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 2001 Series Bonds is excludable from gross income for federal income tax purposes under existing laws, regulations, rulings and judicial decisions. Interest on the 2001 Series G Bonds is not, and interest on the 2001 Series H 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 2001 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.

$60,000,000
COMMUNITY DEVELOPMENT ADMINISTRATION MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Residential Revenue Bonds
$10,100,000 2001 Series G (Non-AMT)
$49,900,000 2001 Series H (AMT)

Dated: August 15, 2001 **Due:** September 1, as shown on inside cover

The 2001 Series G Bonds and the 2001 Series H Bonds (collectively, the "2001 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 2001 Series Bonds. Purchases of the 2001 Series Bonds will be in book-entry form only, in principal amounts of $5,000, or any integral multiple thereof. Interest on the 2001 Series Bonds is payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2002, by the Trustee to DTC. DTC is to remit such payments to participating financial organizations for subsequent disbursement to beneficial owners of the 2001 Series Bonds. Additional information is contained under the caption "THE 2001 SERIES BONDS". Allfirst Bank, Baltimore, Maryland, is the Trustee.

The 2001 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 2001 SERIES BONDS – Redemption Provisions" herein.

The 2001 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 2001 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 2001 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 2001 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 co-counsel, Hunton & Williams, Washington, D.C., and Graves & Horton, LLC, Washington, D.C. It is expected that the 2001 Series Bonds will be available for delivery to DTC in New York, New York on or about September 25, 2001.

UBS PaineWebber Inc.

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

The Chapman Company **Lehman Brothers** **Loop Capital Markets, L.L.C.**

Merrill Lynch & Co. **Salomon Smith Barney**

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.

August 22, 2001.

MATURITY SCHEDULE

$10,100,000 2001 SERIES G BONDS (Non-AMT)

$10,100,000 Serial Bonds

Due (September 1)	Amount	Interest Rate	Price
2004	$1,115,000	3.05%	100%
2005	1,155,000	3.30	100
2006	1,190,000	3.45	100
2007	1,230,000	3.65	100
2008	1,270,000	3.85	100
2009	1,330,000	4.00	100
2010	1,375,000	4.10	100
2011	1,435,000	4.20	100

(Accrued interest to be added)

$49,900,000 2001 SERIES H BONDS (AMT)

$2,485,000 Serial Bonds

Due (September 1)	Amount	Interest Rate	Price
2011	$ 310,000	4.40%	100%
2012	900,000	4.55	100
2013	1,275,000	4.65	100

$15,260,000 5.20% Term Bonds due September 1, 2022 — Price 100%
$5,925,000 4.40% Term Bonds due September 1, 2025 — Price 100%
$14,000,000 5.35% Term Bonds due September 1, 2032 — Price 100%
$12,230,000 5.35% Term Bonds due September 1, 2033 — Not Reoffered

(Accrued interest to be added)

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 2001 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 2001 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

$60,000,000
Residential Revenue Bonds
$10,100,000 2001 Series G (Non-AMT)
$49,900,000 2001 Series H (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, 2001 Series G and 2001 Series H (collectively, the "2001 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 2001 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 Allfirst Bank, as trustee (the "Trustee"). The 2001 Series G Bonds will be issued pursuant to a Series Resolution Providing for the Issuance and Sale of Residential Revenue Bonds, 2001 Series G (Non-AMT) that will be adopted by the Administration prior to the issuance of the 2001 Series G Bonds (the "2001 Series G Resolution"). The 2001 Series H Bonds will be issued pursuant to a Series Resolution Providing for the Issuance and Sale of Residential Revenue Bonds, 2001 Series H (AMT) that will be adopted by the Administration prior to the issuance of the 2001 Series H Bonds (the "2001 Series H Resolution" and, together with the 2001 Series G Resolution, the "Series Resolutions"). The Bond Resolution and the Series Resolutions are collectively called the "Bond Resolutions."

Bonds Issued Under Bond Resolution

As of July 1, 2001, the Administration had issued twenty-nine prior Series of Bonds under the Bond Resolution (the "Prior Bonds"). As of July 1, 2001, $934,850,000 in aggregate principal amount comprising twenty-three Series of Bonds were outstanding under the Bond Resolution. 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 2001 Series Bonds, and will be equally and ratably secured under the Bond Resolution. See "SECURITY FOR THE BONDS – Additional Bonds" herein. The Prior Bonds and the 2001 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, including 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.

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 2001 Series G Bonds will be used to (a) refund or pay at maturity all or a portion of certain series of Single Family Program Bonds previously issued under the 1980 General Certificate (the "Prior 1980 General Certificate Bonds") and certain series of Prior Bonds, as a result of which funds representing prepayments and repayments of mortgage loans financed with proceeds of such Prior 1980 General Certificate Bonds and such Prior Bonds will be made available to make or purchase Mortgage Loans and (b) provide funds to be deposited into the Reserve Fund.

The 2001 Series H Bonds will be used to (a) refund or pay at maturity all or a portion of certain Prior 1980 General Certificate Bonds and certain other Prior Bonds, as a result of which funds representing prepayments and repayments of mortgage loans financed with proceeds of such Prior 1980 General Certificate Bonds and such Prior Bonds will be made available to make or purchase Mortgage Loans, (b) provide funds to make or purchase Mortgage Loans, and (c) provide funds to be deposited into the Reserve Fund. See "THE 2001 SERIES BONDS – Application of 2001 Series G Bond Proceeds," and "– Application of 2001 Series H Bond Proceeds," and Appendix D – "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTIONS".

The Series Resolutions will contain Series 2001 Program Determinations 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 2001 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 and the proposed forms of the opinions of Bond Counsel are included as Appendices H and I, 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 2001 Series Bonds, the Administration and the Program and descriptions of certain provisions of the Act, the 2001 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 2001 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.

THE 2001 SERIES BONDS

General Description

The 2001 Series Bonds are dated as shown on the cover of this Official Statement. The 2001 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 2001 Series Bonds. Purchases of the 2001 Series Bonds will be in book-entry form only, in minimum principal amounts of $5,000 or any integral multiple thereof. The 2001 Series G Bonds and the 2001 Series H Bonds will mature on September 1 in the years and amounts set forth on the inside cover page of this Official Statement. The 2001 Series G Bonds and the 2001 Series H Bonds will bear interest from August 15, 2001 until their maturity or earlier redemption. Interest on the 2001 Series Bonds will be payable semiannually on March 1 and September 1 of each year, commencing March 1, 2002. If any such dates are not business days, then such payments will be made on the next business day. Interest on the 2001 Series Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Application of 2001 Series G Bond Proceeds

The Administration will deposit from the proceeds of the sale of the 2001 Series G Bonds (exclusive of accrued interest, which will be deposited into the Debt Service Account of the Revenue Fund) $10,100,000 into a Redemption Account established pursuant to the 2001 Series G Resolution for the purposes of (i) refunding within 90 days of delivery of the 2001 Series G Bonds all or a portion of certain series of Prior Bonds, and (ii) transferring the remaining portion of such funds to the 1980 General Certificate to be applied to the payment at maturity or refunding within 90 days of delivery of the 2001 Series G Bonds of all or a portion of certain series of Prior 1980 General Certificate Bonds. As a result of the foregoing, (a) $9,901,900, representing prepayments and repayments of mortgage loans financed with proceeds of Prior Bonds and Prior 1980 General Certificate Bonds, will be transferred and deposited into the 2001 Series G Program Account of the Program Fund and made available to make or purchase Mortgage Loans, and (b) $198,100 will be transferred and deposited into the Reserve Fund.

The costs of issuance, including underwriters' compensation, relating to the 2001 Series G Bonds will be funded by the Administration from available moneys not included in the amounts set forth below. The application of proceeds of the 2001 Series G Bonds is summarized below:

Transfer of moneys into 2001 Series G Program Account as a result of current refunding of Prior Bonds and Prior 1980 General Certificate Bonds	$ 9,901,900
Reserve Fund	198,100
Gross Proceeds of 2001 Series G Bonds	$10,100,000

Application of 2001 Series H Bond Proceeds

The Administration will deposit from the proceeds of the sale of the 2001 Series H Bonds (exclusive of accrued interest, which will be deposited into the Debt Service Account of the Revenue Fund):

(1) $30,225,450 into the 2001 Series H Program Account of the Program Fund to provide funds to make or purchase Mortgage Loans and $604,550 into the Reserve Fund; and

(2) $19,070,000 into a Redemption Account established pursuant to the 2001 Series H Resolution for the purposes of (i) refunding within 90 days of delivery of the 2001 Series H Bonds all or a portion of certain series of Prior Bonds and (ii) transferring the remaining portion of such funds to the 1980 General Certificate to be applied to the payment at maturity or refunding within 90 days of delivery of the 2001 Series H Bonds of all or a portion of certain series of Prior 1980 General Certificate Bonds. As a result of the foregoing, (a) $18,696,050 of prepayments and repayments of mortgage loans financed with proceeds of Prior Bonds and Prior 1980 General Certificate Bonds, will be transferred and deposited into the 2001 Series H Program Account of the Program Fund and made available to make or purchase Mortgage Loans and (b) $373,950 of the remaining prepayments and repayments of mortgage loans financed with the proceeds of Prior Bonds and Prior 1980 General Certificate Bonds, will be transferred and deposited into the Reserve Fund.

The costs of issuance, including underwriters' compensation, relating to the 2001 Series H Bonds will be funded by the Administration from available moneys not included in the amounts set forth below. The application of proceeds of the 2001 Series H Bonds is summarized below:

Deposit of 2001 Series H Bond Proceeds into 2001 Series H Program Account	$30,225,450	
Transfer of moneys into 2001 Series H Program Account as a result of current refunding of Prior Bonds and Prior 1980 General Certificate Bonds	18,696,050	
Total Deposit to 2001 Series H Program Account		$48,921,500
Reserve Fund		978,500
Gross Proceeds of 2001 Series H Bonds		$49,900,000

Redemption Provisions

Sinking Fund Redemption. The 2001 Series H Bonds maturing on September 1, 2022, are subject to mandatory redemption in part by lot on March 1, 2014, and on each September 1 and March 1 thereafter to and including September 1, 2022, 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
2014	$ 670,000	2014	$ 690,000
2015	705,000	2015	725,000
2016	745,000	2016	765,000
2017	785,000	2017	805,000
2018	830,000	2018	850,000
2019	875,000	2019	900,000
2020	920,000	2020	945,000
2021	975,000	2021	1,000,000
2022	1,025,000	2022*	1,050,000

* Final maturity.

The 2001 Series H Bonds maturing on September 1, 2025, are subject to mandatory redemption in part by lot on March 1, 2023, and on each September 1 and March 1 thereafter to and including September 1, 2025, 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
2023	$ 1,085,000	2023	$ 1,115,000
2024	1,145,000	2024	1,175,000
2025	1,205,000	2025*	200,000

* Final maturity.

The 2001 Series H Bonds maturing on September 1, 2032, are subject to mandatory redemption in part by lot on September 1, 2025, and on each March 1 and September 1 thereafter to and including September 1, 2032, 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
2025	$ --	2025	$ 650,000
2026	795,000	2026	815,000
2027	840,000	2027	865,000
2028	885,000	2028	910,000
2029	935,000	2029	960,000
2030	990,000	2030	1,015,000
2031	1,040,000	2031	1,070,000
2032	1,100,000	2032*	1,130,000

* Final maturity.

The 2001 Series H Bonds maturing on September 1, 2033*, are subject to mandatory redemption in part by lot on September 1, 2025, and on each March 1 and September 1 thereafter to and including September 1, 2033, 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
2025	$ --	2025	$ 390,000
2026	480,000	2026	495,000
2027	505,000	2027	520,000
2028	535,000	2028	550,000
2029	565,000	2029	580,000
2030	595,000	2030	610,000
2031	630,000	2031	645,000
2032	665,000	2032	685,000
2033	1,865,000	2033**	1,915,000

* Private placement of $12,230,000 2001 Series H Bonds maturing on September 1, 2033 with Fannie Mae; not being reoffered.

** Final maturity.

Optional Redemption. The 2001 Series G Bonds and the 2001 Series H Bonds are subject to redemption at the option of the Administration, in whole or in part at any time, on or after September 1, 2010, 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 2001 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 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 2001 Series 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.

