principal
Bank of America, N.A.	$ 3,359,488	0.54%
Bogman, Inc.	8,992,080	1.45%
Charter One Mortgage Corporation	1,769,939	0.29%
Citimortgage, Inc	2,165,300	0.35%
Columbia National Incorporated	355,002,542	57.41%
First Horizon Home Loan Corporation	107,336,548	17.36%
Mercantile Mortgage Corporation	7,113,907	1.15%
NVR Mortgage Finance, Inc	16,559,039	2.68%
SunTrust Mortgage, Inc.	69,169,136	11.19%
Wells Fargo Home Mortgage, Inc	46,939,098	7.59%
	$618,407,078	100.00%

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

The Administration has selected a master servicer for all Mortgage Loans reserved with the Administration and potentially for existing Mortgage Loans currently serviced by the aforementioned financial institutions. See "Servicing of Mortgage Loans" herein.

Certain Information Relating to Mortgage Loans

Certain information relating to the Mortgage Loans (including participations in Mortgage Loans) made or purchased with proceeds of prior Series of Bonds as of December 31, 2003, is set forth in Appendix J.

The following table sets forth as of December 31, 2003, the number, outstanding principal balance and percentage of the total outstanding balance of the Mortgage Loans (including participations in Mortgage Loans) which have been financed in each of the political subdivisions of the State:

County	Current Number of Mortgage Loans	Current Outstanding Principal[(1)]	Percent of Current Total Outstanding Principal[(1)]
Allegany County	106	$ 5,850,951	0.95%
Anne Arundel County	415	38,886,955	6.29%
Baltimore City	1,972	137,989,247	22.31%
Baltimore County	2,111	179,164,529	28.97%
Calvert County	25	2,900,259	0.47%
Caroline County	56	4,663,346	0.75%
Carroll County	56	5,570,582	0.90%
Cecil County	123	12,983,574	2.10%
Charles County	69	6,495,773	1.05%
Dorchester County	37	2,779,408	0.45%
Frederick County	182	17,946,738	2.90%
Garrett County	0	-	0.00%
Harford County	511	48,337,585	7.82%
Howard County	143	13,052,525	2.11%
Kent County	15	1,146,011	0.19%
Montgomery County	212	23,183,233	3.75%
Prince George's County	502	57,778,245	9.34%
Queen Anne's County	12	1,171,577	0.19%
Saint Mary's County	34	3,401,789	0.55%
Somerset County	42	2,914,654	0.47%
Talbot County	21	2,003,921	0.32%
Washington County	382	30,212,763	4.89%
Wicomico County	203	15,845,681	2.56%
Worcester County	52	4,127,734	0.67%
	7,281	$618,407,078	100.00%

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

As of December 31, 2003, the Mortgage Loans (including participations in Mortgage Loans) made or purchased by the Administration with proceeds of prior Series of Bonds were originally covered by primary mortgage insurance or guarantees as of the date of the origination thereof as follows:

Primary Mortgage Insurer or Guarantor	**Current Number of Mortgage Loans**	**Current Principal Amount (1)**	**Percent of Current Principal Amount (1)**
FHA	6,935	$583,022,991	94.28%
VA	144	14,888,513	2.41%
USDA/RD (RHS)	202	20,495,574	3.31%
	7,281	$618,407,078	100.00%

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

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

	National Delinquency Survey			Residential Revenue Bond Program (1)(2)
	U.S.A. All Types 12/31/03	Maryland All Types 12/31/03	Maryland FHA (3) 12/31/03	12/31/03
30 days delinquent	3.15%	3.23%	8.21%	6.80%
60 days delinquent	0.85%	0.90%	2.59%	2.10%
90 days+ delinquent	0.89%	1.07%	3.18%	3.54%
In foreclosure	1.29%	1.17%	3.22%	0.52%
Placed in foreclosure during last three months	0.46%	0.34%	0.85%	0.73%

	Mortgages Sixty Days or More Delinquent or in Foreclosure			
Quarter Ended	U.S.A. All Types	Maryland All Types	Maryland FHA (3)	Program (1)(2)
12/31/99	2.25%	3.49%	6.89%	2.52%
12/31/00	2.30%	3.57%	7.21%	3.53%
12/31/01	2.69%	3.82%	8.31%	4.43%
12/31/02	2.85%	3.69%	8.66%	5.28%
12/31/03	3.03%	3.14%	8.99%	6.16%

(1) The delinquency statistics in the tables above include both whole loans financed entirely from the Bond Resolution and participation loans financed from both the Bond Resolution and the 1980 General Certificate. For information on outstanding loans, see the table entitled "Whole Loans and Participation Loans as of December 31, 2003" in "Existing Portfolio and Available Funds Under the Bond Resolution – *Participations in Mortgage Loans*".
(2) The Program purchased the first Mortgage Loan on October 29, 1997.
(3) Includes all types of FHA mortgage loans.

APPENDIX C

DEFINITIONS

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

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

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

"Act" means Sections 2-201 to 2-208, inclusive, of Article 83B of the Annotated Code of Maryland, as amended from time to time, including, without limitation, future amendments or successor laws thereto.

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

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

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

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

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

"Bond" or "Bonds" means any Bond or Bonds issued pursuant to the Bond Resolution.

"Bond Resolution" means the Residential Revenue Bond Resolution, dated as of August 1, 1997, adopted by the Administration.

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

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

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

"Cash Flow Certificate" means the certification made by or for the Administration pursuant to Section 608(d) of the Bond Resolution.

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

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

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

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

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

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

"Credit Enhancer" means the issuer or provider of any Credit Enhancement.

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

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

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

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

“Expenses” means any money required by the Administration to pay the fees or expenses of the Trustee and any expenses which the Administration lawfully may pay relating to the Program including, without limitation, administrative and operating expenses of the Administration, servicing fees, Credit Enhancement, Credit Facilities, or the redemption of Bonds, or rebates of arbitrage as required by the Code, except as limited with respect to any Series of Bonds by the applicable Series Resolution.

“FHA” means the Federal Housing Administration of HUD.

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

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

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

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

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

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

(1) Government Obligations;

(2) Bonds, debentures, notes or other evidences of indebtedness issued by any federal agency, instrumentality or public corporation the obligations of which represent or are guaranteed by the full faith and credit of the United States of America, including (without limitation): the Rural Housing Service, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, and U.S. Department of Housing and Urban Development;

(3) Bonds, notes or other evidences of indebtedness having a rating at least comparable to a Rating Agency’s existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or any similar entity;

(4) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks (or the domestic agency or branch of foreign commercial banks) which have a rating in a long-term rating category at least comparable to the long-term rating on the Bonds (other than Subordinated Bonds) or on their short term accounts or securities on the date of purchase not less than F-1/P1 or the comparable rating of a Rating Agency or of any other nationally recognized rating agency and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

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

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

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

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

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

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

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

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

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

The Trustee may purchase Investment Obligations that do not meet the requirements set forth in this definition, so long as the purchase of such Investment Obligations does not, as of the date of such investment, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any Rating Agency. If the rating of any Investment Obligation purchased by the Trustee changes adversely subsequent to the date of purchase, the Trustee is not required to sell such Investment Obligation.

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

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

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

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

"Mortgage Lender" means a bank, trust company, savings institution, savings and loan association, national bank association, mortgage banker or other financial institution that is approved by the Administration as an originator and that maintains an office in the State and engages in making or originating "residential mortgage loans," as defined in the Act; any insurance company that is authorized to transact business in the State; the Maryland Home Financing Program established pursuant to Sections 2-601 through 2-617 of Article 83B of the Annotated Code of Maryland, as amended and supplemented from time to time; and any other program, instrumentality, fund, account, corporation or agency of the State from which the Administration may be authorized under the Act to purchase "residential mortgage loans," as defined in the Act.

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

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

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

1. any Bond (or portion thereof) deemed to be paid in accordance with the Bond Resolution;

2. any Bond canceled by, or delivered for cancellation to, the Trustee because of payment at maturity or redemption or purchase prior to maturity; and

3. any Bond in lieu of or in substitution for which another Bond has been authenticated and delivered pursuant to the Bond Resolution, unless proof satisfactory to the Trustee is presented that any Bond for which such Bond has been authenticated and delivered is held by a bona fide purchaser, as that term is defined in Article Eight of the Uniform Commercial Code of the State, as amended, in which case both the Bond so substituted and replaced and the Bond or Bonds authenticated and delivered in lieu of, or in substitution for, it shall be deemed outstanding.

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

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

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

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

"Program Asset" means a Loan or a Development.

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

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

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

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

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

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

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

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

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

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

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

"Serial Bonds" means Bonds which are not Term Bonds.

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

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

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

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

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

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

"State" means the State of Maryland.

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

"Subordinate Bonds" means Bonds authorized under the Bond Resolution and issued pursuant to the Bond Resolution.

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

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

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

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

"VA" means the United States Department of Veterans Affairs.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

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

Purposes for Which Bonds May be Issued

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

(a) for the making, purchasing or otherwise financing Program Assets;

(b) for the refinancing of Program Assets (including, without limitation, Program Assets in default);

(c) for the refunding of any or all Outstanding Bonds or any other bonds, notes or other obligations, whether or not the Administration is the issuer thereof, including any or all interest and redemption premiums thereon;

(d) for the funding of reserves;

(e) for the funding of costs of issuance, redemption premiums relating to Bonds and Administration expenses; or

(f) achieving any other of the Administration's purposes, as described in the Act, as now or hereafter in effect. **[§101]**

Contract with Trustee and Bondholders

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

(a) The provisions of the Bond Resolution and applicable Series Resolutions are contracts 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. **[§103]**

Issuance of the Bonds

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

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

Before the Bonds of the Series shall be authenticated and delivered by the Trustee, there shall be on file with the Trustee the following: (i) a copy of the Bond Resolution and the Series Resolution duly certified by an Authorized Officer; (ii) a Bond Counsel's Opinion stating in the Opinion of such counsel that (A) the Bond Resolution and the applicable Series Resolution have been duly adopted and are valid and binding upon the Administration (subject to reasonable exceptions with respect to enforceability under bankruptcy laws, the police power of the State or other similar laws, and the availability of specific performance and other equitable remedies under State law) and (B) the Bonds being issued are valid and legally binding special limited obligations of the Administration secured in the manner and to the extent set forth in the Bond Resolution and the applicable Series Resolution and are entitled to the benefit, protection and security of the provisions, covenants and agreements contained in the Bond Resolution and the applicable Series Resolution; (iii) a Cash Flow Statement conforming to the requirements of the Bond Resolution, accompanied by a Rating Certificate with respect to Bonds other than Subordinate Bonds; and (iv) a request and authorization to the Trustee on behalf of the Administration, signed by an Authorized Officer, to authenticate and deliver the Bonds to the purchaser or purchasers identified in such request upon payment (or provision therefor) to the Trustee for the account of the Administration of the purchase price of the Bonds or, in the instance of Bonds purchased for delivery at a later date or dates, upon such later date(s) as specified in a Series Resolution. **[§201]**

Authorization of Subordinate Bonds; Conditions Precedent to Delivery

The Administration may issue from time to time Bonds to be secured by the Bond Resolution on a subordinated basis, subject to the conditions hereinafter provided.

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 certain provisions of the Bond Resolution, including Subordinated Bond Accounts, 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.

The Series Resolution authorizing a Series of Subordinate Bonds may provide that such Subordinate Bonds shall be secured solely by such proceeds or Revenues and not by any other moneys, funds or accounts held under the Bond Resolution, and that such proceeds or Revenues shall not constitute security for or a source of payment of any other Bonds outstanding or thereafter issued under the Bond Resolution. The Series Resolution authorizing a Series of Subordinate Bonds may establish different priorities of payment and security among different Series of Subordinate Bonds. **[§202]**

Purchase of Bonds

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

Funds and Accounts Established by the Bond Resolution

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

(i) Program Fund, which, for each Series of Bonds, will contain a Series Program Account;

(ii) Revenue Fund, which will consist of:

(a) Debt Service Account,

(b) Recovery Payment Account,

(c) Redemption Account, and

(d) Subordinate Bond Accounts;

(iii) Reserve Fund;

(iv) Collateral Reserve Fund;

(v) Acquired Development Fund; and

(vi) Rebate Fund. **[§401]**

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

Program Fund

Except as may be provided by a Series Resolution for Subordinate Bonds, amounts received upon the sale of a Series of Bonds are to be deposited in the Program Fund and credited to the related Series Program Account in the amount, if any, provided in the applicable Series Resolution. In addition, amounts are to be deposited in the Program Fund from the Revenue Fund as provided in the Bond Resolution and from any other source and are to be credited to the Series Program Account as specified in the Administration Request directing the transfer.