PAC Bond Redemption. An amount equal to 36% of the Prepayments of Mortgage Loans financed from the proceeds of the 2001 Series Bonds will be applied first to the redemption of the 2001 Series Bonds maturing on September 1, 2025 (the "September 1, 2025 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 2001 Series Bonds shall be referred to herein as the "2001 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 September 1, 2002. Such cumulative amounts are derived from certain assumptions related to such Mortgage Loans including the assumptions that all such Mortgage Loans are purchased as expected and that 2001 Series Prepayments on such Mortgage Loans are received at a rate equal to 100% of the Bond Market Association standard prepayment model ("BMA", formerly known as "PSA", the Public Securities Association) and that 36% of such amounts will be used to redeem September 1, 2025 Bonds. If 2001 Series Bonds are redeemed from the proceeds of the 2001 Series Bonds not used to finance Mortgage Loans, the amount of September 1, 2025 Bonds redeemed will be proportional to the total amount of 2001 Series 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 2001 Series Bonds not used to finance Mortgage Loans being used to redeem the 2001 Series Bonds to the total amount originally deposited in the 2001 Series G Program Account and the 2001 Series H Program Account of the Program Fund.

Payment Date	Cumulative Amount	Payment Date	Cumulative Amount
September 1, 2002	$ 25,000	September 1, 2006	$3,170,000
March 1, 2003	140,000	March 1, 2007	3,665,000
September 1, 2003	360,000	September 1, 2007	4,145,000
March 1, 2004	685,000	March 1, 2008	4,605,000
September 1, 2004	1,115,000	September 1, 2008	5,045,000
March 1, 2005	1,620,000	March 1, 2009	5,470,000
September 1, 2005	2,140,000	September 1, 2009	5,880,000
March 1, 2006	2,660,000	March 1, 2010 and thereafter	5,925,000

If the amount available for such redemption is less than $100,000, the Administration may delay redemption of the September 1, 2025 Bonds until the amount available for such redemption totals $100,000 or more.

The remaining 64% of such 2001 Series Prepayments, plus all amounts of such 2001 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, 2025 Bonds shall not be so redeemed until no other 2001 Series Bonds remain Outstanding, except as provided below. See also "THE 2001 SERIES BONDS – Redemption Provisions – Application of Prepayments and Excess Revenues" herein.

2001 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, 2025 Bonds; provided that such 2001 Series Prepayments may be used to redeem the September 1, 2025 Bonds if there are no other 2001 Series Bonds Outstanding or if such redemption is necessary to preserve the tax-exempt status of the 2001 Series Bonds. One hundred percent (100%) of the 2001 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, 2025 Bonds. The cumulative amounts in the following table are derived from certain assumptions related to such Mortgage Loans including the assumptions that all such Mortgage Loans are purchased as expected and that 2001 Series Prepayments are received at a rate equal to 400% of the BMA. If 2001 Series Bonds are redeemed from the proceeds of the 2001 Series Bonds not used to finance Mortgage Loans, the cumulative amounts set forth in the following table 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 2001 Series Bonds not used to finance Mortgage Loans being used to redeem the 2001 Series Bonds to the total amount originally deposited in the 2001 Series G Program Account and the 2001 Series H Program Account of the Program Fund.

Payment Date	Cumulative Amount	Payment Date	Cumulative Amount
March 1, 2002	$ 5,000	September 1, 2006	$27,975,000
September 1, 2002	330,000	March 1, 2007	31,190,000
March 1, 2003	1,610,000	September 1, 2007	34,025,000
September 1, 2003	3,950,000	March 1, 2008	36,515,000
March 1, 2004	7,285,000	September 1, 2008	38,700,000
September 1, 2004	11,445,000	March 1, 2009	40,620,000
March 1, 2005	15,990,000	September 1, 2009	42,305,000
September 1, 2005	20,345,000	March 1, 2010 and thereafter	43,780,000
March 1, 2006	24,355,000		

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, including the mortgage loans attributable to the 2001 Series Bonds. 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 month 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, 2025 Bonds will be Outstanding ("Average Life") based on the receipt of 2001 Series Prepayments at certain percentages of the BMA and certain assumptions related to the Mortgage Loans financed with the proceeds of the 2001 Series Bonds, including the assumptions that (1) all such Mortgage Loans are purchased at the times currently anticipated, (2) 2001 Series Prepayments in amounts not exceeding a cumulative percentage of 400% of the BMA are applied as described above and (3) 2001 Series Prepayments in excess of 400% of the BMA are applied proportionally to the redemption of all 2001 Series Bonds then Outstanding, including the September 1, 2025 Bonds. 2001 Series Prepayments in excess of 400% of the BMA are not required to be applied proportionally to the redemption of all 2001 Series Bonds then Outstanding.

Percent of BMA Standard Prepayment Model	Last Year Outstanding	Average Life
0%	2025	22.51
25	2025	14.03
50	2016	8.02
75	2012	5.98
100	2010	5.00
200	2010	5.00
300	2010	5.00
400	2010	5.00
500	2009	4.63

Actual events, including, among others, the actual receipt of 2001 Series Prepayments and the application of such 2001 Series Prepayments in excess of 400% of the BMA to the redemption of September 1, 2025 Bonds in amounts that are less than or greater than an amount that is proportional to all 2001 Series 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, 2025 Bonds will be Outstanding may differ from any of the years or percentages stated above.

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.

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 2001 Series Bonds may be redeemed from excess Revenues and Prepayments of Mortgage Loans financed with the proceeds of other Series of Bonds. Excess Revenues and Prepayments generated from the 2001 Series Bonds may be applied to the redemption of other Series of Bonds.

All Bonds which have been redeemed by the Administration under the Bond Resolution to date have been redeemed with prepayments attributable to such Series of Bonds and to other Series of Bonds with the same date of issuance. However, the Administration reserves the right to redeem Bonds, including the 2001 Series Bonds, under the terms and conditions described in the previous paragraph.

In addition, from the issue date of the 2001 Series 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 2001 Series Bonds be applied to pay the principal portion of debt service or to redeem the 2001 Series 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 2001 Series Bonds be applied to pay the principal portion of debt service or to redeem the 2001 Series 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 2001 Series H 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 2001 Series Bonds as required by the 1986 Code. See Appendix B – "THE PROGRAM – Existing Portfolio and Available Funds Under the Bond Resolution."

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 2001 Series G Bonds or 2001 Series H 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 2001 Series G Bonds, 2001 Series H Bonds, or portions thereof to be called for redemption. The Trustee will mail notice of the redemption to the registered owners of any 2001 Series G Bonds, 2001 Series H Bonds or portions thereof to be redeemed not less than 15 days (or, in the case of 2001 Series G Bonds and 2001 Series H Bonds then registered under DTC's book-entry-only system of registration, 30 days) nor more than 90 days before any date upon which 2001 Series G Bonds and 2001 Series H 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 2001 Series G Bonds and 2001 Series H 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 2001 Series G Bonds and 2001 Series H Bonds will cease to bear interest and such 2001 Series G Bonds and 2001 Series H Bonds will no longer be considered as outstanding under the Bond Resolution.

DTC and Book-Entry

At the time of delivery of the 2001 Series Bonds, DTC will act as securities depository for the 2001 Series Bonds. The ownership of one fully registered 2001 Series G Bond and one fully registered 2001 Series H Bond for each Series and 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 2001 Series Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for the 2001 Series Bonds on the records of DTC. The ownership interest of the actual purchaser of each 2001 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 2001 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 2001 Series Bonds representing their ownership interest in the 2001 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 2001 Series Bonds deposited by DTC Participants with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of the 2001 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 2001 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 2001 Series G Bonds or 2001 Series H 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 2001 Series G Bonds or 2001 Series H 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 2001 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 2001 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 2001 Series Bonds to DTC or its nominee, Cede & Co., as registered owner of the 2001 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 2001 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 2001 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 2001 Series Bonds.

Definitive Bonds

DTC (or a successor securities depository) may discontinue providing its service with respect to the 2001 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, 2001 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 2001 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 2001 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 2001 Series Bonds on or after the date of maturity or redemption. Each exchange or transfer of the 2001 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 2001 Series 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 2001 Series 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, 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 2001 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 2001 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 2001 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 June 30, 2001, includes investments at fair value. As of June 30, 2001, the available balance in the Reserve Fund was $17,650,426, of which $12,238 was cash equivalents. The fair value of investments was $17,638,188, of which $17,498,066 was the book value of investments and $140,122 was the increase in fair value of investments. Proceeds made available from the issuance of the 2001 Series G Bonds and the 2001 Series H Bonds in the aggregate amount of $1,176,600 will be deposited in the Reserve Fund. This amount, together with 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 2001 Series G Proceeds Account and the 2001 Series H Proceeds Account of the Program Fund relating to the 2001 Series G Bonds, the 2001 Series H 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 June 30, 2001, the fund had purchased Mortgage Loans with an original principal balance of $8,736,273; an additional $13,727 of funds remain. As of June 30, 2001, the Collateral Reserve Fund held Mortgage Loans with an outstanding principal balance of $8,394,456, and Investment Obligations in the amount of $1,025,990.

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. As of June 30, 2001, the amounts held in the Program Fund, the Revenue Fund, the Reserve Fund and the Collateral Reserve Fund were invested as follows:

INVESTMENTS HELD IN THE RESIDENTIAL REVENUE BOND FUNDS
As of June 30, 2001

Account	Principal Balance	Guaranteed Investment Contract Provider and Other Investments	Rate of Earnings	Maturity
		Program Fund		
1998 Residential Revenue Bonds, Series A and B	$ 2,363,030	Trinity Plus Funding Company, LLC	5.260%	09/01/2001
1998 Residential Revenue Bonds, Series D	$ 2,706,031	Morgan Stanley & Co. Incorporated	4.650%	03/01/2002
1999 Residential Revenue Bonds, Series C and D	$ 2,100,129	Morgan Stanley & Co. Incorporated	5.190%	10/01/2001
1999 Residential Revenue Bonds, Series E and F	$ 2,139,333	Morgan Stanley & Co. Incorporated	5.780%	02/01/2002
1999 Residential Revenue Bonds, Series E	$ 3,281,000	Bayerische Hypo- Und Vereinsbank AG, New York Branch	6.015%	04/01/2003
1999 Residential Revenue Bonds, Series H	$ 6,565,000	Bayerische Hypo- Und Vereinsbank AG, New York Branch	6.015%	04/01/2003
2000 Residential Revenue Bonds, Series A and B	$ 28,780,000	Morgan Stanley & Co. Incorporated	6.380%	06/01/2002
2000 Residential Revenue Bonds, Series C and D	$ 15,853,000	Bayerische Hypo- Und Vereinsbank AG, New York Branch	6.840%	08/01/2002

Account	Principal Balance	Guaranteed Investment Contract Provider and Other Investments	Rate of Earnings	Maturity
2000 Residential Revenue Bonds, Series F and G	$ 20,836,000	Bayerische Hypo- Und Vereinsbank AG, New York Branch	6.610%	10/01/2002
2000 Residential Revenue Bonds, Series H	$ 23,475,000	Bayerische Hypo- Und Vereinsbank AG, New York Branch	6.015%	04/01/2003
2001 Residential Revenue Bonds, Series A and B	$ 66,869,600	Trinity Plus Funding Company, LLC	4.695%	08/01/2004
2001 Residential Revenue Bonds, Series C and D	$ 59,363,458 (1)	Federal Home Loan Mortgage Corp.	4.455%	03/28/2002
2001 Residential Revenue Bonds, Series E and F	$ 78,431,300	Trinity Plus Funding Company, LLC	4.203%	08/01/2004
		Revenue (Float) Fund		
1997 Residential Revenue Bonds, Series A and B	$ 1,178,635	Westdeutsche Landesbank Girozentrale, New York Branch	5.960%	09/01/2029
1998 Residential Revenue Bonds, Series A and B	$ 1,077,835	AIG Matched Funding Corp.	5.300%	09/01/2030
		Reserve Fund		
1997 Residential Revenue Bonds, Series A and B	$ 1,960,784	AIG Matched Funding Corp.	6.240%	09/01/2029
1998 Residential Revenue Bonds, Series A and B	$ 1,574,289	AIG Matched Funding Corp.	5.680%	09/01/2030
1998 Residential Revenue Bonds, Series D	$ 1,231,569	Westdeutsche Landesbank Girozentrale, New York Branch	5.220%	09/01/2029
1999 Residential Revenue Bonds, Series C and D	$ 1,176,471	Westdeutsche Landesbank Girozentrale, New York Branch	5.820%	09/01/2031
1999 Residential Revenue Bonds, Series E and F	$ 1,644,377 (1)	Federal Home Loan Mortgage Corp.	6.750%	09/15/2029
1999 Residential Revenue Bonds, Series H	$ 1,232,898 (1)	Federal Home Loan Mortgage Corp.	6.750%	09/15/2029
2000 Residential Revenue Bonds, Series A and B	$ 1,568,700	AIG-MF L.L.C.	6.290%	09/01/2032
2000 Residential Revenue Bonds, Series C and D	$ 1,568,800	AIG-MF L.L.C.	6.290%	09/01/2032
2000 Residential Revenue Bonds, Series F and G	$ 1,568,700	AIG-MF L.L.C.	6.290%	09/01/2032
2000 Residential Revenue Bonds, Series H	$ 1,176,500	AIG Matched Funding Corp.	5.94%	09/01/2032
2001 Residential Revenue Bonds, Series A and B	$ 1,366,400	AIG Matched Funding Corp.	5.94%	09/01/2032
2001 Residential Revenue Bonds, Series E and F	$ 1,568,700	AIG Matched Funding Corp.	5.94%	09/01/2032
		Collateral Reserve Fund (2)		
1997 Residential Revenue Bonds, Series A and B	$ 1,025,990	Westdeutsche Landesbank Girozentrale, New York Branch	5.960%	09/01/2029

(1) In keeping with the provisions of GASB 31, these investments are reported at fair value. The total book value at June 30, 2001 for the investments referenced was $61,917,153, and the increase in fair value of these investments was $323,580.

(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.

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 2001 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 2001 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 Allfirst Bank, 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, a new 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 June 30, 2001, includes investments at fair market value. As of June 30, 2001, the available balance in the General Bond Reserve Fund was $39,749,674, of which $8,346,127 was cash equivalents. The fair value of investments was $31,403,547, of which $30,702,390 was the book value of investments and $701,157 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 June 30, 2001, 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) $607,455 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 2001 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 2001 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 2001 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 2001 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 2001 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 2001 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 2001 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 2001 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 2001 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 2001 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 2001 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 2001 Series Bonds or other federal income tax consequences of ownership of the 2001 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 2001 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 2001 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 2001 Series Bonds, acquired after August 7, 1986.

(c) Interest on the 2001 Series G 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 2001 Series G Bonds is not a "tax preference item" directly subject to the alternative minimum tax, interest on the 2001 Series G 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 or real estate mortgage investment conduits) 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 2001 Series H 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 2001 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 2001 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 2001 Series Bonds, the interest on the 2001 Series Bonds may be subject to federal income taxation under Section 1375 of the 1986 Code. Holders of the 2001 Series Bonds which are S corporations should consult their tax advisors as to whether the interest on the 2001 Series Bonds will be included in their income which is subject to the tax imposed under Section 1375 of the 1986 Code.

The above summary of possible indirect tax consequences may not be exhaustive. All purchasers of the 2001 Series Bonds should consult their tax advisors regarding the possible federal income tax consequences of ownership of the 2001 Series Bonds.

The opinions referred to herein as to the treatment of interest on the 2001 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 2001 Series Bonds so as to affect adversely the exclusion from gross income for federal income tax purposes applicable to the 2001 Series Bonds. Under such circumstances, the Administration has no obligation to redeem or to increase the rate of interest paid on the 2001 Series Bonds. Each purchaser of the 2001 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 2001 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 2001 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 2001 Series Bonds should consult their tax advisors regarding the tax status of the 2001 Series Bonds in a particular state or local jurisdiction other than the State.

FINANCIAL STATEMENTS FOR THE PROGRAM

The financial statements for the years ended June 30, 2000 and June 30, 1999 of the Residential Revenue Bond Program Fund of the Administration included in Appendix H to this Official Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto. As indicated in the report of the auditors, such financial statements have been prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards. Unaudited financial statements of the Residential Revenue Bond Program Fund of the Administration for the period ended March 31, 2001 are also included in Appendix H to this Official Statement.

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 2001 Series Bonds or in any way contesting or affecting the validity of the 2001 Series Bonds, the Bond Resolutions or other proceedings of the Secretary taken with respect to the authorization, issuance or sale of the 2001 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 2001 Series Bonds are subject to receipt of the opinions of Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania, Bond Counsel, which will be in substantially the forms set forth in Appendix I. 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 co-counsel, Hunton & Williams, Washington, D.C., and Graves & Horton, LLC, Washington, D.C.

LEGALITY FOR INVESTMENT

Under the Act, the 2001 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 2001 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 2001 Series G Bonds and the 2001 Series H Bonds (except for the $12,230,000 2001 Series H Bonds due September 1, 2033, which are being purchased directly by Fannie Mae (the "Placed 2001 Series H Bonds)) are being purchased by UBS PaineWebber Inc., Bear, Stearns & Co. Inc., Ferris, Baker Watts, Incorporated, Legg Mason Wood Walker, Incorporated, The Chapman Company, Lehman Brothers, Loop Capital Markets, L.L.C., Merrill Lynch & Co. and Salomon Smith Barney (collectively, the "Underwriters") on a negotiated basis for reoffering to the public. The Underwriters have jointly and severally agreed to purchase all but not less than all of the 2001 Series Bonds being reoffered 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 $497,954.52 with respect to the 2001 Series Bonds. The obligation of the Underwriters to purchase the 2001 Series Bonds being reoffered and of Fannie Mae to purchase the Placed 2001 Series H 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 price of the 2001 Series Bonds being reoffered may be changed, from time to time, by the Underwriters. The Underwriters may offer and sell the 2001 Series Bonds being reoffered to certain dealers (including dealers depositing 2001 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 2001 Series Bonds being reoffered is expressly conditioned upon the simultaneous purchase of the Placed 2001 Series H Bonds by Fannie Mae; provided, however, that if for any reason the Placed 2001 Series H Bonds are not purchased by Fannie Mae, then the Placed 2001 Series H Bonds may be purchased by the Underwriters on the terms and conditions described in this section with respect to the 2001 Series Bonds being reoffered by the Underwriters.

RATINGS

Fitch, Inc. ("Fitch") has assigned to the 2001 Series Bonds the rating of "AA", and Moody's Investors Service ("Moody's") has assigned to the 2001 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 2001 Series Bonds. The Administration has no obligation or duty to provide Owners of the 2001 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, 2001):

(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 2001 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 2001 Series Bonds,

vii. modifications to rights of Bondholders,

viii. bond calls,

ix. defeasances,

x. release, substitution, or sale of property securing repayment of the 2001 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 2001 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 2001 Series Bonds, and will be enforceable by any holder of 2001 Series Bonds or any beneficial owner of the 2001 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 any 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 2001 Series Bonds or any beneficial owners of the 2001 Series 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 2001 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 2001 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 2001 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 2001 Series Bonds. Compensation of the Financial Advisor is not contingent on the sale of the 2001 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 2001 Series Bonds. The Underwriters are selected by the Administration periodically through a process of solicitation of proposals. Compensation of the Underwriters and their co-counsel is contingent on the sale of the 2001 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 2001 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/ Harry D. Sewell
Harry D. Sewell, Director

August 22, 2001

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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 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.

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.

Principal Executive Officers

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

Raymond A. Skinner was appointed by the Governor as Secretary of the Department effective December 17, 1998. From January, 1995, until his appointment as Secretary, Mr. Skinner served as Deputy Secretary of the Department. From January, 1991, until his appointment as Deputy Secretary, Mr. Skinner served as the Director of the Department of Housing and Community Development of Prince George's County, Maryland, and as Executive Secretary to the Board of Commissioners of the Housing Authority of Prince George's County. Previously, he was the Executive Director of the District of Columbia Office of Business and Economic Development. In all, Mr. Skinner has close to 20 years of experience in housing and community development, having held positions with the Department of Housing and Urban Development, the City of Philadelphia, Pennsylvania, and the City of Baltimore, Maryland. He holds a Bachelor of Science Degree from the Pennsylvania State University and a Master of City Planning degree from the University of Pennsylvania.

Margaret Wolf was appointed by the Secretary, with the approval of the Governor, as Deputy Secretary of the Department effective December 30, 1998. From 1989 until her appointment as Deputy Secretary, Ms. Wolf served as City Administrator for the City of Hyattsville, Maryland. Between 1973 and 1984, Ms. Wolf was General Manager of the Applied Institute for Manpower Management and Manager of Grants and Subcontracts for the Baltimore Metropolitan Manpower Consortium. Ms. Wolf holds a Bachelor's Degree in Business Administration 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.

Harry D. Sewell was appointed by the Secretary, with the approval of the Governor, as Assistant Secretary of the Department responsible for the Administration and as Director of the Administration effective November 15, 2000. Prior to his appointment, Mr. Sewell served as founder and president of a real estate management, development and consulting firm created to meet challenges to producing and maintaining affordable housing posed by public housing and welfare reforms. He has also served as interim executive director of the Wilmington Housing Authority, Wilmington, Delaware; director of the Department of Real Estate and Housing for the City of Wilmington, Delaware; and Deputy Secretary for Administration for the Pennsylvania Department of Public Welfare. Mr. Sewell holds a B.A. degree in Labor Management Relations from Pennsylvania State University.

Fran D. Makle was appointed as Deputy Director of the Administration responsible for community development, effective November 15, 2000. Ms. Makle has been with the Administration since August, 1979. From 1992 until November, 2000, Ms. Makle served as Director of Homeownership Programs. From December, 1989 until February, 1992, she served as Deputy Director of Special Loan Programs, and prior to that, she was a multi-family underwriter for the Rental Housing Programs. Before joining the Administration, she served for four years as Housing Counselor for Charles County, Maryland. In 1999, she completed a seven-month executive leadership program with the National Forum for Black Public Administrators. Ms. Makle received her certification in Housing Finance Development from the University of Maryland School of Public Affairs and studied Business and Public Administration at Charles County Community College.

Roy A. Westlund was appointed Deputy Director of the Administration responsible for finance, 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
Vacant	Director, Homeownership Programs
Peter Engel	Director, Housing Development Programs
Eileen Hagan	Director, Special Loan Programs
Phillip Katzung	Director, Rental Service Programs
Ronald G. Callison	Director, Operations

As of June 30, 2001, the staff of the Administration consists of approximately 115 positions and an additional 22 vacancies, including more than 105 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, 16 are currently involved in Homeownership Programs in a professional or technical capacity. Certain information relating to the senior staff who have primary responsibilities for Finance and for Homeownership Programs (where there is currently a vacancy) 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.

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.

Homeownership Programs. The Administration's homeownership staff operates single family homeownership programs that are funded with State appropriations. These programs, which may or may not be funded at varying levels from year to year, currently provide low-interest mortgages to low- 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.

Rental Housing Programs. The Department has a number of finance programs that support the production 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 which provide low-interest mortgages, interest rate write-downs and operating subsidies to increase the supply of new rental housing to upgrade, maintain and rehabilitate existing rental housing for the elderly and low income families.

The Partnership Rental Housing Program provides funding from State appropriations and general obligation bonds to local governments to assist in financing the construction and rehabilitation of low income housing. The local governments provide the land and own and manage 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 local governments no longer enforce the low income requirements.

Special Loan Programs. The Special Loan Fund 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. These programs also provide loans to nonprofit organizations and individuals to purchase or construct group homes for low-income persons with special needs.

Rental Service Programs. 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.