Amounts in a Series Program Account may be used to pay Costs of Issuance of the related Series of Bonds, or to reimburse the Administration for Costs of Issuance, in either case in the amount specified in or pursuant to the Series Resolution, upon a requisition stating generally the nature and amount of those Costs of Issuance signed by an Authorized Officer. Amounts in Series Program Accounts other than amounts used or to be used to pay Costs of Issuance are to be applied by the Trustee upon Administrative Request: (i) to finance the making or acquisition of Program Assets, (ii) to pay costs of Credit Enhancement with regard to Program Assets or any Credit Facility with regard to Bonds, (iii) to pay costs of completing an Acquired Development as set forth in the Bond Resolution, and (iv) as otherwise provided in the Series Resolution. **[§402]**

Revenue Fund

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

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

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

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

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

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

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

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

(4) to the Redemption Account, an amount as specified in an Administration Request;

(5) to any Series Program Account in the Program Fund, an amount as specified in an Administration Request; or

(6) to any Subordinate Bond Accounts, an amount sufficient together with amounts on deposit in that Account, established by a Series Resolution for Subordinate Bonds, timely to pay interest and principal, at maturity or mandatory redemption, due on such succeeding debt service payment date on the Subordinate Bonds and to pay any fees in connection with any Credit Facility related to such Bonds, as set forth in the Series Resolution or a Supplemental Resolution or to provide any reserve with respect to Subordinate Bonds.

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

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

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

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

Reserve Fund

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

Collateral Reserve Fund

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

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

Acquired Development Fund

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

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

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

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

Sale of Program Assets; Release of Lien of Resolution

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

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

Cash Flow Statements and Certificates

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

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

Redemption of Bonds

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

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

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

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

Investment of Moneys Held by the Trustee

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

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

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

Program Covenants; Enforcement of Mortgage Loans

The Administration covenants in the Bond Resolution that:

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

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

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

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

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

Tax Covenants

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

Events of Default

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

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

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

An Event of Default with respect to Subordinate Bonds is not an Event of Default on Bonds which are not Subordinate Bonds. For purposes of determining the percentages of Owners of Bonds as provided in the Bond Resolution, only Bonds other than Subordinate Bonds are to be taken into account unless the Event of Default relates only to Subordinate Bonds in which case the percentage relates only to Subordinate Bonds. In the case of an Event of Default relating only to Subordinate Bonds any acceleration or other remedy will relate only to Subordinate Bonds. **[§701]**

Remedies; Rights of Bondholders

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

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

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

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

Rights of Bondholders to Direct Proceedings

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

Waiver of Events of Default

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

Modification of Resolutions and Outstanding Bonds

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

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

Bonds are not required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Bond Resolution. **[§1002]**

Defeasance

If the Administration shall pay or cause to be paid, or there shall otherwise be paid, to the Registered Owners of the Bonds then Outstanding, the principal, redemption premium, if any, and interest to become due thereon, at the times and in the manner stipulated in the Bond Resolution and in the Series Resolutions, then the covenants, agreements and other obligations of the Administration to the Registered Owners of the Bonds shall be discharged and satisfied. In such event, the Trustee shall pay over or deliver to the Administration all money or securities held by it pursuant to the Bond Resolution which are no longer required for the payment or redemption of Bonds not already then surrendered for such payment or redemption. **[§1101(a)]**

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

Trustee

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

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

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

APPENDIX E

OUTSTANDING INDEBTEDNESS OF THE ADMINISTRATION

Outstanding Residential Revenue Bonds

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

	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	$ 16,335,000	(1)
1997 Series B	5.781810%	1997	9/1/2029	82,675,000	51,150,000	(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	53,255,000	(1)
1998 Series D	5.080895%	1998	9/1/2029	62,810,000	48,845,000	(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	45,945,000	(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	31,660,000	(1)
1999 Series H	6.185333%	1999	3/1/2031	60,000,000	44,035,000	
2000 Series A	5.463189%	2000	9/1/2012	7,965,000	7,430,000	(1)
2000 Series B	6.059197%	2000	9/1/2032	72,035,000	51,220,000	(1)
2000 Series C	5.726749%	2000	9/1/2013	6,090,000	5,535,000	
2000 Series D	6.286454%	2000	9/1/2032	73,910,000	1,595,000	
2000 Series F	4.996857%	2000	9/1/2014	15,190,000	14,880,000	
2000 Series G	5.991066%	2000	9/1/2032	64,810,000	52,120,000	
2000 Series H	5.775438%	2000	9/1/2032	60,000,000	44,720,000	
2001 Series A	4.689417%	2001	9/1/2017	18,885,000	15,190,000	(1)
2001 Series B	5.329877%	2001	9/1/2032	50,800,000	37,520,000	(1)
2001 Series E	4.428468%	2001	9/1/2012	13,775,000	13,315,000	
2001 Series F	5.623777%	2001	9/1/2032	66,225,000	64,050,000	
2001 Series G	4.000795%	2001	9/1/2011	10,100,000	8,385,000	(1)
2001 Series H	5.246263%	2001	9/1/2033	49,900,000	41,195,000	(1)
2002 Series A	5.508142%	2002	9/1/2033	8,005,000	8,005,000	
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	128,515,000	(2)
Total Residential Revenue Bonds				$1,226,015,000	$950,965,000	

Other Outstanding Bonds of the Administration

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

	Effective Bond Yield	Year of Issue	Final Maturity	Amount Issued	Amount Outstanding	
Single Family Program Bonds						
1993 Third Series	4.910970%	1993	4/1/2017	82,000,000	$ 27,655,000	(1)
1994 First Series	5.655880%	1994	4/1/2017	100,000,000	24,605,000	(1)
1994 Fourth Series	6.230810%	1994	4/1/2014	38,295,000	34,580,000	
1994 Fifth Series	6.515110%	1994	4/1/2026	86,705,00	17,995,000	
1994 Ninth Series	5.944930%	1995	4/1/2019	23,010,000	14,575,000	
1995 First Series	6.145040%	1995	4/1/2017	39,585,00	34,480,000	
1995 Second Series	6.487970%	1995	4/1/2026	60,415,000	15,435,000	
1995 Third Series	6.100200%	1995	4/1/2027	70,000,000	58,385,000	
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	20,655,000	
1996 Third Series	6.052340%	1996	4/1/2017	13,455,000	10,795,000	
1996 Fifth Series	5.815140%	1996	4/1/2016	30,735,000	28,250,000	
1996 Sixth Series	6.298720%	1996	4/1/2028	30,760,000	7,580,000	
1997 First Series	5.527870%	1997	4/1/2018	143,260,000	85,805,000	
1999 First Series	5.241844%	1999	4/1/2029	26,100,000	22,895,000	(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	58,590,000	(1)
2000 First Series	5.623890%	2000	4/1/2017	32,600,000	23,150,000	
2001 First Series	4.747525%	2001	4/1/2017	66,495,000	54,415,000	(1)
2001 Second Series	4.475347%	2001	4/1/2023	21,260,000	13,545,000	(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	41,430,000	(1)
Total Single Family Program Bonds				$1,116,370,000	$658,310,000	

	Year of Issue	Final Maturity	Amount Issued	Amount Outstanding
Housing Revenue Bonds				
Series 1996 A	1996	7/1/2023	$137,385,000	$ 76,110,000
Series 1996 B	1996	7/1/2028	2,575,000	1,870,000
Series 1997 A	1997	7/1/2039	37,135,000	35,860,000
Series 1997 B	1997	7/1/2039	7,660,000	7,440,000
Series 1997 C	1997	7/1/2039	14,075,000	13,575,000
Series 1998 A	1998	1/1/2040	11,030,000	10,660,000
Series 1999 A	1999	7/1/2041	16,345,000	15,995,000
Series 1999 B	1999	7/1/2042	15,840,000	15,460,000
Series 1999 C	1999	7/1/2040	520,000	510,000
Series 1999 D	1999	7/1/2042	14,565,000	13,780,000
Series 2000 A	2000	7/1/2042	27,445,000	27,245,000
Series 2001 A	2001	7/1/2043	29,645,000	29,645,000
Series 2001 B	2001	7/1/2043	47,630,000	47,630,000
Series 2002 A	2002	7/1/2043	9,500,000	9,500,000
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
Total Housing Revenue Bonds			$486,010,000	$419,940,000

Other Outstanding Bonds of the Administration

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

	Year of Issue	Final Maturity	Amount Issued	Amount Outstanding
Multi-Family Housing Revenue Bonds				
1994 Series A	1994	5/15/2024	1,770,000	$ 1,475,000
1994 Series C	1994	5/15/2036	11,890,000	10,875,000
1994 Series D	1994	5/15/2025	2,450,000	1,940,000
1994 Series E	1994	5/15/2025	13,380,000	11,380,000
1995 Series A	1995	5/15/2036	16,345,000	15,570,000
1995 Series B	1995	5/15/2026	11,630,000	10,195,000
1995 Series C	1995	5/15/2026	1,855,000	1,650,000
1995 Series D	1995	5/15/2027	2,550,000	2,310,000
1998 Series A	1998	5/15/2029	13,260,000	9,505,000
1998 Series B	1998	5/15/2028	8,615,000	7,650,000
2001 Series A	2001	5/15/2028	11,285,000	2,080,000
2001 Series B	2001	5/15/2032	32,905,000	26,190,000
2002 Series A	2002	5/15/2033	20,360,000	19,745,000
2002 Series B	2002	5/15/2033	12,945,000	12,665,000
2003 Series A	2003	5/15/2034	80,525,000	80,525,000
2003 Series B	2003	5/15/2023	2,005,000	2,005,000
2003 Series C	2003	5/15/2033	20,000,000	20,000,000
Total Multi-Family Housing Revenue Bonds			$263,770,000	$235,760,000
Infrastructure Financing Bonds				
1992 Series A (AMBAC Insured)	1992	6/1/2022	$9,045,000	$600,000
1994 Series A (AMBAC Insured)	1994	6/1/2024	8,030,000	5,790,000
1995 Series A (AMBAC Insured)	1995	6/1/2025	3,975,000	2,340,000
1996 Series A (MBIA Insured)	1996	6/1/2026	8,405,000	6,610,000
1997 Series A (MBIA Insured)	1997	6/1/2027	9,860,000	7,610,000
1998 Series A (MBIA Insured)	1998	6/1/2018	6,320,000	4,470,000
1998 Series B (MBIA Insured)	1998	6/1/2028	30,320,000	23,295,000
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	6,380,000
2000 Series A (MBIA Insured)	2000	6/1/2030	8,065,000	7,275,000
2001 Series A (MBIA Insured)	2001	6/1/2031	8,460,000	8,210,000
2001 Series B (MBIA Insured)	2001	6/1/2021	1,930,000	1,930,000
Total Infrastructure Financing Bonds			$104,240,000	$75,940,000
Local Government Infrastructure Bonds				
2002 Series A (Ambac Insured).	2002	6/1/2032	$11,790,000	$11,470,000
2002 Series B (Ambac Insured)	2002	6/1/2022	3,555,000	3,485,000
2003 Series A (Ambac Insured)	2003	6/1/2023	14,560,000	14,560,000
Total Local Government Infrastructure Bonds			$29,905,000	$29,515,000

Other Outstanding Bonds of the Administration

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

Multifamily Development Revenue Bonds				
1990 Issue A (College Estates)	1990	2/1/2020	$6,750,000	$6,050,000
1990 Issue B (Middle Branch Manor)	1990	6/1/2020	12,350,000	10,300,000
1990 Issue C (Harbor City Townhomes)	1990	6/1/2020	4,150,000	3,500,000
Series 1998 A (Auburn Manor Project)	1998	10/1/2028	11,000,000	10,195,000
Series 1999 A (GNMA-Selborne House Project)	1999	12/20/2040	2,150,000	2,110,000
Series 2000 A (Waters Landing II Apartments)	2000	8/1/2033	11,000,000	10,965,000
Series 2000 B-1 (Edgewater Village Apartments)	2000	2/1/2033	7,640,000	7,410,000
Series 2000 B-2 (Edgewater Village Apartments)	2000	2/1/2033	3,125,000	3,125,000
Series 2000 C (Park Montgomery Apartments)	2000	2/1/2031	6,170,000	5,805,000
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	4,280,000
Series 2001 E (Princess Anne Townhouses)	2001	12/15/2033	2,875,000	2,875,000
Series 2001 F (Waters Tower Senior Apts.)	2001	12/15/2033	7,570,000	7,410,000
Series 2001 G (Waters Tower Senior Apts.)	2001	12/15/2033	4,045,000	4,045,000
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			$151,965,000	$146,860,000
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	$41,140,000
Series 2002-2 (Non-AMT)	2002	(3)	58,860,000	58,860,000
Total Draw Down Mortgage Revenue Bonds			$100,000,000	$100,000,000
Capital Fund Securitization Revenue Bonds				
Series 2003	2003	7/1/2021	$94,295,000	$94,295,000
Total Capital Fund Securitization Revenue Bonds			$94,295,000	$94,295,000
Total Amount of Other Bonds Outstanding			$2,399,405,000	$1,812,960,000
Total Amount of Residential Revenue Bonds Outstanding (4)			$1,226,015,000	$950,965,000
Total Amount of All Bonds Outstanding			$3,625,420,000	$2,763,925,000

(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, in whole or in part, at any time on or after August 1, 2004.

(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 Residential Revenue Bonds" above.

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

APPENDIX F

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS
TEN YEAR RULE PERCENTAGES

Bond Series	Percentage										
	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
1997 Series A/B	**71.01%**	**71.10%**	**71.10%**	**71.10%**	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1998 Series A/B	**59.64%**	**60.62%**	**63.40%**	**63.55%**	**64.53%**	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1998 Series D	**77.73%**	**77.73%**	**77.73%**	**77.73%**	**77.73%**	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1999 Series C/D	**43.86%**	**43.86%**	**43.86%**	**43.86%**	**43.86%**	**44.33%**	100.00%	100.00%	100.00%	100.00%	100.00%
1999 Series E/F	**73.37%**	**74.41%**	**75.27%**	**75.49%**	**75.60%**	**76.09%**	100.00%	100.00%	100.00%	100.00%	100.00%
1999 Series H	**18.89%**	**19.24%**	**19.24%**	**19.24%**	**19.51%**	**19.98%**	100.00%	100.00%	100.00%	100.00%	100.00%
2000 Series A/B	**61.72%**	**62.74%**	**63.93%**	**64.01%**	**65.08%**	**65.08%**	**65.08%**	100.00%	100.00%	100.00%	100.00%
2000 Series C/D	**56.48%**	**57.28%**	**57.82%**	**57.94%**	**58.55%**	**59.35%**	**72.60%**	100.00%	100.00%	100.00%	100.00%
2000 Series F/G	**34.69%**	**35.24%**	**35.24%**	**35.24%**	**35.36%**	**35.89%**	**65.89%**	100.00%	100.00%	100.00%	100.00%
2000 Series H	**3.38%**	**3.38%**	**3.49%**	**3.49%**	**3.71%**	**4.01%**	**4.01%**	100.00%	100.00%	100.00%	100.00%
2001 Series A/B	**72.36%**	**72.81%**	**73.38%**	**73.51%**	**74.18%**	**74.60%**	**78.17%**	**85.69%**	100.00%	100.00%	100.00%
2001 Series E/F	**20.55%**	**20.57%**	**20.62%**	**20.62%**	**21.05%**	**21.97%**	**22.30%**	**22.31%**	100.00%	100.00%	100.00%
2001 Series G/H	**36.56%**	**36.74%**	**36.97%**	**37.03%**	**37.40%**	**37.64%**	**39.37%**	**42.89%**	100.00%	100.00%	100.00%
2002 Series A	**94.00%**	**94.03%**	**94.53%**	**94.53%**	**94.56%**	**94.60%**	**97.50%**	**98.42%**	**98.57%**	100.00%	100.00%
2002 Series B/C	**81.56%**	**82.83%**	**84.54%**	**85.23%**	**87.49%**	**88.87%**	**90.57%**	**94.92%**	**100.00%**	100.00%	100.00%
2002 Series D/E	**80.02%**	**81.16%**	**82.67%**	**83.29%**	**85.45%**	**86.78%**	**90.08%**	**95.42%**	**100.00%**	100.00%	100.00%
2003 Series A/B/C	**43.32%**	**43.62%**	**44.03%**	**44.16%**	**45.11%**	**46.17%**	**49.34%**	**53.70%**	**54.68%**	**54.69%**	100.00%
2003 Series D/E	**72.09%**	**77.61%**	**78.53%**	**78.98%**	**80.93%**	**81.97%**	**90.53%**	**95.10%**	**99.99%**	**100.00%**	100.00%

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

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APPENDIX G

FHA MORTGAGE INSURANCE PROGRAM,
VA HOME LOAN GUARANTY PROGRAM
AND USDA/RD MORTGAGE GUARANTEE PROGRAM

Introduction

The Administration has prepared the following description of the FHA mortgage insurance program, the VA Home Loan Guaranty Program and the USDA/RD Mortgage Guaranty Program. This description is only a brief outline and does not purport to summarize or describe all of the provisions of these programs, and the Administration does not warrant or represent the accuracy or completeness of such description. For a more complete description of the terms of this program, reference is made to the provisions of the insurance and guaranty contracts embodied in the regulations of FHA, VA and USDA/RD, respectively, and of the regulations, master insurance contracts and other such applicable information. Credit Enhancement for Mortgage Loans made or purchased by the Administration with the proceeds of the 2004 Series Bonds is limited by the Bond Resolutions to insurance under the FHA insurance program, the VA Home Loan Guaranty Program, and the USDA/RD Guarantee Program (described below). However, the Bond Resolution does *not* require that a Loan financed in the future be secured by Credit Enhancement. Credit Enhancement of all or a portion of a Loan, if any, will be provided in accordance with the provisions therefor set forth in the Series Resolution authorizing a particular Series of Bonds. Credit Enhancement of Loans includes (but is not limited to) any credit enhancement, insurance, guaranty, risk-sharing arrangement or any other form of credit support for a Loan (or any portion thereof) as provided in any Series Resolution or Supplemental Resolution and it is possible that insurance benefits under other federal, State or private programs in which the Administration may participate could have different terms.

FHA Mortgage Insurance Program

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

Mortgage Loans shall bear interest at a rate agreed upon by the mortgagee and Borrower. Mortgage Loans under any of the foregoing programs must be in conformity with the maximum mortgage loan amount limitations and minimum downpayment requirements specified in the Housing Act and the regulations promulgated thereunder. In addition, the Borrower must establish to the satisfaction of FHA that his or her income is adequate to meet the periodic payments required on the mortgage loan.

On October 27, 2000, HUD announced that mortgages insured under Section 203(b),will be eligible for a reduction in up-front mortgage insurance premiums to 1.50% of the insured mortgage amount, effective for all loans closed on or after January 1, 2001. In addition, borrowers who pay off (or refinance) FHA-insured mortgage loans within five years of the date of closing, if such closing occurs on or after January 1, 2001, are entitled to a partial refund of the up-front mortgage insurance premium paid at closing. HUD also announced that annual mortgage insurance premiums for all loans closed on or after such date will be automatically canceled when the loan-to-value ratio reaches 78%, provided that the mortgagor has paid the annual mortgage insurance premiums for at least five years. (Different rules apply for loans with terms of 15 years or less.) Although the annual mortgage insurance premiums will be canceled as described, the contract of insurance will remain in force for the loan's full term.

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

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

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

VA Home Loan Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse) to obtain a loan guarantee by the VA covering mortgage financing of the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no mortgage loan limits, requires no down payment from the purchaser and permits the guarantee of mortgage loans with terms of up to 30 years and 32 days. The maximum guarantee that may be issued by the VA under this program is based on the size of the mortgage loan which is, at present, as follows: (1) 50% of the original principal amount of the mortgage loan for a mortgage loan of not more than $45,000; (2) $22,500 for a mortgage loan greater than $45,000 but not more than $56,250; (3) the lesser of $36,000 or 40% of the original principal amount of the mortgage loan for a mortgage loan greater than $56,250 but not more than $144,000; and (4) the lesser of $50,750 or 25% of the original principal amount of the mortgage loan for a mortgage loan in excess of $144,000. The liability on the guarantee is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness, but in no event will the amount payable on the guarantee exceed the amount of the original guarantee. Notwithstanding the dollar and percentage limitations of the guarantee, a mortgage lender will ordinarily suffer a monetary loss only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a mortgaged premises is greater than the original guarantee, as adjusted. The VA may, at its option and without regard to the guarantee, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

USDA/RD Mortgage Guarantee Program

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

The USDA/RD Guaranteed Rural Housing Loan Program is limited to only certain rural areas of the State. Any city, place, town or village classified as rural prior to October 1, 1990 with a population exceeding 10,000 but not in excess of 25,000, which is rural in character, will be considered rural until the receipt of data from the year 2010 census. Any city, place, town or village with a population in excess of 10,000 and determined to be urban prior to August 2, 1991 will not be considered an eligible rural area.

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

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

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APPENDIX H

FINANCIAL STATEMENTS

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS

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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS

JUNE 30, 2003 AND 2002

Community Development Administration
Residential Revenue Bonds

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Reznick Fedder & Silverman
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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Community Development Administration Residential Revenue Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 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 audit. The financial statements of the Fund as of and for the year ended June 30, 2002, were audited by other auditors whose report, dated September 30, 2002, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Community Development Administration Residential Revenue Bonds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2003, and the changes in its net assets and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the 2003 financial statements referred to above present fairly, in all material respects, the financial position of the Community Development Administration Residential Revenue Bonds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2003, and the changes in its net assets and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Reznick Fedder & Silverman

Baltimore, Maryland
September 26, 2003

Community Development Administration
Residential Revenue Bonds

BALANCE SHEETS
(in thousands)

June 30, 2003 and 2002

	2003	2002
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 116,471	$ 75,997
Investments	148,380	186,243
Single family mortgage loans	10,819	11,252
Accrued interest and other receivables	13,774	9,978
Total restricted current assets	289,444	283,470
Restricted long-term assets		
Investments, net of current portion	40,083	67,258
Single family mortgage loans, net of current portion	657,383	704,777
Deferred bond issuance costs	7,325	8,269
Total restricted long-term assets	704,791	780,304
Total restricted assets	$ 994,235	$ 1,063,774
LIABILITIES AND NET ASSETS		
Current liabilities		
Bonds payable and short-term debt	$ 170,725	$ 107,150
Accrued interest payable	15,780	17,151
Rebate liability	118	-
Due to other Funds	146	305
Total current liabilities	186,769	124,606
Long-term liabilities		
Bonds payable, net of current portion	769,624	901,783
Rebate liability, net of current portion	2,200	2,272
Total long-term liabilities	771,824	904,055
Total liabilities	958,593	1,028,661
NET ASSETS		
Restricted	35,642	35,113
Total liabilities and net assets	$ 994,235	$ 1,063,774

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

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

Years ended June 30, 2003 and 2002

	2003	2002
Operating revenue		
Interest on mortgage loans	$ 44,819	$ 42,458
Fee income	1,117	466
Other operating revenue	25	74
	45,961	42,998
Operating expenses		
Trustee, legal and mortgage servicing costs	2,372	2,362
Loss on foreclosure claims	-	1
Other operating expense	16	4
	2,388	2,367
Operating income	43,573	40,631
Nonoperating revenue (expenses)		
Interest income, net of rebate	7,972	14,175
Interest expense on bonds and short-term debt	(49,185)	(51,637)
Amortization of bond issuance costs	(494)	(443)
Decrease in fair value of investments, net of rebate	(161)	(24)
Loss on early retirement of debt	(642)	(266)
Total nonoperating revenue (expenses)	(42,510)	(38,195)
Transfers of funds, net, as permitted by the various bond indentures	(534)	(222)
CHANGES IN NET ASSETS	529	2,214
Net assets at beginning of year	35,113	32,899
Net assets at end of year	$ 35,642	$ 35,113

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2003 and 2002

	2003	2002
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 176,365	$ 84,939
Mortgage insurance claims received	4,266	3,310
Foreclosure expenses paid	(347)	(160)
Other operating revenue received	25	74
Loan fees received	605	1,293
Purchase of mortgage loans	(92,803)	(162,807)
Trustee, legal and mortgage servicing costs	(2,372)	(2,362)
Other operating expenses paid	(16)	(4)
Reimbursements among Funds	-	(14,215)
Net cash provided by (used in) operating activities	85,723	(89,932)
Cash flows from investing activities		
Proceeds from maturities or sales of investments	209,439	313,568
Purchases of investments	(142,919)	(173,024)
Transfers of investments	-	(42,760)
Arbitrage rebates paid	(455)	-
Interest received on investments	8,554	16,964
Net cash provided by investing activities	74,619	114,748
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	109,945	165,280
Payments on bond principal	(178,525)	(91,195)
Bond issuance costs	(189)	(906)
Interest on bonds and short-term debt	(50,565)	(49,969)
Transfers among Funds	(534)	(222)
Net cash (used in) provided by noncapital financing activities	(119,868)	22,988
NET INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	40,474	47,804
Cash and cash equivalents on deposit with trustee at beginning of year	75,997	28,193
Cash and cash equivalents on deposit with trustee at end of year	$ 116,471	$ 75,997

(continued)

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2003 and 2002

	2003	2002
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income	$ 43,573	$ 40,631
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Decrease (increase) in mortgage loans	47,827	(114,712)
Increase in accrued interest and other receivables	(5,519)	(1,636)
(Increase) decrease in due from other Funds	(306)	3,366
Increase (decrease) in due to other Funds	148	(17,581)
Net cash provided by (used in) operating activities	$ 85,723	$ (89,932)
Supplemental disclosure of noncash investing and noncapital financing activities		
Amortization of investment discounts and premiums	$ (938)	$ (716)
Amortization of bond original issue discounts and premiums	(8)	(6)
Decrease in fair value of investments, net of rebate	161	24
Amortization of deferred bond issuance costs	494	443
Loss on early retirement of debt	642	266

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2003 and 2002

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is set up in accordance with CDA's enabling legislation and the Residential Revenue Bond Resolution (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)

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 normally includes 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.