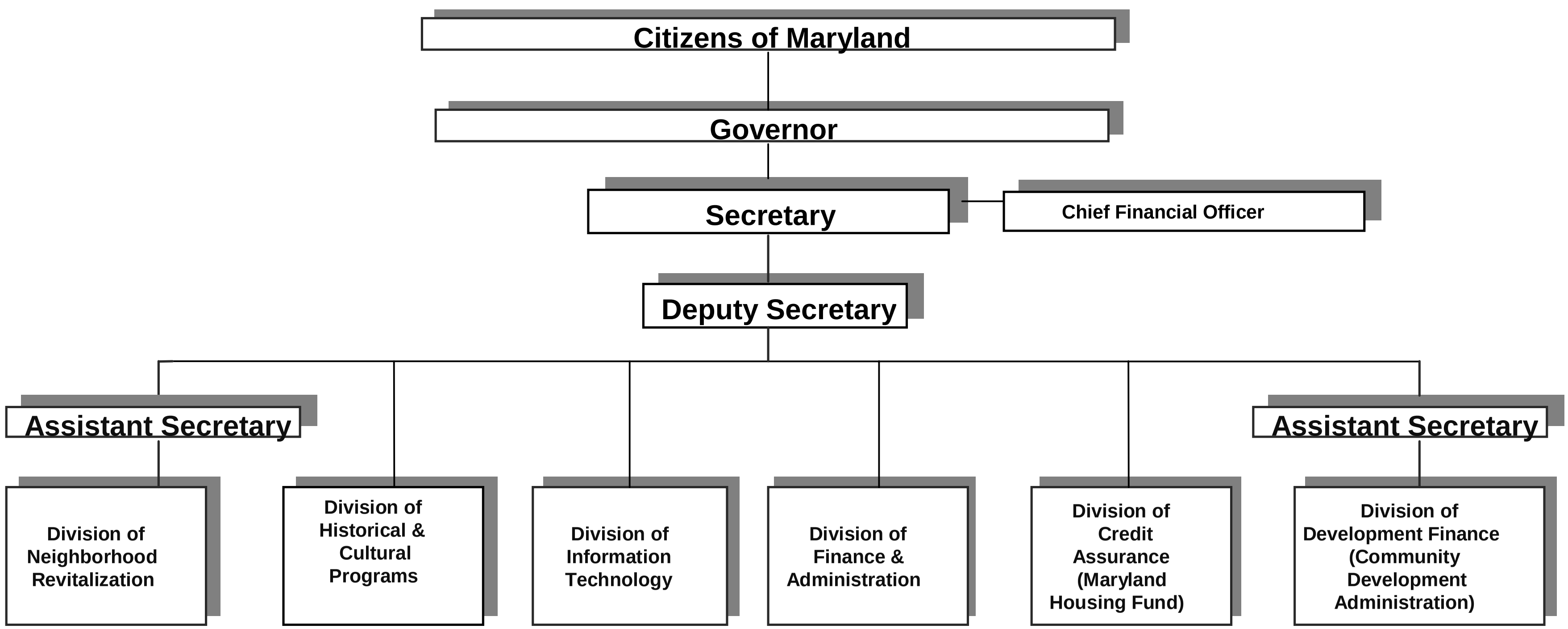
In addition, the Department responded to a Request for Proposals from the United States Department of Housing and Urban Development ("HUD"), and was selected by HUD as the Contract Administrator for Project-Based Section 8 Housing Assistance Payment ("HAP") Contracts for the State of Maryland. As Contract Administrator, the Department monitors and enforces compliance of each property owner with the terms of the HAP Contracts and HUD regulations and requirements.

Infrastructure Financing Programs

Between 1988 and March 15, 2001, the date of the most recent issuance, the Administration issued 17 series of bonds for the purpose of financing loans to various local governments within the State under the Administration's Infrastructure Financing Program. (Five of the 17 series of bonds have been fully refunded or defeased.) 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. Of the 12 series of bonds outstanding, all are insured. 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. As of July 1, 2001, $1,061,090,000 in aggregate principal amount of bonds were outstanding under the 1980 General Certificate. The 2001 Series Bonds are not secured by or payable from the assets and revenues of 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 June 30, 2001, the Mortgage Loan portfolio of the Administration under the Bond Resolution consisted of 6,846 Mortgage Loans with an aggregate principal amount outstanding of $605,853,510.

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 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 shown on the chart below in "Status of Available Funds", portions of proceeds from the 1997 Series B Bonds, the 1998 Series B Bonds, the 1998 Series D Bonds and the 2000 Series G Bonds have each 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 June 30, 2001, 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 June 30, 2001 (1)

	Current Number of Mortgage Loans	Original Principal Amount	Outstanding Principal Balance 06/30/01
Whole loans financed entirely under the Bond Resolution	5,693	$522,227,832	$510,782,802
Participation loans financed under both the Bond Resolution and the 1980 General Certificate (2)	1,153	96,895,311	95,070,708
TOTAL	6,846	$619,123,143	$605,853,510

(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.

Status of Available Funds. The chart below sets forth the status of available funds under the Bond Resolution as of July 31, 2001.

Residential Revenue Bond Program
Status of Available Funds as of July 31, 2001
(in thousands)

Source of Funds	Date of Issuance	Mortgage Loan Interest Rate Range	Total Available for Mortgage Loans	Amount of Loans Purchased	Amount Available for Commitment	Reservations Against Available Funds (1)
Collateral Reserve Fund (2)	08/21/97	4.00%	$ 8,750	$ 8,736	$ 14	$ -0-
1997 Series A/B	08/21/97	6.40% - 7.50% (8) and 5.50% (3)	$ 76,777	$ 76,740	$ 37	$ 77
		4.00%	$ 21,262	$ 21,250	$ 12	$ -0-
1998 Series A/B	02/12/98	5.50% (4) and 6.10%-6.75%	$ 75,124	$ 73,315	$ 1,809	$ 111
		5.00%	$ 3,590	$ 3,590	$ -0-	$ 2,285
1998 Series D	12/22/98	6.375%	$ 2,841	$ 398	$ 2,443	$ -0-
		5.50% (5)	$ 56,837	$ 56,837	$ -0-	$ -0-
		4.00% (6)	$ 1,900	$ 1,900	$ -0-	$ -0-
1999 Series C/D	05/26/99	6.00% - 6.50% (8)	$ 56,868	$ 56,805	$ 63	$ -0-
		5.00% (8)	$ 1,956	$ 304	$ 1,652	$ 181
1999 Series E/F	08/31/99	6.00% - 7.50% (8)	$ 72,966	$ 72,951	$ 15	$ -0-
		0.00% (10)	$ 5,465	$ -0-	$ 5,465	$ -0-
1999 Series H	12/15/99	6.00% - 7.50% (8)	$ 58,805	$ 56,509	$ 2,296	$ 113
2000 Series A/B	03/29/00	5.00%	$ 6,274	$ 793	$ 5,481	$ 8,340
		6.90% - 7.50% (8)	$ 72,157	$ 48,984	$ 23,173	$ 1,804
2000 Series C/D	06/14/00	6.90% - 7.50% (8)	$ 78,431	$ 65,124	$ 13,307	$ 4,564
2000 Series F/G	09/07/00	6.75% - 7.50% (8)	$ 50,333	$ 38,491	$ 11,842	$ 6,037
		5.00% (7)	$ 28,098	$ 20,921	$ 7,177	$ 380
2000 Series H	12/20/00	6.00% - 7.50% (8)	$ 58,824	$ 35,507	$ 23,317	$ 13,660
2001 Series A/B	03/28/01	0.00% (9)	$ 22,015	$ -0-	$ 22,015	$ -0-
		5.875% - 6.125% (8)	$ 46,304	$ 3,123	$ 43,181	$ 45,307
2001 Series E/F	06/14/01	6.125% - 6.25% (8)	$ 78,431	$ -0-	$ 78,431	$ 12,518
TOTAL (11)			$ 884,008	$ 642,278	$ 241,730	$ 95,377

(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, loans may be purchased into other series in a manner consistent with federal law.
(2) 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.
(3) The mortgage rate paid by the borrower is 5.50%, derived from a blend of approximately $3.4 million of proceeds from 1997 Series B Bonds issued under the Bond Resolution and loaned at 6.40% and approximately $562,000 of proceeds from the 1999 First Series Bonds issued under the 1980 General Certificate and loaned at 0%. Therefore, the portion of the loans financed from proceeds of 1997 Series B Bonds earns an interest rate of 6.40%.
(4) The mortgage rate paid by the borrower is 5.50%, derived from a blend of approximately $19 million of proceeds from 1998 Series B Bonds issued under the Bond Resolution and loaned at 6.10% and approximately $2.1 million of proceeds from the 1999 First Series Bonds issued under the 1980 General Certificate and loaned at 0%. Therefore, the portion of the loans financed from proceeds of 1998 Series B Bonds earns an interest rate of 6.10%.
(5) The mortgage rate paid by the borrower is 5.50%, derived from a blend of approximately $56.8 million of proceeds from 1998 Series D Bonds issued under the Bond Resolution and loaned at 5.96% and approximately $4.8 million of proceeds from the 1999 First Series Bonds issued under the 1980 General Certificate and loaned at 0%. Therefore, the portion of the loans financed from proceeds of 1998 Series D Bonds earns an interest rate of 5.96%.
(6) The mortgage rate paid by the borrower is 4.00%, derived from a blend of approximately $1.9 million of proceeds from 1998 Series D Bonds issued under the Bond Resolution and loaned at 5.96% and approximately $931,000 of proceeds from the 1999 First Series Bonds issued under the 1980 General Certificate and loaned at 0%. Therefore, the portion of the loans financed from proceeds of 1998 Series D Bonds earns an interest rate of 5.96%.
(7) The mortgage rate paid by the borrower is 5.00%, derived from two blends: (1) a blend of approximately $11.1 million of proceeds from 2000 Series G Bonds issued under the Bond Resolution and loaned at 6.75%, and approximately $3.9 million of proceeds from the 1999 First Series Bonds issued under the 1980 General Certificate and loaned at 0%, so that the portion of the loans financed from proceeds of 2000 Series G Bonds earns an interest rate of 6.75%; and (2) a blend of approximately $17 million of proceeds from 2000 Series G Bonds issued under the Bond Resolution and loaned at 7.50%, and approximately $8.5 million of proceeds from the 1999 First Series Bonds issued under the 1980 General Certificate and loaned at 0%, so that the portion of the loans financed from proceeds of 2000 Series G Bonds earns an interest rate of 7.50%.
(8) The interest rate may change. The loans are whole loans.
(9) This is an estimate of 0% funds as of July 31, 2001. The amount of 0% funds may fluctuate depending on the interest rates for other loans purchased under these series.
(10) These funds are available to be loaned at 0% as part of a blended mortgage pool.
(11) Individual amounts may not add up to the total amount because of rounding.

In addition to the sources of funds listed in the chart above, the Administration issued the 2001 Series C Bonds in the amount of $11,220,000 and the 2001 Series D Bonds in the amount of $47,960,000; funds from these Bonds may be made available to purchase Mortgage Loans upon payment at maturity of the Bonds on March 28, 2002, or upon earlier redemption of the Bonds, which may be as early as October 1, 2001.

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 the 2001 Series Bonds. After the issuance of the 2001 Series Bonds, the Administration expects to make approximately $58,823,400 available to finance Mortgage Loans. A portion of the proceeds of the 2001 Series G Bonds and the 2001 Series H Bonds may be used to finance participation interests at 0%, which may be blended with participation interests financed by proceeds of other Bonds, in order to finance Mortgage Loans. Amounts on deposit in the 2001 Series Bond Program Accounts of the Program Fund for such Mortgage Loans are expected to be available at fixed annual rates that average (including the effect of the 0% participation interests) approximately 6.00% with origination fees. Origination fees (including discount points) for the Mortgage Loans shall be 2% (or as otherwise permitted by the Administration). Each Mortgage Loan 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 with proceeds of the 2001 Series Bonds on deposit in the Program Fund 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, almost all of the Mortgage Loans purchased by the Administration during 1999 were loans financing the acquisition of existing homes. Since then, the Administration has focused on purchasing loans financing the acquisition of homes located only in priority funding areas, whether new or existing homes.

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.

The Administration may accept applications for reservations for Mortgage Loans financed with the proceeds of 2001 Series Bonds, subject to the sale of the bonds, the availability of funds from the issuance of those bonds, and the availability of funds at the estimated interest rate. After the sale date of the 2001 Series Bonds, the Administration will accept reservations for Mortgage Loans financed with the proceeds of the 2001 Series Bonds. Borrowers on the application list will be given priority in the order the applications were received for (1) loan reservations and (2) the estimated interest rate to the extent that rate is available. In general, reservations are accepted on a first come, first served basis, subject to the programmatic requirements described in this Appendix.

Eligible Mortgage Loans for 2001 Series Bonds

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 $92,763 for existing homes in Allegany County (all of which is a targeted area at this time) to $222,817 for new homes in certain 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 $132,000 for Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, Wicomico and Worcester Counties, to $234,650 for the Washington, D.C. primary metropolitan statistical area, which includes Calvert, Charles, Frederick, Montgomery and Prince George's 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. 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.

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 $69,400 for a one- or two-person household in certain non-Targeted Areas of the State to $119,840 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. 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." Single Family Projects (see "Developer Reservations" below) that financed newly constructed homes were required to be located in priority funding areas. Initially, the Administration required that loans purchased from Mortgage Lenders finance existing homes only, although the Administration reserved the right to purchase loans for newly constructed homes in priority funding areas. The Administration now focuses on purchasing loans and funding Single Family Projects financing the acquisition of homes located only in priority funding areas, whether new or existing homes; exceptions may be made, however, in certain special circumstances for matters such as protection of public health and other circumstances to be determined by the Secretary of the Department. 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.

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 the initial eligibility screening of the Mortgage Loan, the Mortgage Lender has 60 days for an existing residence, or 120 days for new construction, to submit the Mortgage Loan to the Administration in form acceptable for purchase. Upon receipt of a Mortgage Loan, the Administration conducts a post-closing compliance 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; however, if the deficiency is not cured, the Administration will refuse to purchase the Mortgage Loan.