Cash and Cash Equivalents on Deposit with Trustee

Cash on deposit is primarily cash equivalents. 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, 2003 and 2002, 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 investments collateralized by governmental debt securities. These 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.

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. All mortgage loans in foreclosure with a pending insurance claim are recorded as other receivables. See Notes D and M for additional information on mortgage loans and mortgage insurance, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses

Substantially all the mortgage loans of the Funds are insured or guaranteed by agencies of the U.S. Government. As such, no allowance for loan losses was necessary as of June 30, 2003 and 2002.

Accrued Interest and Other Receivables

Accrued interest and other receivables include outstanding claims on insured mortgage loans and interest on investments. 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.

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 L.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized deferred gain or loss for bonds refunded for economic purposes and original issue discounts/premiums. See Notes F, G, H and I for more information.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rebate Liability

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

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, 2003 and 2002, all mortgage loan yield calculations are in compliance with the Code.

Interest on Mortgage Loans

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

Fee Income

Single family commitment fees are deferred over the life of the loan.

(in thousands)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Administrative Support

In addition to expenses incurred directly by the Fund, CDA receives certain support services from other divisions of DHCD. The cost of these services has been allocated to CDA's General Bond Reserve Fund. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

For the years ended June 30, 2003 and 2002, the costs for all of CDA's bond programs charged to CDA's General Bond Reserve Fund were:

	2003	2002
Salaries and related costs	$ 5,473	$ 5,646
General and administrative expenses	2,350	1,977
	$ 7,823	$ 7,623

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 discussed above. See Note N for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from the mortgage loans purchased or originated by CDA in connection with CDA's principal ongoing operations. Operating revenue arises from the collection of interest and fees on mortgage loans. Operating expenses are those costs incurred in the collection of this income. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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.

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

Proceeds from bonds are invested in authorized investments as defined in the Resolution until required for purchasing 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, 2003 and 2002, the Fund had $116,471 and $75,997, respectively, invested in a money market mutual fund (ARK U.S. Government Cash Management Corporate II Class Fund) which is classified as cash equivalents. This fund invests exclusively in obligations of the U.S. Government and its agencies and instrumentalities and in repurchase agreements. It is rated AAA by Standard & Poor's and Aaa by Moody's Investors Services.

As of June 30, 2003 and 2002, the cost of this money market mutual fund approximates fair value.

The money market mutual fund is not categorized by credit risk because it is not evidenced by securities that exist in physical or book entry form.

(in thousands)

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

Investments

Obligations of U.S. Government agencies 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 one year up to 29 years.

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

	Fair Value	Amortized Cost
Obligations of the U.S. Government agencies	$ 117,543	$ 116,578
Securities held under repurchase agreements or guaranteed investment contracts	70,920	70,920
	$ 188,463	$ 187,498

As of June 30, 2002, the amortized cost and fair value of the Fund's investments, by type of investment, were as follows:

	Fair Value	Amortized Cost
Obligations of the U.S. Government agencies	$ 101,149	$ 100,728
Securities held under repurchase agreements or guaranteed investment contracts	152,352	152,352
	$ 253,501	$ 253,080

(in thousands)

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

Category of Risk

Investments 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 of the Fund are classified as Category 1.

NOTE D - MORTGAGE LOANS

Substantially all mortgage loans are secured by first liens on the related property and are credit enhanced through the FHA mortgage insurance programs, the Veterans Administration or USDA/RD guarantee programs. As of June 30, 2003 and 2002, interest rates on such loans ranged from 4.0% to 7.5%, with remaining loan terms ranging from 22 to 30 years.

NOTE E - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2003 and 2002 were as follows:

	2003	2002
Accrued mortgage loan interest	$ 7,591	$ 4,736
Accrued investment interest	1,334	3,058
Claims due from mortgage insurers	4,849	2,184
	$ 13,774	$ 9,978

(in thousands)

NOTE F - SHORT-TERM DEBT

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

Short-term debt activity for the year ended June 30, 2003 was as follows:

	Balance at June 30, 2002	Issued	Matured/ redeemed	Balance at June 30, 2003
Residential Revenue Bonds				
2002 Series B	$ 36,745	$ -	$ 36,745	$ -
2002 Series C	60,530	-	60,530	-
2002 Series D	-	41,980	-	41,980
2002 Series E	-	67,965	-	67,965
Total	$ 97,275	$ 109,945	$ 97,275	$ 109,945

The short-term debt of $109,945 plus the principal payments due within one year of $60,780 equal the current portion of bonds payable and short-term debt of $170,725 on the Balance Sheet.

(in thousands)

NOTE F - SHORT-TERM DEBT (Continued)

Short-term debt activity for the year ended June 30, 2002 was as follows:

	Balance at June 30, 2001	Issued	Matured/ redeemed	Balance at June 30, 2002
Residential Revenue Bonds				
2001 Series C	$ 11,220	$ -	$ 11,220	$ -
2001 Series D	47,960	-	47,960	-
2002 Series B	-	36,745	-	36,745
2002 Series C	-	60,530	-	60,530
Total	$ 59,180	$ 97,275	$ 59,180	$ 97,275

The short-term debt of $97,275 plus the principal payments due within one year of $9,875 equal the current portion of bonds payable and short-term debt of $107,150 on the Balance Sheet.

NOTE G - BONDS PAYABLE

The bonds and notes issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the applicable programs. These bonds and notes do not constitute debt 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 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 redemption at the option of CDA, in whole or in part at any time after certain dates, as specified in the respective series resolutions. The prescribed redemption prices range from 100% to 102% of the principal amount. All bonds have fixed interest rates.

(in thousands)

NOTE G - BONDS PAYABLE (Continued)

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

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at 6/30/2002	New bonds issued	Scheduled maturity payments	Redemp-tions	Debt Outstanding at 6/30/2003	Discounts/ premiums and other deferred costs	Bonds payable at 6/30/2003
Residential Revenue Bonds										
1997 Series A	8/1/1997	5.60%	2017	$ 16,940	$ -	$ -	$ (585)	$ 16,355	$ -	$ 16,355
1997 Series B	8/1/1997	4.70%-5.875%	2003-2029	66,900	-	(1,695)	(6,500)	58,705	-	58,705
1998 Series A	1/1/1998	4.70%-5.05%	2010-2017	4,640	-	-	-	4,640	-	4,640
1998 Series B	1/1/1998	4.15%-5.35%	2003-2030	66,615	-	(1,225)	(6,010)	59,380	47	59,427
1998 Series D	12/1/1998	3.95%-5.25%	2003-2029	58,130	-	(1,125)	(2,480)	54,525	-	54,525
1999 Series C	5/1/1999	4.70%-4.95%	2011-2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	5/1/1999	3.85%-5.40%	2003-2031	55,265	-	(840)	(2,815)	51,610	(35)	51,575
1999 Series E	8/1/1999	4.60%-5.70%	2005-2017	22,605	-	-	(640)	21,965	-	21,965
1999 Series F	8/1/1999	4.50%-5.95%	2003-2031	52,210	-	(1,160)	(8,805)	42,245	-	42,245
1999 Series H	12/1/1999	4.60%-6.25%	2003-2031	56,770	-	(830)	(9,875)	46,065	(18)	46,047
2000 Series A	3/1/2000	5.15%-5.50%	2007-2012	7,965	-	-	(215)	7,750	-	7,750
2000 Series B	3/1/2000	4.80%-6.15%	2003-2032	69,400	-	(1,000)	(8,465)	59,935	-	59,935
2000 Series C	6/1/2000	5.45%-5.70%	2010-2013	5,870	-	-	(335)	5,535	-	5,535
2000 Series D	6/1/2000	5.10%-6.25%	2003-2032	70,665	-	(990)	(10,035)	59,640	-	59,640
2000 Series F	8/1/2000	4.35%-5.20%	2004-2014	15,190	-	-	(230)	14,960	-	14,960
2000 Series G	8/1/2000	4.50%-5.95%	2003-2032	63,870	-	(1,010)	(6,725)	56,135	-	56,135
2000 Series H	12/1/2000	4.60%-5.80%	2003-2032	58,375	-	-	(6,880)	51,495	-	51,495
2001 Series A	3/1/2001	3.65%-5.00%	2003-2017	18,885	-	-	-	18,885	-	18,885
2001 Series B	3/1/2001	4.65%-5.45%	2011-2032	50,725	-	-	(290)	50,435	-	50,435
2001 Series E	6/1/2001	3.30%-4.65%	2003-2012	13,775	-	-	-	13,775	-	13,775
2001 Series F	6/1/2001	3.50%-5.60%	2003-2032	66,195	-	-	(475)	65,720	-	65,720
2001 Series G	8/15/2001	3.05%-4.20%	2004-2011	10,100	-	-	-	10,100	-	10,100
2001 Series H	8/15/2001	4.40%-5.35%	2011-2033	49,900	-	-	(15)	49,885	-	49,885
2002 Series A	2/1/2002	2.80%-5.45%	2004-2033	8,005	-	-	-	8,005	-	8,005
2002 Series B	2/28/2002	1.60%	12/19/2002	36,745	-	(36,745)	-	-	-	-
2002 Series C	2/28/2002	1.65%	12/19/2002	60,530	-	(60,530)	-	-	-	-
2002 Series D	12/18/2002	1.20%	12/18/2003	-	41,980	-	-	41,980	-	41,980
2002 Series E	12/18/2002	1.25%	12/18/2003	-	67,965	-	-	67,965	-	67,965
Total				$ 1,008,935	$ 109,945	$ (107,150)	$ (71,375)	$ 940,355	$ (6)	$ 940,349

(in thousands)

NOTE G - BONDS PAYABLE (Continued)

The following is a summary of the bond activity and short-term debt for the year ended June 30, 2002, and the debt outstanding and bonds payable as of June 30, 2002:

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at 6/30/2001	New bonds issued	Scheduled maturity payments	Redemp-tions	Debt Outstanding at 6/30/2002	Discounts/ premiums and other deferred costs	Bonds payable at 6/30/2002
Residential Revenue Bonds										
1997 Series A	8/1/1997	5.60%	2017	$ 17,325	$ -	$ -	$ (385)	$ 16,940	$ -	$ 16,940
1997 Series B	8/1/1997	4.70%-5.875%	2002-2029	73,545	-	(1,620)	(5,025)	66,900	-	66,900
1998 Series A	1/1/1998	4.70%-5.05%	2010-2017	4,640	-	-	-	4,640	-	4,640
1998 Series B	1/1/1998	4.15%-5.35%	2002-2030	71,225	-	(1,175)	(3,435)	66,615	55	66,670
1998 Series D	12/1/1998	3.95%-5.25%	2002-2029	60,765	-	(1,085)	(1,550)	58,130	-	58,130
1999 Series C	5/1/1999	4.70%-4.95%	2011-2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	5/1/1999	3.85%-5.40%	2002-2031	56,930	-	(100)	(1,565)	55,265	(40)	55,225
1999 Series E	8/1/1999	4.60%-5.70%	2005-2017	22,780	-	-	(175)	22,605	-	22,605
1999 Series F	8/1/1999	4.50%-5.95%	2002-2031	56,380	-	-	(4,170)	52,210	-	52,210
1999 Series H	12/1/1999	4.60%-6.25%	2002-2031	59,865	-	-	(3,095)	56,770	(17)	56,753
2000 Series A	3/1/2000	5.15%-5.50%	2007-2012	7,965	-	-	-	7,965	-	7,965
2000 Series B	3/1/2000	4.80%-6.15%	2002-2032	71,940	-	-	(2,540)	69,400	-	69,400
2000 Series C	6/1/2000	5.45%-5.70%	2010-2013	6,090	-	-	(220)	5,870	-	5,870
2000 Series D	6/1/2000	5.10%-6.25%	2002-2032	73,880	-	-	(3,215)	70,665	-	70,665
2000 Series F	8/1/2000	4.35%-5.20%	2004-2014	15,190	-		-	15,190	-	15,190
2000 Series G	8/1/2000	4.50%-5.95%	2002-2032	64,800	-	-	(930)	63,870	-	63,870
2000 Series H	12/1/2000	4.60%-5.80%	2003-2032	60,000	-	-	(1,625)	58,375	-	58,375
2001 Series A	3/1/2001	3.65%-5.00%	2003-2017	18,885	-	-	-	18,885	-	18,885
2001 Series B	3/1/2001	4.65%-5.45%	2011-2032	50,800	-	-	(75)	50,725	-	50,725
2001 Series C	3/28/2001	3.20%	3/28/2002	11,220	-	(5,270)	(5,950)	-	-	-
2001 Series D	3/28/2001	3.25%	3/28/2002	47,960	-	(29,890)	(18,070)	-	-	-
2001 Series E	6/1/2001	3.30%-4.65%	2003-2012	13,775	-	-	-	13,775	-	13,775
2001 Series F	6/1/2001	3.50%-5.60%	2003-2032	66,225	-	-	(30)	66,195	-	66,195
2001 Series G	8/15/2001	3.05%-4.20%	2004-2011	-	10,100	-	-	10,100	-	10,100
2001 Series H	8/15/2001	4.40%-5.35%	2011-2033	-	49,900	-	-	49,900	-	49,900
2002 Series A	2/1/2002	2.80%-5.45%	2004-2033	-	8,005	-	-	8,005	-	8,005
2002 Series B	2/28/2002	1.60%	12/19/2002	-	36,745	-	-	36,745	-	36,745
2002 Series C	2/28/2002	1.65%	12/19/2002	-	60,530	-	-	60,530	-	60,530
Total				$ 934,850	$ 165,280	$ (39,140)	$ (52,055)	$ 1,008,935	$ (2)	$ 1,008,933

(in thousands)

NOTE H - DEBT SERVICE REQUIREMENTS

As of June 30, 2003, the required principal payments for short-term debt and 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	$ 44,846	$ 170,725
2005	41,439	15,315
2006	40,747	16,005
2007	40,008	16,735
2008	39,218	17,520
2009-2013	182,411	100,705
2014-2018	153,726	122,540
2019-2023	116,100	152,925
2024-2028	69,331	184,450
2029-2033	18,772	141,265
2034-2038	58	2,170
Totals	$ 746,656	$ 940,355

(in thousands)

NOTE H - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2002, the required principal payments for short-term debt and bonds (including mandatory sinking fund payments and special and option 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 five-year increments thereafter, are as follows:

Years ended June 30,	Interest	Principal
2003	$ 50,869	$ 107,150
2004	49,044	13,475
2005	48,413	15,315
2006	47,721	16,005
2007	46,982	16,735
2008 - 2012	221,997	94,925
2013 - 2017	194,333	126,935
2018 - 2022	156,499	158,975
2023 - 2027	105,539	211,015
2028 - 2032	40,195	227,380
2033 - 2037	775	21,025
Total	$ 962,367	$ 1,008,935

NOTE I - BOND REFUNDINGS

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

(in thousands)

NOTE J - REBATE LIABILITY

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

Rebate liability activity for the year ended June 30, 2003 was as follows:

Rebate liability as of June 30, 2002	$ 2,272
Change in estimated liability due to excess investment earnings	(43)
Change in estimated liability due to unrealized gains on investments	544
Less payments made	(455)
Rebate liability as of June 30, 2003	$ 2,318

Total rebate liability is allocated as follows:

Estimated liability due to excess investment earnings	$ 1,465
Estimated liability due to unrealized gains on investments	853
Rebate liability as of June 30, 2003	$ 2,318

Rebate liability activity for the year ended June 30, 2002 was as follows:

Rebate liability as of June 30, 2001	$ 505
Increase due to excess investment earnings	1,458
Increase due to unrealized gains on investments	309
Rebate liability as of June 30, 2002	$ 2,272

(in thousands)

NOTE J - REBATE LIABILITY (Continued)

Total rebate liability is allocated as follows:

Estimated liability due to excess investment earnings	$ 1,962
Estimated liability due to unrealized gains on investments	310
Rebate liability as of June 30, 2002	$ 2,272

NOTE K - LONG-TERM OBLIGATIONS

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

	Beginning balance	Additions	Reductions	Less deferred amounts for issuance discounts	Due within one year	Ending balance
Long-term bonds payable	$ 901,783	$ 109,945	$ (71,373)	$ (6)	$ (170,725)	$ 769,624
Rebate liability	2,272	501	(455)	-	(118)	2,200
Total long-term liabilities	$ 904,055	$ 110,446	$ (71,828)	$ (6)	$ (170,843)	$ 771,824

Changes in long-term obligations for the year ended June 30, 2002 were as follows:

	Beginning balance	Additions	Reductions	Less deferred amounts for issuance discounts	Due within one year	Ending balance
Long-term bonds payable	$ 934,852	$ 165,280	$ (91,195)	$ (4)	$ (107,150)	$ 901,783
Rebate liability	505	1,767	-	-	-	2,272
Total long-term liabilities	$ 935,357	$ 167,047	$ (91,195)	$ (4)	$ (107,150)	$ 904,055

(in thousands)

NOTE L - INTERFUND ACTIVITY

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

During the years ended June 30, 2003 and 2002, the Fund transferred the following amounts, as permitted among Funds:

	2003	2002
Single family commitment fees transferred to the General Bond Reserve Fund	$ (723)	$ (1,252)
Cost of issuance on bonds transferred from Single Family Program Bonds	189	1,071
Interest income due to Single Family Program Bonds	-	(41)
	$ (534)	$ (222)

As of June 30, 2003 and 2002, due to other Funds consisted of the following:

	2003	2002
Servicer receipts for participation loans due to Single Family Program Bonds	$ (146)	$ (305)

NOTE M - MORTGAGE INSURANCE

Substantially all CDA's mortgage loans have mortgage insurance as described in Note D.

FHA insured loans in Residential Revenue Bonds are insured in an amount equal to the unpaid principal amount of the loan. All other loans are insured by the VA or USDA/RD at various coverages. These coverage levels are sufficient so that no pool insurance or reserves are required. Premiums are paid by single family mortgagors.

(in thousands)

NOTE N - 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 liability 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 O - SUBSEQUENT EVENT

Subsequent to the year ended June 30, 2003, the following bond activity took place:

On September 2, 2003, CDA redeemed the following bonds:

1997 Series B	$ 2,030
1998 Series B	$ 1,320
1998 Series D	$ 2,590
1999 Series D	$ 1,265
1999 Series F	$ 2,575
2000 Series B	$ 1,165
2000 Series D	$35,780
2000 Series H	$ 275
2001 Series B	$ 275
2001 Series H	$ 30

Community Development Administration
Residential Revenue Bonds

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

June 30, 2003 and 2002

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

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 2000	$	(227)
FY 2001		551
FY 2002		97
FY 2003		544
Cumulative total	$	965

Reconciliation to Statements of Revenue, Expenses and Changes in Net Assets:

Increase in fair value of investments held at June 30, 2003	$	544
Decrease in fair value of matured investments		(161)
Less - reduction due to rebate liability (See Note J)		(544)
Decrease in fair value of investments as reported on the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2003	$	(161)

Community Development Administration
Residential Revenue Bonds

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

June 30, 2003 and 2002

For investments held by CDA as of June 30, 2002, 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 2000	$	(227)
FY 2001		551
FY 2002		97
Cumulative total	$	421

Reconciliation to Statements of Revenue, Expenses and Changes in Net Assets:

Increase in fair value of investments held at June 30, 2002	$	97
Realized gains on investments sold		188
Less - reduction due to rebate liability (See Note J)		(309)
Decrease in fair value of investments as reported on the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2002	$	(24)

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS

Unaudited Interim Financial Statements
For the six month period ended
December 31, 2003

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Community Development Administration
Residential Revenue Bonds

Balance Sheets

(in thousands)

As of December 31, 2003 and June 30, 2003

	12/31/2003 (Unaudited)	6/30/2003 (Audited)
Restricted assets		
Restricted current assets:		
Cash on deposit with trustee	$ 72,531	$ 116,471
Investments	276,520	148,380
Single family mortgage loans	10,386	10,819
Accrued interest and other receivables	12,004	13,774
Total restricted current assets	371,441	289,444
Restricted long-term assets:		
Investments, net of current portion	21,720	40,083
Single family mortgage loans, net of current portion	604,307	657,383
Deferred bond issuance costs	6,620	7,325
Total restricted long-term assets	632,647	704,791
Total restricted assets	$ 1,004,088	$ 994,235
Liabilities and net assets		
Current liabilities:		
Accrued interest payable	$ 12,711	$ 15,780
Rebate liability	415	118
Bonds payable and short-term debt	290,590	170,725
Due to other funds	2,295	146
Total current liabilities	306,011	186,769
Long-term liabilities:		
Rebate liability, net of current portion	1,972	2,200
Bonds payable, net of current portion	661,086	769,624
Total long-term liabilities	663,058	771,824
Total liabilities	969,069	958,593
Net assets:		
Restricted	35,019	35,642
Total net assets	35,019	35,642
Total liabilities and net assets	$ 1,004,088	$ 994,235

See accompanying notes.

Community Development Administration
Residential Revenue Bonds

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

For the six months ended December 31, 2003 and December 31, 2002

	12/31/2003 (Unaudited)	12/31/2002 (Unaudited)
Operating revenue		
Interest on mortgage loans	$ 19,187	$ 23,022
Fee income	762	516
Other operating revenue	1	-
	19,950	23,538
Operating expenses		
Trustee, legal and mortgage servicing costs	1,030	1,224
Other operating expense	10	2
	1,040	1,226
Operating income	18,910	22,312
Nonoperating revenue (expenses)		
Interest income, net of rebate	2,608	4,496
Interest expense on bonds and short-term debt	(21,402)	(25,279)
Amortization of bond issuance costs	(252)	(258)
Increase (decrease) in fair value of investments, net of rebate	27	(152)
Loss on early retirement of debt	(1,185)	(163)
Total nonoperating revenue (expenses)	(20,204)	(21,356)
Transfers of funds, net, as permitted by the various bond indentures	671	(384)
Changes in net assets	$ (623)	$ 572
Changes in net assets		
Net assets at beginning of period	$ 35,642	$ 35,113
Changes in net assets	(623)	572
Net assets at end of period	$ 35,019	$ 35,685

See accompanying notes.