The Administration purchases Mortgage Loans at a price equal to the outstanding principal balance thereof. The Mortgage Lenders pay the Administration a fee equal to 3/4 of 1% of the purchase price. If a Mortgage Loan must be returned to the Mortgage Lender for corrections, the fee is increased to 1%. Such fees paid to the Administration are not revenues under the Bond Resolution. 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.

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) 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. The following initiatives are in progress as of June 30, 2001:

Hawthorne Hill Homeownership Initiative. This initiative, which opened May 18, 2000, provides $3 million of Mortgage Loan funds at an interest rate of 5% to encourage homeownership in the Landover/Palmer Park area of Prince George's County.

Heathcote Road Homeownership Initiative. This initiative, which opened as of March 1, 1999, provides $3.5 million of Mortgage Loan funds at an interest rate of 5% to encourage homeownership within an area of Charles County.

HotSpot Homeownership Initiative. The first phase of this initiative, which opened February 9, 1999, provided $4 million of funds for Mortgage Loans at an interest rate of 4% to encourage homeownership in selected HotSpot communities. Funds remain available for HotSpot communities in the City of Annapolis, Garrett County and Talbot County. HotSpot communities are designated by the Governor's Office on Crime Control and Prevention. The second phase of the initiative, which was announced on February 20, 2001, is providing approximately $10.5 million of additional funds for Mortgage Loans at 5% to encourage homeownership in HotSpot communities in the City of Annapolis, Anne Arundel County, Baltimore City, Seat Pleasant, the City of Aberdeen, Baltimore County, Harford County, the City of Salisbury, the City of Hagerstown, Montgomery County and Howard County.

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 by facsimile initiated by the Mortgage Lender on behalf of the borrower.

Status of Funds Under the 1980 General Certificate

The issuance of certain bonds under the 1980 General Certificate generated excess revenues of $10,000,000 to be loaned at an interest rate of 4%. As of July 31, 2001, approximately $863,000 remained available for commitment, against which there were reservations of approximately $1,415,000. 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, other sources of funding may be used to purchase loans in a matter consistent with federal law.

The 1999 First Series Bonds under the 1980 General Certificate generated a total of approximately $25,578,000 at an interest rate of 0%. As described above in the "Existing Portfolio and Available Funds Under the Bond Resolution – *Status of Available Funds*", these 0% funds have been blended with portions of proceeds from certain bond series issued under the Bond Resolution. Of the total of $25,578,000 originally available, as of July 31, 2001, approximately $16,858,000 of the proceeds were originated, and $8,720,000 remained available for commitment, against which there were reservations of approximately $161,000.

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 or VA loans unless it becomes an FHA or VA lender. If the Administration becomes an FHA or VA 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 2001 Series Bonds, the loans may be sold out of the Bond Resolution portfolio or the Administration may declare such Mortgage Loans in default and to 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. Pursuant to a Mortgage Agency Agreement, each Mortgage Loan is to be serviced by a financial institution which is a servicer approved by Fannie Mae. Mortgage Loans purchased from a Mortgage Lender are usually 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. With the approval of the Administration, a Mortgage Agent may transfer the servicing of Mortgage Loans to another Mortgage Agent. Mortgage Loans which have been originated by the Administration or are not to be serviced by the originating Mortgage Lender are currently serviced under a master Mortgage Agency Agreement with Columbia National Incorporated, which receives a monthly servicing fee of 1/12 of 0.23% of the unpaid principal balance of each Mortgage Loan serviced.

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.

Asset Management staff manages the inventory of properties acquired by the Administration as a result of foreclosure, deed in lieu of foreclosure or mortgage assignment. Asset Management staff oversees repairs to, periodically inspects, actively markets and sells such properties.

Estimated Revenues of Program

Under Section 143 of the Code, the yield of the Mortgage Loans financed in connection with 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 2001 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 July 31, 2001, the Administration demanded repurchase of nine Mortgage Loans with an outstanding principal balance of $730,196. Three of the loans have been repurchased by the Mortgage Lender or Mortgage Agent. Four repurchase demands were resolved and did not require repurchase. Two repurchase demands with a principal balance of $145,818 are 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 June 30, 2001, are set forth below:

Servicer	**Current Principal Amount (1)**	**Percentage of Total Mortgage Loans Serviced (1)**
Bank of America, N.A.	$ 2,569,318	0.42%
Bogman, Inc.	1,250,171	0.21%
Charter One Mortgage Corporation	2,667,738	0.44%
Citimortage, Inc.	3,693,368	0.61%
Columbia National Incorporated	305,470,668	50.42%
First Horizon Home Loan Corporation	112,509,882	18.57%
Key Bank and Trust	19,310,125	3.19%
Mercantile Mortgage Corporation	8,666,427	1.43%
North American Mortgage Company	12,807,154	2.11%
NVR Mortgage Finance, Inc.	16,803,994	2.77%
SunTrust Mortgage, Inc.	74,163,105	12.24%
Wells Fargo Home Mortgage, Inc.	45,941,560	7.58%
TOTAL	$605,853,510	100.00%

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

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 June 30, 2001, is set forth below:

MORTGAGE LOANS BY INTEREST RATE AND SERIES AS OF JUNE 30, 2001 (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 (3)	4.000%	106	$ 8,764,712	105	$ 8,394,456
1997 Series A	4.000%	41	3,633,437	40	3,307,781
	6.400%	156	13,314,155	147	11,966,537
	7.500%	1	44,413	1	44,004
1997 Series B	4.000%	210	17,674,896	207	16,587,579
	5.500%(4)(4.1)	48	3,436,397	46	3,222,022
	6.400%	732	59,127,375	685	52,769,700
	6.900%	9	933,224	9	923,149
1998 Series A	5.000%	49	3,602,864	49	3,561,775
	6.100%	12	949,436	12	913,308
1998 Series B	5.500% (4)(4.2)	201	16,692,492	196	15,820,018
	6.100%	665	54,369,384	636	50,103,053
	6.250%	1	139,562	1	139,430
	6.500%	3	297,847	3	295,501
	6.750%	5	454,478	5	452,452
1998 Series D	4.000% (4)(4.3)	33	1,909,980	33	1,850,567
	5.500% (4)(4.4)	647	56,978,406	636	54,443,749
1999 Series C	6.125%	1	124,287	1	121,962
	6.900%	3	332,702	3	329,789
1999 Series D	6.000%	149	13,941,938	142	13,011,580
	6.125%	353	33,902,866	346	32,457,053
	6.500%	90	8,488,785	90	8,303,409
1999 Series E	6.000%	1	161,100	1	157,095
	6.125%	5	565,650	5	552,468
	6.750%	73	6,559,151	71	6,247,665
	7.000%	106	9,620,044	104	9,253,858
1999 Series F	6.125%	1	80,600	1	78,868
	6.500%	265	24,041,780	264	23,463,344
	6.750%	69	6,780,630	69	6,661,706
	6.900%	2	234,547	2	232,135
	7.000%	214	20,439,573	213	19,992,643
	7.250%	9	924,241	9	914,477
	7.500%	36	3,692,323	35	3,508,907
1999 Series H	6.000%	93	9,538,503	93	9,518,004
	7.000%	254	23,728,090	253	23,276,741
	7.250%	142	13,335,578	139	12,955,514
	7.500%	59	5,719,921	58	5,505,906
2000 Series A	6.900%	75	7,002,330	75	6,926,219
	7.000%	1	64,648	1	63,679
	7.500%	7	751,474	7	739,687
2000 Series B	5.000%	6	668,026	6	663,236
	6.900%	157	16,753,125	157	15,585,473
	7.250%	253	25,519,399	253	25,277,711

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	7.125%	1	39,979	1	39,675
	7.250%	62	5,935,199	62	5,874,928
2000 Series D	6.900%	9	968,942	9	959,749
	7.000%	7	643,123	7	634,798
	7.125%	336	34,119,461	336	33,884,212
	7.250%	194	19,496,150	194	19,339,355
	7.500%	16	1,527,916	16	1,512,240
2000 Series F	6.750%	144	13,222,053	144	13,140,736
	7.000%	9	919,125	9	911,175
2000 Series G	5.000% (4)(4.5)	242	19,910,823	242	19,734,352
	6.750%	1	87,500	1	86,722
	6.900%	23	2,681,774	23	2,652,705
	7.000%	95	9,209,396	95	9,150,319
	7.125%	42	4,042,781	42	4,013,827
	7.250%	35	3,340,880	35	3,313,957
	7.500%	47	4,387,730	46	4,222,278
2000 Series H	6.000%	25	2,327,052	25	2,320,434
	6.125%	1	148,100	1	139,952
	6.250%	12	1,298,485	12	1,294,850
	6.500%	2	181,700	2	181,058
	6.600%	2	189,835	2	189,327
	6.750%	19	1,865,245	19	1,852,956
	7.000%	76	7,181,572	76	7,102,260
	7.125%	2	182,379	2	181,308
	7.250%	50	5,294,618	50	5,251,701
	7.500%	178	16,746,588	171	15,822,213
2001 Series B	5.875%	13	1,301,697	13	1,300,605
	6.125%	2	151,675	2	151,608
TOTAL		6,988	$632,696,147	6,846	$ 605,853,510

(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) The 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 1980 General Certificate and loaned at 0.00%. (See the table below for detail.)

Detail of Footnote (4)

Footnote No.	Indenture	Blended Series	Interest Rate by Series	Interest Rate to Borrower	No. of All Loans	Original Principal Amount	No. of Loans Outstanding	Outstanding Principal Balance
(4.1)	Residential Revenue Bond	1997 Series B	6.40%	5.50%	48	$ 3,436,397	46	$ 3,222,022
	1980 General Certificate	1999 First Series	0.00%			562,319		527,240
(4.2)	Residential Revenue Bond	1998 Series B	6.10%	5.50%	201	16,692,492	196	15,820,018
	1980 General Certificate	1999 First Series	0.00%			1,821,006		1,725,827
(4.3)	Residential Revenue Bond	1998 Series D	5.96%	4.00%	33	1,909,980	33	1,850,567
	1980 General Certificate	1999 First Series	0.00%			935,890		906,778
(4.4)	Residential Revenue Bond	1998 Series D	5.96%	5.50%	647	56,978,406	636	54,443,749
	1980 General Certificate	1999 First Series	0.00%			4,765,453		4,553,464
(4.5)	Residential Revenue Bond	2000 Series G	6.75%, 7.50%	5.00%	242	19,910,823	242	19,734,352
	1980 General Certificate	1999 First Series	0.00%			8,284,001		8,211,412

The following table sets forth as of June 30, 2001, 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 Balance (1)	Percentage of Current Total Outstanding Principal (1)
Allegany	65	$ 3,463,674	0.57%
Anne Arundel	550	53,328,384	8.80%
Baltimore City	1,355	90,171,981	14.88%
Baltimore County	1,884	162,630,334	26.84%
Calvert	38	4,376,994	0.72%
Caroline	48	3,903,211	0.64%
Carroll	84	8,530,460	1.41%
Cecil	77	7,528,111	1.24%
Charles	99	10,198,813	1.68%
Dorchester	37	2,800,783	0.46%
Frederick	306	30,309,868	5.00%
Garrett	0	0	0.00%
Harford	416	39,336,940	6.49%
Howard	171	16,714,105	2.76%
Kent	23	1,873,988	0.31%
Montgomery	353	41,684,095	6.88%
Prince George's	589	70,136,305	11.58%
Queen Anne's	21	2,091,338	0.35%
St. Mary's	31	3,067,243	0.51%
Somerset	41	2,799,707	0.46%
Talbot	21	1,882,128	0.31%
Washington	328	25,430,587	4.20%
Wicomico	237	17,873,519	2.95%
Worcester	72	5,720,943	0.94%
TOTAL	6,846	$ 605,853,510	100.00%

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

As of June 30, 2001, 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	6,566	$ 576,630,271	95.18%
VA	141	15,591,677	2.57%
USDA/RD (RHS)	139	13,631,562	2.25%
TOTAL	6,846	$ 605,853,510	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 03/31/01	Maryland All Types 03/31/01	Maryland FHA (3) 03/31/01	03/31/01	06/30/01
30 days delinquent	2.75%	3.11%	5.63%	4.61%	5.08%
60 days delinquent	0.64%	0.85%	1.73%	0.92%	1.20%
90 days+ delinquent	0.63%	1.15%	2.60%	1.29%	1.67%
In foreclosure	0.90%	1.33%	2.31%	0.40%	0.25%
Placed in foreclosure during last three months	0.32%	0.45%	0.82%	0.61%	0.22%

	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)
03/31/97	2.27%	2.97%	5.29%	N/A
03/31/98	2.39%	3.40%	6.02%	0.00%
03/31/99	2.34%	3.45%	6.52%	1.09%
03/31/00	1.99%	3.17%	6.23%	1.86%
03/31/01	2.17%	3.33%	6.64%	2.61%

(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 June 30, 2001" 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.