Community Development Administration
Residential Revenue Bonds

Statements of Cash Flows
(in thousands)

For the six months ended December 31, 2003 and December 31, 2002

	12/31/2003 (Unaudited)	12/31/2002 (Unaudited)
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 117,994	$ 74,758
Mortgage insurance claims received	3,770	1,940
Foreclosure expenses paid	(272)	(167)
Other income received	1	-
Loan fees received	83	462
Loan fees disbursed	(458)	-
Purchase of mortgage loans	(43,953)	(59,709)
Trustee, legal and mortgage servicing costs	(1,030)	(1,224)
Other expenses paid	(10)	(2)
Reimbursements among Funds	-	(16)
Net cash from operating activities	76,125	16,042
Cash flows from investing activities		
Proceeds from maturities or sales of investments	181,158	161,835
Purchases of investments	(291,005)	(128,966)
Interest received on investments	2,988	4,694
Net cash from investing activities	(106,859)	37,563
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	266,024	109,945
Payments on bond principal	(254,700)	(124,135)
Bond issuance costs	(725)	(156)
Interest on bonds and short-term debt	(24,476)	(26,278)
Transfers among Funds	671	(384)
Net cash from noncapital financing activities	(13,206)	(41,008)
Net (decrease) increase in cash on deposit with trustee	(43,940)	12,597
Cash on deposit with trustee at beginning of period	116,471	75,997
Cash on deposit with trustee at end of period	$ 72,531	$ 88,594

Community Development Administration
Residential Revenue Bonds

Statements of Cash Flows

(in thousands)

For the six months ended December 31, 2003 and December 31, 2002

	12/31/2003 (Unaudited)	12/31/2002 (Unaudited)
Reconciliation of operating income to net cash from operating activities		
Operating income	$ 18,910	$ 22,312
Adjustments to reconcile operating income to net cash from operating activities:		
Decrease (increase) in mortgage loans	53,509	(1,489)
Decrease (increase) in accrued interest and other receivables	1,557	(4,765)
Increase in due from other Funds	-	(37)
Increase in due to other Funds	2,149	21
Net cash from operating activities	$ 76,125	$ 16,042
Noncash investing and noncapital financing activities		
Amortization of investment discounts and premiums	$ 14	$ (938)
Amortization of bond original issue discounts and premiums	(5)	(4)
(Increase) decrease in fair value of investments, net of rebate	(27)	152
Amortization of deferred bond issuance costs	252	258
Loss on early retirement of debt	1,185	163

See accompanying notes.

Community Development Administration
Residential Revenue Bonds

Notes to Unaudited Interim Financial Statements
(in thousands)

December 31, 2003

1. Basis of presentation:

In the opinion of management, the accompanying interim financial statements of the Community Development Administration (CDA) Residential Revenue Bonds present fairly the financial position at December 31, 2003 and the results of its operations for the six months ended December 31, 2003 and December 31, 2002. These interim financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations. The December 31, 2003 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, 2003 and for the year then ended, which have been included elsewhere in this disclosure. The results of operations presented in the accompanying financial statements are not necessarily representative of operations for the entire year.

2. Investments:

In accordance with GASB 31, CDA reflects investments at fair value. As of December 31, 2003, the fair value of the investments was $298,240 of which $297,332 was the cost of these investments and $908 was the cumulative increase in fair value. The decrease in fair value of investments for the period ending December 31, 2003 was $57. The decrease was offset by $84 of reduced estimated rebate liability due to the decrease in fair value of investments for the period ending December 31, 2003.

3. Mortgage loans:

During the six months ended December 31, 2003, CDA purchased single family loans in the amount of $43,953.

4. Bonds Payable:

On September 2, 2003 and October 20, 2003, CDA redeemed, prior to maturity, $47,305 and $85,470, respectively, of Residential Revenue Bonds and incurred a loss of $423 and $762, respectively.

On December 9, 2003, CDA issued $45,000 of Residential Revenue Bonds 2003 Series A, B and C. Series A and B bonds have interest rates of 1.35% to 5.00% with maturities ranging from September 1, 2005 to September 1, 2026. Series C bonds are variable rate bonds with a maturity of September 1, 2035.

Also, on December 9, 2003, CDA issued $220,310 of Residential Revenue Bonds 2003 Series D and E of short-term debt due December 21, 2004 at interest rates of 1.17% and 1.25%, respectively.

On December 18, 2003, CDA redeemed, at maturity, $109,945 of Residential Revenue Bonds.

5. Subsequent events:

On January 9, January 20 and February 20, 2004, CDA redeemed, prior to maturity, $18,245, $27,660 and $11,860, respectively, of Residential Revenue Bonds.

APPENDIX I

INVESTMENTS HELD IN THE RESIDENTIAL REVENUE BOND FUNDS
As of December 31, 2003

Account	Principal Balance		Guaranteed Investment Contract Provider and Other Investments	Rate of Earnings	Maturity
			Program Fund		
1998 Residential Revenue Bonds, Series A and B	$386,000		Money Market Funds	Varies	On demand
1999 Residential Revenue Bonds, Series C and D	$430,000		Money Market Funds	Varies	On demand
1999 Residential Revenue Bonds, Series E and F	$455,995		Money Market Funds	Varies	On demand
2000 Residential Revenue Bonds, Series H	$677,905		Money Market Funds	Varies	On demand
2001 Residential Revenue Bonds, Series A and B	$141,954		Money Market Funds	Varies	On demand
2001 Residential Revenue Bonds, Series A and B	$1,683,000		Trinity Plus Funding Company, LLC	4.695%	8/1/2004
2001 Residential Revenue Bonds, Series E and F	$281,918		Money Market Funds	Varies	On demand
2001 Residential Revenue Bonds, Series G and H	$160,470		Money Market Funds	Varies	On demand
2001 Residential Revenue Bonds, Series G and H	$285,400		Trinity Plus Funding Company, LLC	3.457%	6/1/2005
2003 Residential Revenue Bonds, Series A, B and C	$40,102,740		Societe Generale, New York Branch	0.90%	8/1/2004
2003 Residential Revenue Bonds, Series D and E	$116,208,162	(1)	Federal Home Loan Bank	1.515%	12/21/2004
2003 Residential Revenue Bonds, Series E	$100,094,000	(1)	Federal Home Loan Bank	1.41%	10/28/2004
			Revenue (Float) Fund		
1997 Residential Revenue Bonds, Series A and B	$7,238,040		Westdeutsche Landesbank Gironzentrale, New York Branch	5.96%	9/1/2029
1998 Residential Revenue Bonds, Series A and B	$7,766,839		AIG Matched Funding Corp.	5.30%	9/1/2030
			Reserve Fund		
1997 Residential Revenue Bonds, Series A and B	$1,380,173		AIG Matched Funding Corp.	6.24%	9/1/2029
1998 Residential Revenue Bonds, Series A and B	$1,188,870		AIG Matched Funding Corp.	5.68%	9/1/2030
1998 Residential Revenue Bonds, Series D	$1,231,569		Westdeutsche Landesbank Gironzentrale, New York Branch	5.22%	9/1/2029
1999 Residential Revenue Bonds, Series C and D	$1,176,471		Westdeutsche Landesbank Gironzentrale, New York Branch	5.82%	9/1/2031
1999 Residential Revenue Bonds, Series E and F	$1,908,406	(1)	Federal Home Loan Mortgage Corp.	6.75%	9/15/2029
1999 Residential Revenue Bonds, Series H	$1,390,371	(1)	Federal Home Loan Mortgage Corp.	6.75%	9/15/2029
2000 Residential Revenue Bonds, Series A and B	$1,094,021		AIG-MF L.L.C.	6.29%	9/1/2032

Account	Principal Balance		Guaranteed Investment Contract Provider and Other Investments	Rate of Earnings	Maturity
2000 Residential Revenue Bonds, Series C and D	$1,102,444		AIG-MF L.L.C.	6.29%	9/1/2032
2000 Residential Revenue Bonds, Series F and G	$1,209,680		AIG-MF L.L.C.	6.29%	9/1/2032
2000 Residential Revenue Bonds, Series H	$833,059		AIG Matched Funding Corp.	5.94%	9/1/2032
2001 Residential Revenue Bonds, Series A and B	$1,334,133		AIG Matched Funding Corp.	5.94%	9/1/2032
2001 Residential Revenue Bonds, Series E and F	$1,494,151		AIG Matched Funding Corp.	5.94%	9/1/2032
2001 Residential Revenue Bonds, Series G and H	$1,167,063	(1)	Federal Home Loan Mortgage Corp.	6.25%	7/15/2032
2002 Residential Revenue Bonds, Series A	$155,728	(1)	Federal Home Loan Mortgage Corp.	6.25%	7/15/2032
2003 Residential Revenue Bonds, Series A, B and C	$889,185	(1)	Federal Home Loan Mortgage Corp.	6.25%	7/15/2032
2003 Residential Revenue Bonds, Series D and E	$4,328,022	(1)	Federal Home Loan Bank discount	1.515%	12/21/2004
			Collateral Reserve Fund ***(2)***		
1997 Residential Revenue Bonds	$2,978,619		Westdeutsche Landesbank Gironzentrale, New York Branch	5.96%	9/1/2029

(1) In keeping with the provisions of GASB 31, these investments are reported as fair value. The total book value at December 31, 2003 for the investments referenced was $225,232,822, and the increase in fair value of these investments was $908,115.

(2) The Collateral Reserve Fund was established under the Bond Resolution at the time the 1997 Residential Revenue Bonds Series A and Series B were issued.

APPENDIX J

MORTGAGE LOANS BY INTEREST RATE AND SERIES AS OF DECEMBER 31, 2003 (1)

Sources of Funds	Mortgage Loan Interest Rate		Original Number of Loans	Original Principal Amount(2) -$	Number of Outstanding Loans	Outstanding Principal Balance(2) -$
Collateral Reserve Fund			**106**	**8,764,712**	**93**	**7,075,821**
	4.000%	(3)	106	8,764,712	93	7,075,821
1997 Series A			**198**	**16,992,005**	**133**	**10,052,068**
	4.000%		41	3,633,437	36	2,805,188
	6.000%		1	81,100	0	0
	6.400%		155	13,233,055	96	7,204,045
	7.500%		1	44,413	1	42,836
1997 Series B			**999**	**81,171,892**	**680**	**48,654,904**
	4.000%		210	17,674,896	183	13,861,616
	5.500%	(4), (4.1)	48	3,436,397	34	2,173,156
	6.400%		732	59,127,375	459	32,267,396
	6.900%		9	933,224	4	352,736
1998 Series A			**61**	**4,552,300**	**55**	**3,821,470**
	5.000%		49	3,602,864	44	2,996,706
	6.100%		12	949,436	11	824,764
1998 Series B			**899**	**74,306,563**	**635**	**47,385,802**
	5.500%	(4), (4.2)	201	16,692,492	150	11,303,378
	6.100%		665	54,369,384	465	34,295,880
	6.250%		9	1,033,541	6	632,450
	6.500%		3	297,847	1	75,966
	6.750%		21	1,913,299	13	1,078,128
1998 Series D			**708**	**61,727,224**	**555**	**44,772,425**
	4.000%	(4), (4.3)	33	1,909,980	31	1,676,639
	5.500%	(4), (4.4)	647	56,978,406	501	40,871,750
	5.500%		11	982,596	11	969,543
	6.375%		17	1,856,242	12	1,254,494
1999 Series C			**25**	**2,584,548**	**22**	**2,146,417**
	5.000%		20	1,982,759	19	1,827,139
	6.000%		1	112,290	1	107,871
	6.125%		1	124,287	0	0
	6.900%		3	365,212	2	211,407

Sources of Funds	Mortgage Loan Interest Rate		Original Number of Loans	Original Principal Amount(2) -$	Number of Outstanding Loans	Outstanding Principal Balance(2) -$
1999 Series D			**592**	**56,333,589**	**404**	**35,107,829**
	6.000%		149	13,941,938	98	8,320,776
	6.125%		353	33,902,866	248	21,737,589
	6.500%		90	8,488,785	58	5,049,464
1999 Series E			**565**	**21,935,546**	**449**	**11,803,739**
	4.750%	(5), (5.8)	56	268,917	56	267,815
	4.950%	(5), (5.7)	37	989,443	37	985,943
	5.750%	(5), (5.1)	287	3,771,241	264	3,336,066
	6.000%		1	161,100	0	0
	6.125%		5	565,650	2	191,159
	6.750%		73	6,559,151	42	3,390,310
	7.000%		106	9,620,044	48	3,632,447
1999 Series F			**596**	**56,193,694**	**340**	**28,332,055**
	6.000%		0	0	0	0
	6.125%		1	80,600	1	76,050
	6.500%		265	24,041,780	192	16,036,753
	6.750%		69	6,780,630	39	3,349,782
	6.900%		2	234,547	0	0
	7.000%		214	20,439,573	97	8,061,637
	7.250%		9	924,241	4	365,934
	7.500%		36	3,692,323	7	441,899
1999 Series H			**614**	**58,868,174**	**325**	**28,248,807**
	6.000%		158	16,020,135	123	11,786,453
	6.250%		1	64,450	1	62,612
	7.000%		254	23,728,090	126	10,348,058
	7.250%		142	13,335,578	60	4,854,445
	7.500%		59	5,719,921	15	1,197,240
2000 Series A			**83**	**7,818,452**	**53**	**4,471,068**
	6.900%		75	7,002,330	51	4,324,453
	7.000%		1	64,648	1	61,762
	7.500%		7	751,474	1	84,853
2000 Series B			**744**	**68,248,330**	**508**	**41,011,407**
	5.000%	(5), (5.3)	71	1,265,057	71	1,249,651
	5.000%		25	2,528,717	24	2,350,604
	5.050%	(5), (5.6)	17	375,455	17	373,289
	5.750%		98	11,039,408	91	9,802,082
	5.875%		123	11,767,170	120	11,240,149
	6.900%		157	15,753,125	87	7,528,615
	7.250%		253	25,519,399	98	8,467,017