Moratoria on Foreclosures of FHA Mortgages in the Baltimore Area

Expiration of the April 6, 2000 Moratorium. On April 6, 2000, HUD issued a notice imposing a 90-day moratorium on foreclosures of mortgages insured by FHA on properties located in certain zip codes comprising Baltimore City and parts of surrounding jurisdictions immediately adjacent to Baltimore City. The moratorium applied to initiation of new foreclosures and suspension of foreclosures in progress. The notice indicated that the purpose of the moratorium was to assist HUD in its review of predatory lending practices as they relate to loan originations.

The moratorium precluded the Administration from pursuing foreclosures of FHA-insured mortgages financed by and pledged to repayment of the Administration's Single Family Program Bonds and Residential Revenue Bonds. The Administration made inquiries of HUD to assess the potential effects of the moratorium. Officials of HUD informed the Administration that there would be no hold on paying current claims, and that there would be no curtailment of interest accrued during the moratorium period so long as the lender followed certain procedures.

On July 13, 2000, HUD issued a notice stating that the moratorium imposed on April 6, 2000 had expired as expected on July 5, 2000. The July 13 notice repeated HUD's earlier directive that lenders had an automatic 90-day extension of time to initiate foreclosures on mortgages for which normal deadlines were affected by the moratorium.

It is difficult to determine precisely the number of Mortgage Loans which may have been affected by the moratorium. A foreclosure is a lengthy process with an unpredictable time-line due to such factors as the mortgagor's right to file bankruptcy. The Administration estimates that as of April 17, 2000, it may have had approximately 25 Mortgage Loans, with an outstanding principal balance of $1,765,995, which were more than 90 days delinquent in the affected area during the moratorium.

Expiration of July 13, 2000 Moratorium. In the July 13, 2000 notice, HUD announced an additional 90-day moratorium on foreclosures of FHA-insured single family mortgages in five zip codes comprising most of the eastern half of Baltimore City and adjacent parts of Baltimore County, Maryland. As with the earlier moratorium, HUD is not curtailing the interest accrued during the moratorium period so long as the lender follows certain procedures, and the lender will be given additional time to commence foreclosures after the moratorium ends.

As of July 18, 2000, there were 336 FHA-insured Mortgage Loans, with an outstanding principal balance of $22,449,483, in the five affected zip codes. As of July 18, 2000, approximately nine of those Mortgage Loans, with an outstanding principal balance of $574,500, were more than 90 days delinquent.

On October 19, 2000, HUD confirmed to the Administration that the July 13 moratorium was terminated on October 12, 2000. Since then, Asset Management has instructed servicers to resume foreclosure procedures in the areas affected by the moratorium, and to reinstitute foreclosure proceedings for cases affected by the moratorium if servicers have been unable to work out an acceptable loss mitigation plan.

In general. The Administration believes that the only effect of the moratoria to date has been a small temporary rise in the 90+ day delinquency rate for the FHA-insured portfolio during the ban on foreclosures in certain areas. The Administration will continue to monitor any potential impact of the moratoria on the operation of its single family programs.

In February 2001, the Administration was advised that HUD was considering another moratorium for the Baltimore City area. As of August 7, 2001, there has been no formal notice from HUD of a new moratorium.

HUD Anti-Fraud Initiative

On May 19, 2000, the Secretary of the United States Department of Housing and Urban Development announced an initiative called the Fraud Protection Plan. The press release announcing the initiative stated that it would include twelve measures designed to protect homeowners with FHA-insured mortgages from predatory lending practices. The release stated that some measures would be implemented nationwide immediately, and that others would be implemented on a pilot basis in targeted cities, including Baltimore, Maryland. The initiative was based on the same investigation of lending practices which led to the 90-day moratorium on foreclosures in the Baltimore area, as described above.

The release included the following statement: "Restructure Inflated Mortgages. Once FHA identifies a mortgage based on a fraudulent appraisal, FHA will move to force the lender to write the mortgage down to a level consistent with true market value. If a lender refuses, FHA will intervene directly, cancel the insurance, take possession of the deed and resell the property with FHA insurance to the family for the fair market price."

The May 19, 2000 press release was followed on June 20, 2000 by the Joint HUD-Treasury Report on Recommendations to Curb Predatory Home Mortgage Lending, which reiterated the approach to restructuring inflated mortgages.

The Administration purchases loans insured by FHA from FHA-approved lenders. The proposed initiative would not have a material impact on the Department's Program unless FHA attempts to deny existing insurance coverage in restructuring a mortgage. In the Department's view, FHA has no basis for denying coverage to an insured party unless that party participated in the fraud or misrepresentation. If there are cases where FHA has legal authority to reduce the size of a mortgage as a result of fraud or misrepresentation, any resulting loss should be borne by FHA or the parties actually involved in the fraud or misrepresentation.

The Department has contacted HUD for clarification. However, the Department has been informed that HUD is not prepared to address how the initiative might be applied to secondary market purchasers and no guidance has been made available as yet.

If FHA reduces the size of a mortgage as part of this program and pays the Administration a claim equal to the amount of the reduction, this may constitute a prepayment of the mortgage and result in a special redemption of bonds.

The Department has sought clarification from HUD and urged reasonable implementation of the initiative consistent with existing law. To date, the Department has received no additional information from HUD and has not been notified of any attempt to apply such procedure to any Mortgage Loan of the Administration.

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 Executive 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.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

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

Purposes for Which Bonds May be Issued

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

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

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

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

(d) for the funding of reserves;

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

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

Contract with Trustee and Bondholders

As provided in the Act and as covenanted in the Bond Resolution, in consideration of 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 July 1, 2001.

	Effective Bond Yield	Year of Issue	Final Maturity	Amount Issued	Amount Outstanding	
Residential Revenue Bonds						
1997 Series A	5.750520%	1997	03/01/2017	$ 17,325,000	$ 17,325,000	(1)(2)
1997 Series B	5.781810%	1997	09/01/2029	82,675,000	73,545,000	(1)(2)
1998 Series A	5.302760%	1998	09/01/2017	4,640,000	4,640,000	(2)
1998 Series B	5.363320%	1998	09/01/2030	75,565,000	71,225,000	(1)(2)
1998 Series D	5.080895%	1998	09/01/2029	62,810,000	60,765,000	(1)(2)
1999 Series C	4.981370%	1999	09/01/2015	2,665,000	2,665,000	(2)
1999 Series D	5.258230%	1999	09/01/2031	57,335,000	56,930,000	(1)(2)
1999 Series E	5.561570%	1999	09/01/2017	22,780,000	22,780,000	(2)
1999 Series F	5.883350%	1999	09/01/2031	57,220,000	56,380,000	(1)(2)
1999 Series H	6.185333%	1999	03/01/2031	60,000,000	59,865,000	(1)
2000 Series A	5.463189%	2000	09/01/2012	7,965,000	7,965,000	(2)
2000 Series B	6.059197%	2000	09/01/2032	72,035,000	71,940,000	(1)(2)
2000 Series C	5.726749%	2000	09/01/2013	6,090,000	6,090,000	
2000 Series D	6.286454%	2000	09/01/2032	73,910,000	73,880,000	(1)
2000 Series F	4.996857%	2000	09/01/2014	15,190,000	15,190,000	
2000 Series G	5.991066%	2000	09/01/2032	64,810,000	64,800,000	(1)
2000 Series H	5.775438%	2000	09/01/2032	60,000,000	60,000,000	(1)
2001 Series A	4.689417%	2001	09/01/2017	18,885,000	18,885,000	(2)
2001 Series B	5.329877%	2001	09/01/2032	50,800,000	50,800,000	(2)
2001 Series C	3.200000%	2001	03/28/2002	11,220,000	11,220,000	(3)
2001 Series D	3.250000%	2001	03/28/2002	47,960,000	47,960,000	(3)
2001 Series E	4.428468%	2001	09/01/2012	13,775,000	13,775,000	
2001 Series F	5.623777%	2001	09/01/2032	66,225,000	66,225,000	
Total Residential Revenue Bonds				$ 951,880,000	$ 934,850,000	

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 July 1, 2001.

	Effective Bond Yield	Year of Issue	Final Maturity	Amount Issued	Amount Outstanding	
Single Family Program Bonds						
1991 Third Series	7.297200%	1991	04/01/2027	$ 58,945,000	$ 31,395,000	(1)
1992 First Series	6.335030%	1992	04/01/2011	7,260,000	4,360,000	
1992 Second Series	6.560440%	1992	04/01/2011	37,740,000	15,760,000	
1992 Third Series	6.591140%	1992	04/01/2017	10,350,000	8,335,000	
1992 Fourth Series	6.833690%	1992	04/01/2017	10,415,000	6,545,000	(1)
1992 Fifth Series	6.611540%	1992	04/01/2012	4,495,000	4,495,000	
1992 Sixth Series	6.855000%	1992	04/01/2024	58,735,000	49,990,000	(1)
1992 Seventh Series	6.471600%	1992	04/01/2012	4,630,000	4,630,000	
1992 Eighth Series	6.802740%	1992	04/01/2024	30,745,000	25,710,000	(1)
1993 Third Series	4.910970%	1993	04/01/2017	82,000,000	45,200,000	(1)(2)
1994 First Series	5.655880%	1994	04/01/2017	100,000,000	53,685,000	(1)(2)
1994 Fourth Series	6.230810%	1994	04/01/2014	38,295,000	38,295,000	
1994 Fifth Series	6.515110%	1994	04/01/2026	86,705,000	51,065,000	(1)
1994 Sixth Series	6.872360%	1994	04/01/2017	35,160,000	29,405,000	(2)

	Effective Bond Yield	Year of Issue	Final Maturity	Amount Issued	Amount Outstanding
1994 Seventh Series	7.301320%	1994	04/01/2025	$ 44,840,000	$ 23,170,000 (1)(2)
1994 Ninth Series	5.944930%	1995	04/01/2019	23,010,000	20,035,000
1995 First Series	6.145040%	1995	04/01/2017	39,585,000	37,970,000
1995 Second Series	6.487970%	1995	04/01/2026	60,415,000	37,400,000 (1)
1995 Third Series	6.100200%	1995	04/01/2027	70,000,000	63,050,000 (1)
1995 Fourth Series	6.147770%	1995	04/01/2017	5,790,000	5,790,000
1995 Fifth Series	6.208630%	1995	04/01/2027	31,200,000	26,125,000
1996 Third Series	6.052340%	1996	04/01/2017	13,455,000	11,935,000
1996 Fourth Series	6.516090%	1996	04/01/2028	31,545,000	27,935,000 (1)
1996 Fifth Series	5.815140%	1996	04/01/2016	30,735,000	30,400,000
1996 Sixth Series	6.298720%	1996	04/01/2028	30,760,000	21,615,000 (1)
1997 First Series	5.527870%	1997	04/01/2018	143,260,000	108,565,000 (1)
1999 First Series	5.241844%	1999	04/01/2029	26,100,000	23,925,000 (2)
1999 Second Series	4.940188%	1999	04/01/2017	53,205,000	53,205,000 (2)
1999 Third Series	4.803280%	1999	04/01/2021	107,265,000	83,155,000 (1)(2)
2000 First Series	5.623890%	2000	04/01/2017	32,600,000	30,190,000 (1)
2001 First Series	4.747525%	2001	04/01/2017	66,495,000	66,495,000 (2)
2001 Second Series	4.475347%	2001	04/01/2023	21,260,000	21,260,000 (1)(2)
Total Single Family Program Bonds				$ 1,396,995,000	$ 1,061,090,000

	Year of Issue	Final Maturity	Amount Issued	Amount Outstanding
Housing Revenue Bonds (4)				
Series 1996 A	1996	07/01/2023	$ 137,385,000	$ 92,960,000
Series 1996 B	1996	07/01/2028	2,575,000	1,975,000
Series 1997 A	1997	07/01/2039	37,135,000	36,585,000
Series 1997 B	1997	07/01/2039	7,660,000	7,555,000
Series 1997 C	1997	07/01/2039	14,075,000	13,865,000
Series 1998 A	1998	01/01/2040	11,030,000	10,905,000
Series 1999 A	1999	07/01/2041	16,345,000	16,345,000
Series 1999 B	1999	07/01/2042	15,840,000	15,735,000
Series 1999 C	1999	07/01/2040	520,000	520,000
Series 1999 D	1999	07/01/2042	14,565,000	14,305,000
Series 2000 A	2000	07/01/2042	27,445,000	27,445,000
Total Housing Revenue Bonds			$ 284,575,000	$ 238,195,000