Sources of Funds	Mortgage Loan Interest Rate		Original Number of Loans	Original Principal Amount(2) -$	Number of Outstanding Loans	Outstanding Principal Balance(2) -$
2000 Series C			**63**	**5,975,178**	**24**	**1,857,476**
	7.125%		1	39,979	1	37,752
	7.250%		62	5,935,199	23	1,819,724
2000 Series D			**729**	**72,613,685**	**446**	**39,891,251**
	4.750%		3	291,990	3	289,834
	5.000%	(5), (5.3)	71	5,750,253	71	5,680,225
	5.750%		26	2,821,884	25	2,663,376
	5.875%		36	3,765,184	35	3,537,068
	6.000%		12	1,379,595	9	962,188
	6.250%		14	1,479,231	11	1,122,639
	6.900%		9	968,942	4	366,038
	7.000%		7	643,123	3	183,125
	7.125%		336	34,119,461	166	14,783,332
	7.250%		199	19,866,106	112	9,767,863
	7.500%		16	1,527,916	7	535,562
2000 Series F			**162**	**14,922,531**	**99**	**8,336,236**
	6.000%		1	147,300	1	139,739
	6.750%		143	13,074,753	92	7,769,262
	7.000%		12	1,167,793	3	172,894
	7.125%		6	532,685	3	254,341
2000 Series G			**880**	**63,725,157**	**691**	**42,836,231**
	5.000%	(4), (4.5)	347	27,059,330	293	21,625,574
	5.000%	(5), (5.4)	189	3,755,747	188	3,678,708
	5.500%		2	129,312	2	127,746
	5.875%		88	8,037,054	85	7,538,859
	6.750%		1	87,500	1	84,051
	6.900%		23	2,681,774	13	1,381,947
	7.000%		96	9,293,184	46	3,619,319
	7.125%		45	4,333,000	23	1,628,739
	7.250%		42	3,960,526	26	2,111,494
	7.500%		47	4,387,730	14	1,039,794
2000 Series H			**589**	**52,908,608**	**365**	**28,289,676**
	4.750%	(5), (5.8)	56	1,116,247	56	1,111,673
	5.500%		28	2,353,445	28	2,323,022
	5.875%		29	3,461,107	27	3,170,559
	6.000%		26	2,446,210	23	2,003,894
	6.125%		1	148,100	1	127,444
	6.250%		17	1,979,952	10	1,173,572
	6.375%		95	9,077,429	70	5,982,867
	6.500%		2	181,700	2	175,711
	6.600%		3	273,077	3	262,965
	6.750%		21	2,103,350	16	1,500,467

Sources of Funds	Mortgage Loan Interest Rate		Original Number of Loans	Original Principal Amount(2) -$	Number of Outstanding Loans	Outstanding Principal Balance(2) -$
	7.000%		82	7,663,564	49	4,027,045
	7.125%		2	182,379	1	46,689
	7.250%		49	5,175,460	20	1,657,241
	7.500%		178	16,746,588	59	4,726,525
2001 Series A			**442**	**15,478,021**	**431**	**14,625,266**
	4.000%	(5), (5.2)	391	14,396,500	380	13,552,397
	4.750%	(5), (5.5)	51	1,081,521	51	1,072,869
2001 Series B			**435**	**36,931,492**	**407**	**33,109,246**
	4.750%	(5), (5.8)	56	3,745,074	56	3,729,727
	5.875%	(4), (4.6)	117	10,873,159	102	8,878,887
	5.000%	(5), (5.4)	189	15,022,989	188	14,714,833
	5.875%		14	1,448,897	11	1,106,479
	6.125%		59	5,841,374	50	4,679,320
2001 Series E			**141**	**13,490,845**	**134**	**12,405,283**
	5.500%		18	1,544,567	18	1,519,031
	5.750%		44	4,470,263	40	3,871,899
	5.875%		79	7,476,015	76	7,014,354
2001 Series F			**751**	**64,962,862**	**670**	**55,204,970**
	4.000%	(4), (4.8)	104	5,671,011	99	5,187,801
	4.950%	(5), (5.7)	37	3,049,101	37	3,038,314
	5.050%	(5), (5.6)	17	1,256,956	17	1,249,708
	5.750%	(5), (5.1)	287	24,782,543	264	21,922,807
	5.250%		2	201,888	2	198,903
	5.750%		2	185,850	1	109,893
	5.875%		39	4,184,509	39	4,106,926
	6.000%	(4), (4.7)	58	5,690,025	48	4,545,443
	6.000%		2	201,633	2	190,746
	6.125%		136	13,362,933	116	10,689,755
	6.250%		42	3,830,881	31	2,722,291
	6.375%		2	197,476	1	70,977
	6.500%		1	94,242	1	90,259
	6.750%		4	409,076	2	231,042
	6.900%		2	180,206	1	59,139
	7.000%		4	351,960	3	255,680
	7.125%		8	917,816	3	247,220
	7.250%		4	394,755	3	288,067
2001 Series G			**101**	**9,909,563**	**99**	**9,522,949**
	5.000%		13	1,430,799	13	1,413,756
	5.750%		17	1,795,404	17	1,752,688
	5.875%		71	6,683,360	69	6,356,505

Sources of Funds	Mortgage Loan Interest Rate		Original Number of Loans	Original Principal Amount(2) -$	Number of Outstanding Loans	Outstanding Principal Balance(2) -$
2001 Series H			**578**	**37,183,810**	**563**	**35,251,759**
	4.000%	(5), (5.2)	391	20,940,399	380	19,712,611
	4.750%	(5), (5.5)	51	3,424,816	51	3,397,420
	5.000%		27	2,782,283	27	2,746,079
	5.250%		6	683,303	5	533,050
	5.500%		56	4,330,052	56	4,291,799
	5.750%		41	4,426,872	38	3,984,353
	5.875%		6	596,085	6	586,446
2002 Series A			**40**	**4,107,148**	**40**	**4,085,422**
	4.950%		23	2,443,293	23	2,435,369
	5.000%		4	398,607	4	395,051
	5.050%		7	739,784	7	737,150
	5.500%		4	315,855	4	313,401
	5.750%		2	209,609	2	204,452
2003 Series B			**137**	**15,322,650**	**137**	**15,293,913**
	4.000%		10	574,400	10	572,741
	4.950%		122	14,177,671	122	14,153,805
	5.000%		2	156,400	2	154,963
	5.050%		2	342,779	2	341,550
	5.500%		1	71,400	1	70,854
2003 Series C			**43**	**4,818,186**	**43**	**4,813,587**
	4.000%		1	54,800	1	54,642
	4.950%		40	4,543,986	40	4,539,967
	5.050%		1	74,400	1	74,311
	5.250%		1	145,000	1	144,667
Total All Series (5)			**10.126**	**931,846,766**	**7,281**	**618,407,078**

Notes:

(1) For information on the status of remaining funds from prior Series of Bonds, see "Existing Portfolio and Available Funds Under the Bond Resolution - *Status of Available Funds"* above.

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

(3) The Collateral Reserve Fund is a fund established under the Bond Resolution at the time the 1997 Series A Bonds and the 1997 Series B Bonds were issued.

(4) The mortgage rate paid by the borrower is derived from a blend of proceeds from a series of Residential Revenue Bonds and proceeds from the 1999 First Series Bonds issued under the General Certificate and loaned at 0.00%. *(See the table below for detail)*

(5) The mortgage rate paid by the borrower is derived from a blend of proceeds from different series of Residential Revenue Bonds. (*See the table below for detail*) The total number of loans is adjusted to avoid a double count of the number of loans financed with proceeds of different series issued under the Residential Revenue Bond Resolution.

Detail of Footnotes (4) and (5)

<table>
<tr><th>Footnote No.</th><th>Indenture</th><th>Blended Series</th><th>Interest Rate by Series</th><th>Interest Rate to Borrower</th><th>No. of All Loans</th><th>Original Principal Amount</th><th>Number of Loans Outstanding</th><th>Outstanding Principal Amount</th></tr>
<tr><td rowspan="2">(4.1)</td><td>Residential Revenue Bond</td><td>1997 Series B</td><td>6.40%</td><td rowspan="2">5.50%</td><td rowspan="2">48</td><td>$ 3,436,397</td><td rowspan="2">34</td><td>$2,173,156</td></tr>
<tr><td>1980 General Certificate</td><td>1999 First Series</td><td>0.00%</td><td>562,319</td><td>355,607</td></tr>
<tr><td rowspan="2">(4.2)</td><td>Residential Revenue Bond</td><td>1998 Series B</td><td>6.10%</td><td rowspan="2">5.50%</td><td rowspan="2">201</td><td>16,692,492</td><td rowspan="2">150</td><td>11,303,378</td></tr>
<tr><td>1980 General Certificate</td><td>1999 First Series</td><td>0.00%</td><td>1,821,006</td><td>1,233,101</td></tr>
<tr><td rowspan="2">(4.3)</td><td>Residential Revenue Bond</td><td>1998 Series D</td><td>5.96%</td><td rowspan="2">4.00%</td><td rowspan="2">33</td><td>1,909,980</td><td rowspan="2">31</td><td>1,676,639</td></tr>
<tr><td>1980 General Certificate</td><td>1999 First Series</td><td>0.00%</td><td>935,890</td><td>821,553</td></tr>
<tr><td rowspan="2">(4.4)</td><td>Residential Revenue Bond</td><td>1998 Series D</td><td>5.96%</td><td rowspan="2">5.50%</td><td rowspan="2">647</td><td>56,978,406</td><td rowspan="2">501</td><td>40,871,750</td></tr>
<tr><td>1980 General Certificate</td><td>1999 First Series</td><td>0.00%</td><td>4,765,453</td><td>3,418,355</td></tr>
<tr><td rowspan="2">(4.5)</td><td>Residential Revenue Bond</td><td>2000 Series G</td><td>6.75%,7.5%</td><td rowspan="2">5.00%</td><td rowspan="2">347</td><td>27,059,330</td><td rowspan="2">293</td><td>21,625,574</td></tr>
<tr><td>1980 General Certificate</td><td>1999 First Series</td><td>0.00%</td><td>11,858,237</td><td>9,477,315</td></tr>
<tr><td rowspan="2">(4.6)</td><td>Residential Revenue Bond</td><td>2001 Series B</td><td>6.625%</td><td rowspan="2">5.875%</td><td rowspan="2">117</td><td>10,873,159</td><td rowspan="2">102</td><td>8,878,887</td></tr>
<tr><td>1980 General Certificate</td><td>1999 First Series</td><td>0.00%</td><td>1,388,069</td><td>1,133,480</td></tr>
<tr><td rowspan="2">(4.7)</td><td>Residential Revenue Bond</td><td>2001 Series F</td><td>6.625%</td><td rowspan="2">6.00%</td><td rowspan="2">58</td><td>5,690,025</td><td rowspan="2">48</td><td>4,545,443</td></tr>
<tr><td>1980 General Certificate</td><td>1999 First Series</td><td>0.00%</td><td>592,714</td><td>473,486</td></tr>
<tr><td rowspan="2">(4.8)</td><td>Residential Revenue Bond</td><td>2001 Series F</td><td>6.625%</td><td rowspan="2">4.00%</td><td rowspan="2">104</td><td>5,671,011</td><td rowspan="2">99</td><td>5,187,801</td></tr>
<tr><td>1980 General Certificate</td><td>1999 First Series</td><td>0.00%</td><td>3,721,595</td><td>3,404,488</td></tr>
</table>