Multifamily Housing Revenue Bonds				
1985 Series B	1985	05/15/2021	$ 45,196,888	$ 615,473 (5)
1989 Series B	1989	05/15/2021	1,390,000	510,000
1990 Series A	1990	05/15/2032	7,795,000	7,265,000
1990 Series B	1990	05/15/2022	2,045,000	1,880,000
1990 Series D	1990	05/15/2032	27,153,636	24,999,875 (5)
1991 Series A	1991	05/15/2022	2,310,000	2,020,000
1991 Series B	1991	05/15/2021	3,970,000	505,000
1991 Series D	1991	05/15/2022	3,500,000	3,180,000
1991 Series E	1991	05/15/2028	23,730,000	10,020,000
1991 Series G	1991	05/15/2023	2,170,000	1,265,000
1991 Series H	1991	05/15/2033	4,900,000	4,765,000
1992 Series A	1992	05/15/2033	23,140,000	13,130,000
1992 Series B	1992	05/15/2022	2,165,000	1,720,000
1992 Series C	1992	05/15/2033	6,475,000	6,145,000
1992 Series D	1992	05/15/2027	11,955,000	10,790,000
1992 Series E	1992	05/15/2033	1,175,000	1,115,000
1992 Series F	1992	05/15/2024	7,745,000	7,085,000
1992 Series G	1992	05/15/2019	8,510,000	7,175,000
1993 Series A	1992	05/15/2031	17,050,000	3,730,000
1993 Series B	1992	05/15/2034	24,740,000	21,185,000

	Year of Issue	Final Maturity	Amount Issued	Amount Outstanding
1993 Series C	1993	05/15/2024	$ 8,420,000	$ 7,510,000
1993 Series D	1993	05/15/2024	57,000,000	46,660,000
1993 Series E	1993	05/15/2028	2,500,000	1,530,000
1993 Series F	1993	05/15/2020	4,510,000	3,740,000
1993 Series G	1993	05/15/2024	2,000,000	1,855,000
1993 Series H	1993	05/15/2026	23,895,000	20,685,000
1993 Series I	1993	05/15/2023	1,535,000	1,215,000
1993 Series J	1993	05/15/2024	2,380,000	2,105,000
1993 Series K	1993	05/15/2025	2,790,000	670,000
1994 Series A	1994	05/15/2024	1,770,000	1,550,000
1994 Series B	1994	05/15/2025	13,915,000	11,710,000
1994 Series C	1994	05/15/2036	11,890,000	11,155,000
1994 Series D	1994	05/15/2025	2,450,000	2,115,000
1994 Series E	1994	05/15/2025	13,380,000	11,835,000
1994 Series F	1994	05/15/2026	14,955,000	14,300,000
1995 Series A	1995	05/15/2036	16,345,000	15,855,000
1995 Series B	1995	05/15/2026	11,630,000	10,670,000
1995 Series C	1995	05/15/2026	1,855,000	1,720,000
1995 Series D	1995	05/15/2027	2,550,000	2,400,000
1998 Series A	1998	05/15/2029	13,260,000	12,730,000
1998 Series B	1998	05/15/2028	8,615,000	8,140,000
Total Multifamily Housing Revenue Bonds			$ 444,760,524	$ 319,250,348
Infrastructure Financing Bonds				
1992 Series A (AMBAC Insured)	1992	06/01/2022	$ 9,045,000	$ 4,905,000
1994 Series A (AMBAC Insured)	1994	06/01/2024	8,030,000	6,205,000
1995 Series A (AMBAC Insured)	1995	06/01/2025	3,975,000	2,690,000
1996 Series A (MBIA Insured)	1996	06/01/2026	8,405,000	7,215,000
1997 Series A (MBIA Insured)	1997	06/01/2027	9,860,000	8,430,000
1998 Series A (MBIA Insured)	1998	06/01/2018	6,320,000	5,255,000
1998 Series B (MBIA Insured)	1998	06/01/2028	30,320,000	26,100,000
1998 Series C (MBIA Insured)	1998	12/01/2020	2,845,000	1,945,000
1999 Series A (MBIA Insured)	1999	06/01/2029	6,985,000	6,740,000
2000 Series A (MBIA Insured)	2000	06/01/2030	8,065,000	7,815,000
2001 Series A (MBIA Insured)	2001	06/01/2031	8,460,000	8,460,000
2001 Series B (MBIA Insured)	2001	06/01/2021	1,930,000	1,930,000
Total Infrastructure Financing Bonds			$ 104,240,000	$ 87,690,000
Mortgage Revenue Obligations				
First Series (Storchwoods II)	1978	01/01/2020	$ 1,544,400	$ 1,198,545
Total Mortgage Revenue Obligations			$ 1,544,400	$ 1,198,545
Multifamily Development Revenue Bonds (6)				
1990 Issue A (College Estates)	1990	02/01/2020	$ 6,750,000	$ 6,250,000
1990 Issue B (Middle Branch Manor)	1990	06/01/2020	12,350,000	10,700,000
1990 Issue C (Harbor City Townhomes)	1990	06/01/2020	4,150,000	3,600,000
Series 1998 A (Auburn Manor Project)	1998	10/01/2028	11,000,000	10,690,000
Series 1998 A (Lexington Terrace Project)	1998	10/01/2002	11,100,000	11,100,000
Series 1998 B (Lexington Terrace Project)	1998	10/01/2002	3,900,000	3,900,000
Series 1999 A (GNMA Selborne House Project)	1999	12/20/2040	2,150,000	2,150,000
Series 2000 A (Waters Landing II Apartments)	2000	08/01/2033	11,000,000	11,000,000
Series 2000 B-1 (Edgewater Village Apartments)	2000	02/01/2033	7,640,000	7,640,000
Series 2000 B-2 (Edgewater Village Apartments)	2000	02/01/2033	3,125,000	3,125,000

	Year of Issue	Final Maturity	Amount Issued	Amount Outstanding
Series 2000 C (Park Montgomery Apartments) .	2000	02/01/2031	$ 6,170,000	$ 6,170,000
Series 2001 A (Heritage Crossing Project)	2001	05/01/2004	3,050,000	3,050,000
Series 2001 B (Heritage Crossing Project).........	2001	02/01/2031	3,050,000	3,050,000
Total Multifamily Development Revenue Bonds			$ 85,435,000	$ 82,425,000
Multifamily Development Revenue Refunding Bonds				
Series 1997 (Avalon Lea Apartments Project)	1997	06/15/2026	$ 16,835,000	$ 16,835,000
Series 1997 (Avalon Ridge Apartments Project)..	1997	06/15/2026	26,815,000	26,815,000
Series 1999 C (Westfield/Greens Projects)	1999	12/01/2029	9,200,000	9,075,000
Total Multifamily Development Revenue Refunding Bonds			$ 52,850,000	$ 52,725,000
Total Amount of Other Bonds Outstanding...			$ 2,370,399,924	$ 1,842,573,893
Total Amount of Residential Revenue Bonds Outstanding (7)			$ 951,880,000	$ 934,850,000
TOTAL AMOUNT OF ALL BONDS OUTSTANDING			$ 3,322,279,924	$ 2,777,423,893

(1) A portion of this series of bonds was redeemed on August 1, 2001.
(2) 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.
(3) Residential Revenue Bonds 2001 Series C and 2001 Series D are short-term notes that may be redeemed prior to their maturity date at any time on or after October 1, 2001.
(4) On July 12, 2001, the Administration issued its $29,645,000 Housing Revenue Bonds, Series 2001 A.
(5) Includes bonds for which the principal amount outstanding is based on accreted value as of May 15, 2001.
(6) On July 11, 2001, the Administration issued its $9,800,000 Multifamily Development Revenue Bonds, Series 2001 C (Parklane Apartments Project).
(7) See information under caption “Outstanding Residential Revenue Bonds” above.

APPENDIX F

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS
TEN YEAR RULE PERCENTAGES

Bond Series	Percentage										
	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
1997 Series A/B	**70.79%**	**71.01%**	**71.01%**	**71.10%**	**71.10%**	**71.10%**	100.00%	100.00%	100.00%	100.00%	100.00%
1998 Series A/B	**58.35%**	**59.64%**	**59.64%**	**60.62%**	**63.40%**	**63.55%**	**64.53%**	100.00%	100.00%	100.00%	100.00%
1998 Series D	**77.73%**	**77.73%**	**77.73%**	**77.73%**	**77.73%**	**77.73%**	**77.73%**	100.00%	100.00%	100.00%	100.00%
1999 Series C/D	**43.86%**	**43.86%**	**43.86%**	**43.86%**	**43.86%**	**43.86%**	**43.86%**	**44.33%**	100.00%	100.00%	100.00%
1999 Series E/F	**72.68%**	**73.37%**	**73.37%**	**74.41%**	**75.27%**	**75.49%**	**75.60%**	**76.09%**	100.00%	100.00%	100.00%
1999 Series H	**18.89%**	**18.89%**	**18.89%**	**19.24%**	**19.24%**	**19.24%**	**19.51%**	**19.98%**	100.00%	100.00%	100.00%
2000 Series A/B	**60.52%**	**61.72%**	**61.72%**	**62.74%**	**63.93%**	**64.01%**	**65.08%**	**65.08%**	**65.08%**	100.00%	100.00%
2000 Series C/D	**56.07%**	**56.48%**	**56.48%**	**57.28%**	**57.82%**	**57.94%**	**58.55%**	**59.35%**	**72.60%**	100.00%	100.00%
2000 Series F/G	**34.68%**	**34.69%**	**34.69%**	**35.24%**	**35.24%**	**35.24%**	**35.36%**	**35.89%**	**65.89%**	100.00%	100.00%
2000 Series H	**3.38%**	**3.38%**	**3.38%**	**3.38%**	**3.49%**	**3.49%**	**3.71%**	**4.01%**	**4.01%**	100.00%	100.00%
2001 Series A/B	**71.60%**	**72.36%**	**72.36%**	**72.81%**	**73.38%**	**73.51%**	**74.18%**	**74.60%**	**78.17%**	**85.69%**	100.00%
2001 Series E/F	**20.52%**	**20.55%**	**20.55%**	**20.57%**	**20.62%**	**20.62%**	**21.05%**	**21.97%**	**22.30%**	**22.31%**	100.00%

Percentages represent 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 2001 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 multifamily 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 BOND PROGRAM FUND

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Community Development Administration
Residential Revenue Bond Program Fund

Financial statements
As of June 30, 2000 and 1999
Together with report of independent public accountants

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ARTHUR ANDERSEN

Report of independent public accountants

To the Office of the Secretary of the
Department of Housing and Community Development:

We have audited the accompanying balance sheets of the Community Development Administration Residential Revenue Bond Program Fund (the Fund) as of June 30, 2000 and 1999, and the related statements of revenues, expenses and changes in fund equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Development Administration Residential Revenue Bond Program Fund as of June 30, 2000 and 1999, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The change in fair values of investments held on June 30, 2000 supplementary information on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on it.

Arthur Andersen LLP

Baltimore, Maryland
September 22, 2000

Community Development Administration
Residential Revenue Bond Program Fund

Table of contents

Community Development Administration
Residential Revenue Bond Program Fund

Balance sheets
As of June 30, 2000 and 1999
(in thousands)

	2000	1999
Assets:		
Cash on deposit with trustee	$ 14,227	$ 1,814
Investments	397,893	267,338
Mortgage loans – single-family	386,861	175,054
Accrued interest and other receivables	7,931	4,736
Deferred bond issuance costs	5,482	2,868
Total assets	$ 812,394	$ 451,810
Liabilities and fund equity:		
Accrued interest payable	$ 11,267	$ 5,793
Accounts payable	463	472
Bonds payable	762,036	405,085
Due to other funds	20,068	26,595
Total liabilities	793,834	437,945
Commitments and contingencies		
Fund equity	18,560	13,865
Total liabilities and fund equity	$ 812,394	$ 451,810

The accompanying notes are an integral part of these balance sheets.