Footnote No.	Indenture	Blended Series	Interest Rate by Series	Interest Rate to Borrower	No. of All Loans	Original Principal Amount	Number of Loans Outstanding	Outstanding Principal Balance
(5.1)	Residential Revenue Bond	2001 Series F	6.625%	5.75%	287	24,782,543	264	21,922,807
	Residential Revenue Bond	1999 Series E	0.00%			3,771,241		3,336,066
(5.2)	Residential Revenue Bond	2001 Series H	6.750%	4.00%	391	20,940,399	380	19,712,611
	Residential Revenue Bond	2001 Series A	0.00%			14,396,500		13,552,397
(5.3)	Residential Revenue Bond	2000 Series D	6.100%	5.00%	71	5,750,253	71	5,680,225
	Residential Revenue Bond	2000 Series B	0.00%			1,265,057		1,249,651
(5.4)	Residential Revenue Bond	2001 Series B	6.250%	5.00%	189	15,022,989	188	14,714,833
	Residential Revenue Bond	2000 Series G	0.00%			3,755,747		3,678,708
(5.5)	Residential Revenue Bond	2001 Series H	6.250%	4.75%	51	3,424,816	51	3,397,420
	Residential Revenue Bond	2001 Series A	0.00%			1,081,521		1,072,869
(5.6)	Residential Revenue Bond	2001 Series F	6.560%	5.05%	17	1,256,956	17	1,249,708
	Residential Revenue Bond	2000 Series B	0.00%			375,455		373,289
(5.7)	Residential Revenue Bond	2001 Series F	6.560%	4.95%	37	3,049,101	37	3,038,314
	Residential Revenue Bond	1999 Series E	0.00%			989,443		985,943
(5.8)	Residential Revenue Bond	2001 Series B	6.500%	4.75%	56	3,745,074	56	3,729,727
	Residential Revenue Bond	2000 Series H	0.00%			1,116,247		1,111,673
	Residential Revenue Bond	1999 Series E	0.00%			268,917		267,815

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APPENDIX K

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL FOR 2004 SERIES A BONDS AND 2004 SERIES B BONDS

[Letterhead of Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania]

May ___, 2004

Community Development Administration
Department of Housing and Community Development
State of Maryland
100 Community Place
Crownsville, Maryland 21032

$10,710,000
Community Development Administration
Maryland Department of Housing and Community Development
Residential Revenue Bonds
2004 Series A (Non-AMT)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and 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 $10,710,000 aggregate principal amount of its Residential Revenue Bonds, 2004 Series A (Non-AMT) (the "2004 Series A Bonds"). With the proceeds of the 2004 Series A Bonds, the Administration will currently refund a portion of the Administration's Draw Down Mortgage Revenue Bonds previously issued under an Indenture of Trust dated as of September 1, 2002 (the "Draw Down Indenture"), between the Administration and Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank) (the "Draw Down Bonds"), as a result of which $10,500,000 on deposit in the escrow fund established under the Draw Down Indenture will be transferred to the 2004 Series B Program Account of the Program Fund and $210,000 will be transferred to the Reserve Fund. Funds in the Program Fund will be made available to make or purchase mortgage loans (the "Mortgage Loans") to finance the acquisition of single family residences located in the State.

The 2004 Series A 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 Bond Resolution (the "Bond Resolution"), adopted by the Administration as of August 1, 1997 and accepted by Manufacturers and Traders Trust Company, Baltimore, Maryland, as trustee (the "Trustee"), and (3) the Series Resolution Providing for the Issuance and Sale of $10,710,000 Principal Amount of Residential Revenue Bonds 2004 Series A, adopted as of May 1, 2004 (the "Series Resolution"), pursuant to which the 2004 Series A Bonds are authorized to be issued. The Bond Resolution and the Series Resolution are referred to collectively as the Bond Resolutions.

The 2004 Series A Bonds mature, bear interest and are subject to redemption as provided therein and in the Bond Resolutions. The 2004 Series A Bonds are issuable as fully registered bonds without coupons in the denominations of $5,000 each or any integral multiple thereof. Principal of, premium, if any, and interest on the 2004 Series A Bonds will be paid as provided in the Bond Resolutions by the Trustee to the persons in whose names the 2004 Series A Bonds are registered on the registration books of the Administration maintained by the Trustee.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met on a continuing basis subsequent to the delivery of the 2004 Series A Bonds for interest on the 2004 Series A Bonds to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the 2004 Series A Bonds to be subject to inclusion in gross income retroactively to the date of issuance of the 2004 Series A Bonds. We have examined the Bond Resolutions and other relevant single family housing program documents of the Administration which, in our opinion, establish procedures under which, if followed, such requirements would be met. The Administration has covenanted in the Bond Resolutions to comply with all of the applicable requirements of the Code.

In connection with the issuance of the 2004 Series A Bonds, we have examined and considered the Act, the Bond Resolutions, the Code, a specimen of the 2004 Series A Bonds and such other opinions, documents, certificates, letters and matters of law as we have deemed necessary to render the opinions set forth below.

Based upon the foregoing we are of the opinion that:

1. The Administration was duly created and validly exists under the provisions of the Act as an agency in the Division of Development Finance of the Department with full power to issue the 2004 Series A Bonds for the purposes of refunding a portion of the Draw Down Bonds and financing the Mortgage Loans.

2. The Bond Resolutions have been duly adopted and executed by the Administration, are valid and binding upon the Administration, are in full force and effect and are enforceable in accordance with their terms. The 2004 Series A Bonds are entitled to the benefit and security of the Bond Resolutions for the payment thereof in accordance with the terms of the Bond Resolutions.

3. The 2004 Series A Bonds have been duly authorized, executed and issued in accordance with the Constitution and the laws of the State, including the Act, now in force and represent valid and binding special obligations of the Administration, enforceable in accordance with their terms and the terms of the Bond Resolutions except to the extent enforcement may be limited by general principles of equity which may permit the exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and applicable bankruptcy, insolvency or similar laws affecting creditors rights generally, now or hereafter in effect. The 2004 Series A Bonds are payable from the revenues and assets of the Administration pledged therefor pursuant to the Bond Resolutions.

4. The form of the specimen 2004 Series A Bonds is regular and proper.

5. The 2004 Series A Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized in their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State or by its political subdivisions, municipal corporations or public units of any kind under existing law, except that no opinion is expressed as to such exemption from Maryland franchise taxes or estate or inheritance taxes.

6. Assuming continuing compliance by the Administration with its covenants in the Bond Resolutions to comply with the Code, interest on the 2004 Series A Bonds is excludable from the gross income of the holders thereof for federal income tax purposes. We are further of the opinion that interest on the 2004 Series A Bonds is not an item of preference for purposes of calculating the federal individual or corporate alternative minimum taxes, but interest on 2004 Series A Bonds held by a corporation (other than an S corporation, regulated investment company, real estate investment trust, real estate mortgage investment conduit or financial asset securitization investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Under certain circumstances interest on a 2004 Series A Bond held by a foreign corporation may be subject to the branch profits tax.

Ownership of tax-exempt obligations, including the 2004 Series A Bonds, may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, S corporations with "excess net passive income" and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the 2004 Series A Bonds should consult their own tax advisor as to such consequences.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We call to your attention that the 2004 Series A Bonds are special obligations of the Administration and will be payable solely from the revenues and assets of the Administration pledged for the payment thereof under the Bond Resolutions, including the Mortgage Loans pledged thereunder, and the rights thereunder to any income, revenues, issues, profits and insurance proceeds and other sums of money payable thereunder. The Administration has no taxing power. The 2004 Series A Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department.

We express no opinion herein with respect to the accuracy or completeness of the Official Statement prepared in respect of the 2004 Series A Bonds or as to any other matter not set forth herein.

[Letterhead of Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania]

May ___, 2004

Community Development Administration
Department of Housing and Community Development
State of Maryland
100 Community Place
Crownsville, Maryland 21032

$19,290,000
Community Development Administration
Maryland Department of Housing and Community Development
Residential Revenue Bonds
2004 Series B (AMT)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and 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 $19,290,000 aggregate principal amount of its Residential Revenue Bonds, 2004 Series B (AMT) (the "2004 Series B Bonds"). With the proceeds of the 2004 Series B Bonds, the Administration will (i) make a deposit of $3,807,249.60 into the 2004 Series B Program Account of the Program Fund under the Bond Resolution (as defined herein) and a deposit of $76,200.00 into the Reserve Fund and (ii) currently refund or pay at maturity all or a portion of certain series of bonds (the "Prior Bonds") previously issued by the Administration, as a result of which $15,764,700.00 representing prepayments and repayments of mortgage loans financed with the proceeds of such Prior Bonds, will be transferred to the 2004 Series A Program Account of the Program Fund and $391,500.00 will be transferred to the Reserve Fund. Funds in the Program Fund will be made available to make or purchase mortgage loans (the "Mortgage Loans") to finance the acquisition of single family residences located in the State.

The 2004 Series B 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 Bond Resolution (the "Bond Resolution"), adopted by the Administration as of August 1, 1997 and accepted by Manufacturers and Traders Trust Company, Baltimore, Maryland, as trustee (the "Trustee"), and (3) the Series Resolution Providing for the Issuance and Sale of $19,290,000 Principal Amount of Residential Revenue Bonds 2004 Series B, adopted as of May 1, 2004 (the "Series Resolution"), pursuant to which the 2004 Series B Bonds are authorized to be issued. The Bond Resolution and the Series Resolution are referred to collectively as the Bond Resolutions.

The 2004 Series B Bonds mature, bear interest and are subject to redemption as provided therein and in the Bond Resolutions. The 2004 Series B Bonds are issuable as fully registered bonds without coupons in the denominations of $5,000 each or any integral multiple thereof. Principal of, premium, if any, and interest on the 2004 Series B Bonds will be paid as provided in the Bond Resolutions by the Trustee to the persons in whose names the 2004 Series B Bonds are registered on the registration books of the Administration maintained by the Trustee.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met on a continuing basis subsequent to the delivery of the 2004 Series B

Bonds for interest on the 2004 Series B Bonds to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the 2004 Series B Bonds to be subject to inclusion in gross income retroactively to the date of issuance of the 2004 Series B Bonds. We have examined the Bond Resolutions and other relevant single family housing program documents of the Administration which, in our opinion, establish procedures under which, if followed, such requirements would be met. The Administration has covenanted in the Bond Resolutions to comply with all of the applicable requirements of the Code.

In connection with the issuance of the 2004 Series B Bonds, we have examined and considered the Act, the Bond Resolutions, the Code, a specimen of the 2004 Series B Bonds and such other opinions, documents, certificates, letters and matters of law as we have deemed necessary to render the opinions set forth below.

Based upon the foregoing we are of the opinion that:

1. The Administration was duly created and validly exists under the provisions of the Act as an agency in the Division of Development Finance of the Department with full power to issue the 2004 Series B Bonds for the purposes of refunding or paying at maturity the Prior Bonds and financing the Mortgage Loans.

2. The Bond Resolutions have been duly adopted and executed by the Administration, are valid and binding upon the Administration, are in full force and effect and are enforceable in accordance with their terms. The 2004 Series B Bonds are entitled to the benefit and security of the Bond Resolutions for the payment thereof in accordance with the terms of the Bond Resolutions.

3. The 2004 Series B Bonds have been duly authorized, executed and issued in accordance with the Constitution and the laws of the State, including the Act, now in force and represent valid and binding special obligations of the Administration, enforceable in accordance with their terms and the terms of the Bond Resolutions except to the extent enforcement may be limited by general principles of equity which may permit the exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and applicable bankruptcy, insolvency or similar laws affecting creditors rights generally, now or hereafter in effect. The 2004 Series B Bonds are payable from the revenues and assets of the Administration pledged therefor pursuant to the Bond Resolutions.

4. The form of the specimen 2004 Series B Bonds is regular and proper.

5. The 2004 Series B Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized in their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State or by its political subdivisions, municipal corporations or public units of any kind under existing law, except that no opinion is expressed as to such exemption from Maryland franchise taxes or estate or inheritance taxes.

6. Assuming continuing compliance by the Administration with its covenants in the Bond Resolutions to comply with the Code, interest on the 2004 Series B Bonds is excludable from the gross income of the holders thereof for federal income tax purposes. We are further of the opinion that interest on the 2004 Series B Bonds is an item of preference for purposes of calculating the federal individual or corporate alternative minimum taxes. Under certain circumstances interest on a 2004 Series B Bond held by a foreign corporation may be subject to the branch profits tax.

Ownership of tax-exempt obligations, including the 2004 Series B Bonds, may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, S corporations with "excess net passive income" and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the 2004 Series B Bonds should consult their own tax advisor as to such consequences.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We call to your attention that the 2004 Series B Bonds are special obligations of the Administration and will be payable solely from the revenues and assets of the Administration pledged for the payment thereof under the Bond Resolutions, including the Mortgage Loans pledged thereunder, and the rights thereunder to any income, revenues, issues, profits and insurance proceeds and other sums of money payable thereunder. The Administration has no taxing power. The 2004 Series B Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department.

We express no opinion herein with respect to the accuracy or completeness of the Official Statement prepared in respect of the 2004 Series B Bonds or as to any other matter not set forth herein.