Community Development Administration
Residential Revenue Bond Program Fund

Statements of revenues, expenses and changes in fund equity
For the years ended June 30, 2000 and 1999
(in thousands)

	2000	1999
Revenues:		
Interest on mortgage loans	$ 17,195	$ 6,967
Interest on investments	15,736	10,025
Decrease in fair value of investments	(227)	—
Loan fees	87	37
Other income	78	66
Total revenues	32,869	17,095
Expenses:		
Interest on bonds payable	26,712	13,841
Trustee, legal and mortgage servicing costs	942	396
Amortization of bond issuance costs	302	167
Other expense	911	886
Total expenses	28,867	15,290
Income before extraordinary item	4,002	1,805
Extraordinary item – loss on early extinguishment of bonds payable	(62)	(14)
Net income	3,940	1,791
Transfers of funds, net, at CDA's discretion, in accordance with the General Certificate Of Revenue Bond Authorization and the Certificate of General Authorization	755	260
Fund equity, beginning of period	13,865	11,814
Fund equity, end of period	$ 18,560	$ 13,865

The accompanying notes are an integral part of these statements.

Community Development Administration
Residential Revenue Bond Program Fund

Statements of cash flows
For the years ended June 30, 2000 and 1999
(in thousands)

	2000	1999
Cash flows from operating activities:		
Net income	$ 3,940	$ 1,791
Adjustments to reconcile net income to net cash used in operating activities–		
Decrease in fair value of investments	227	—
Purchase and origination of mortgage loans	(218,931)	(122,183)
Repayment of mortgage loans	5,528	2,771
Interest on investments	(15,736)	(10,025)
Increase in accrued interest and other receivables	(3,195)	(757)
(Decrease) increase in due to other funds	(6,527)	26,595
Increase in accrued and other liabilities	—	472
Decrease in accounts payable	(9)	—
Deferred loan fees collected	1,683	942
Amortization of investment premiums or discounts	(57)	—
Transfer of funds	755	260
Amortization of deferred loan fees	(87)	(37)
Amortization of deferred bond issuance costs	302	167
Interest expense	26,712	13,845
Net cash used in operating activities	(205,395)	(86,159)
Cash flows from investing activities:		
Proceeds from maturity and sale of investments	384,614	158,740
Purchase of investments	(469,431)	(232,557)
Interest on investments	15,736	10,025
Investments transferred to other fund	(45,908)	(26,595)
Net cash used in investing activities	(114,989)	(90,387)
Cash flows from noncapital financing activities:		
Proceeds from the sale of bonds	$ 464,751	$ 225,129
Principal payments	(107,795)	(33,710)
Decrease in deferred bond issuance costs due to redemption of related bonds	63	14
Bond issuance costs	(2,979)	(1,351)
Interest payments	(21,243)	(12,410)
Net cash provided by noncapital financing activities	332,797	177,672
Net increase in cash on deposit with trustee	12,413	1,126
Cash on deposit with trustee, beginning of period	1,814	688
Cash on deposit with trustee, end of period	$ 14,227	$ 1,814

The accompanying notes are an integral part of these statements.

Notes to financial statements
June 30, 2000 and 1999
(in thousands)

1. Program description:

The Community Development Administration (CDA) was created in 1970 by Sections 266 DD-1 to 266 DD-8 of Article 41 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 Bond Program Fund (the Fund). CDA's other programs are not included. The Fund was established to issue bonds to primarily originate or purchase single–family mortgage loans.

2. Summary of significant accounting policies:

Basis of presentation

The Fund is set up primarily in accordance with CDA's enabling legislation and the various note and bond certificates. The Fund is an enterprise fund of the State of Maryland and uses the accrual basis of accounting.

Investments

Investments are stated at fair value, based on quoted market prices. The cost of securities sold is determined by the specific identification method.

Loan fees

Loan fees are deferred over the life of the related loans and amortized using the effective interest rate method.

Bond issuance costs

Expenses incurred in issuing bonds are capitalized and amortized on a straight-line basis over the lives of the respective bond issues.

Allowance for loan losses

Substantially all the mortgage loans of the Fund are insured or guaranteed by agencies of the U.S. Government, the Maryland Housing Fund or private insurers. As such, no allowance for loan losses was necessary as of June 30, 2000 and 1999.

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 are allocated to CDA's General Bond Reserve Fund based on the size and level of activity of all of CDA's Revenue Obligation Funds, relative to the other programs of CDA and DHCD. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

For the year ended June 30, 2000 and 1999, the allocation to CDA's General Bond Reserve Fund was:

	2000	1999
Salaries and related costs	$ 5,719	$ 5,952
General and administrative expenses	1,857	2,245
	$ 7,576	$ 8,197

The employees of CDA are covered by the Maryland State Retirement and Pension System (the System). Additional information about the System is presented in the State of Maryland's Comprehensive Annual Financial Report and in the Consolidated Annual Report of the Maryland State Retirement and Pension Systems.

The retirement benefit cost of employees is included in the salaries and related costs allocation discussed above. This allocation includes the Fund's total liability relating to the System as of June 30, 2000 and 1999.

Use of estimates

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

3. Cash and investments:

Proceeds from bonds are invested in authorized investments as defined in the respective indentures until required for financing projects, redemption of outstanding bonds and notes, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. government agencies and corporations, political subdivisions of the U.S., 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

As of June 30, 2000 and 1999, the Fund had $14,227 and $1,814, respectively, invested in a money market mutual fund (ARK U.S. Government Cash Management Corporate II Class Fund) which is classified as cash. This fund invests exclusively in obligations of the U.S. Government and its agencies and instrumentalities and in repurchase agreements. It is rated AAAm by Standard & Poor's and Aaa by Moody's Investor Services.

As of June 30, 2000 and 1999, 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.

Investments

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

The repurchase agreements also include guaranteed investment contracts. For all these investments, collateral is held by the trustee of the fund group or its agent. The agreements and contracts are at fixed interest rates, with maturities ranging from less than two years up to 32 years.

As of June 30, 2000 and 1999, the amortized cost and fair value of the Fund's investments, by type of investment, were as follows:

	2000		1999	
	Fair Value	**Amortized Cost**	**Fair Value**	**Amortized Cost**
Obligations of U.S. government agencies	$ 167,020	$ 167,247	$ —	$ —
Securities held under repurchase agreements or guaranteed investment contracts	230,873	230,873	267,338	267,338
	$ 397,893	$ 398,120	$ 267,338	$ 267,338

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 unregulated, 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.

4. Mortgage loans:

Substantially all the mortgage loans are secured by first liens on the related property and are insured or guaranteed by either the Federal Housing Administration, the Federal Home Loan Mortgage Corporation or the Maryland Housing Fund. Interest rates on such loans range from 4.0% to 7.5%, with maturities ranging up to 30 years.

5. Bonds payable:

The bonds issued by CDA are special obligations of CDA and are payable from the revenues and special funds of the applicable program. 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 following table summarizes the outstanding debt of the Fund, as of June 30, 2000 and 1999:

2000

1997 Series A dated August 1, 1997. $17,325 term bonds due March 1, 2017, with interest at 5.60%.	$ 17,325
1997 Series B dated August 1, 1997. $16,955 due serially from 2000 to 2009, with interest rates of 4.40% to 5.25%; $8,765 term bonds due September 1, 2019, with interest at 5.05%; $26,975 term bonds due September 1, 2025, with interest at 5.875%; $26,360 term bonds due September 1, 2029, with interest at 5.875%.	79,055
1998 Series A dated January 1, 1998. $2,445 due serially from 2010 to 2014, with interest rates of 4.70% to 5.00%; $2,195 term bonds due September 1, 2017, with interest at 5.05%.	4,640
1998 Series B dated January 1, 1998. $17,959 due serially, net of $69 unamortized premium, from 2000 to 2012, with interest rates of 3.95% to 5.00%, $10,200 term bonds due September 1, 2018, with interest at 4.50%; $16,470 term bonds due September 1, 2023, with interest at 5.30%; $11,815 term bonds due March 1, 2030, with interest at 5.35%; $17,525 term bonds due September 1, 2030, with interest at 5.35%.	73,969
1998 Series D dated December 1, 1998. $12,850 due serially from 2001 to 2010, with interest rates of 3.8% to 4.65%; $14,460 term bonds due March 1, 2018, with interest at 5.15%; $11,600 term bonds due September 1, 2022, with interest at 4.5%; $2,945 term bonds due March 1, 2029, with interest at 5.25%; $20,535 term bonds due September 1, 2029, with interest at 5.25%.	62,390
1999 Series C dated May 1, 1999. $915 due serially from 2011 to 2012, with interest rates of 4.7% to 4.8%; $1,750 term bonds due September 1, 2015, with interest at 4.95%.	2,665
1999 Series D dated May 1, 1999. $10,855 due serially from 2001 to 2012, with interest rates of 3.7% to 5.0%; $9,955 term bonds due September 1, 2019, with interest at 5.25%; $12,175 term bonds due September 1, 2024, with interest at 5.375%; $10,000 term bonds due March 1, 2028, with interest at 4.8%; $7,975 term bonds due March 1, 2031, with interest at 5.4%; $6,291 term bonds, net of unamortized discount of $44, due September 1, 2031, with interest at 5.4%.	57,251

1999 Series E dated August 1, 1999. $14,745 due serially from 2005 to 2013, with interest rates of 4.6% to 5.45%; $8,035 term bonds due September 1, 2017, with interest at 5.7%	$ 22,780
1999 Series F dated August 1, 1999. $3,660 due serially from 2002 to 2004, with interest rates of 4.5% to 4.7%; $6,470 term bonds due September 1, 2019, with interest at 5.9%; $12,520 term bonds due September 1, 2023, with interest at 5.375%; $24,425 term bonds due September 1, 2029, with interest at 5.95%; $10,135 term bonds due September 1, 2031, with interest at 5.95%	57,210
1999 Series G dated August 31, 1999. $76,585 bonds due August 30, 2000, with interest rate of 3.65%.	76,585
1999 Series H dated December 1, 1999. $11,780 due serially from 2002 to 2012, with interest rates of 4.6% to 5.65%; $8,275 term bonds due September 1, 2017, with interest at 6.0%; $6,285 term bonds due September 1, 2020, with interest at 6.125%; $13,255 term bonds due September 1, 2025, with interest at 6.15%; $4,981 term bonds, net of unamortized discount of $19 due March 1, 2027, with interest at 6.2%; $10,405 term bonds due March 1, 2031, with interest at 6.25%; $5,000 term bonds due March 1, 2031, with interest at 6.25%.	59,981
1999 Series I dated December 15, 1999. $30,000 bonds due December 14, 2000, with interest rate of 4.05%.	30,000
2000 Series A dated March 1, 2000. $7,965 due serially from 2007 to 2012, with interest rates of 5.15% to 5.5%.	7,965
2000 Series B dated March 1, 2000. $6,335 due serially from 2002 to 2007, with interest rates of 4.8% to 5.35%; $17,675 term bonds due September 1, 2020, with interest at 6.05%; $13,500 term bonds due September 1, 2025, with interest at 5.55%; $5,000 term bonds due September 1, 2031, with interest at 6.15%; $29,525 term bonds due September 1, 2032, with interest at 6.15%.	72,035
2000 Series C dated June 1, 2000. $6,090 due serially from 2010 to 2013, with interest rates of 5.45% to 5.7%.	6,090
2000 Series D dated June 1, 2000. $9,810 due serially from 2002 to 2010, with interest rates of 5.1% to 5.7%; $15,705 term bonds due September 1, 2020, with interest at 6.2%; $48,395 term bonds due September 1, 2032, with interest at 6.25%.	73,910
2000 Series E dated June 14, 2000. $58,185 bonds due June 14, 2001, with interest rate of 4.7%.	58,185
Total	$ 762,036

1999

1997 Series A dated August 1, 1997. $17,325 term bonds due March 1, 2017, with interest at 5.60%.	$ 17,325
1997 Series B dated August 1, 1997. $17,700 due serially from 2000 to 2009, with interest rates of 4.40% to 5.25%; $8,920 term bonds due September 1, 2019, with interest at 5.05%; $26,975 term bonds due September 1, 2025, with interest at 5.875%; $28,750 term bonds due September 1, 2029, with interest at 5.875%.	82,345
1998 Series A dated January 1, 1998. $2,445 due serially from 2010 to 2014, with interest rates of 4.70% to 5.00%; $2,195 term bonds due September 1, 2017, with interest at 5.05%.	4,640
1998 Series B dated January 1, 1998. $19,045 due serially, net of $75 unamortized premium, from 1999 to 2012, with interest rates of 3.85% to 5.00%, $10,325 term bonds due September 1, 2018, with interest at 4.50%; $16,470 term bonds due September 1, 2023, with interest at 5.30%; $12,000 term bonds due March 1, 2030, with interest at 5.35%; $17,800 term bonds due September 1, 2030, with interest at 5.35%.	75,640
1998 Series D dated December 1, 1998. $12,850 due serially from 2001 to 2010, with interest rates of 3.8% to 4.65%; $14,460 term bonds due March 1, 2018, with interest at 5.15%; $11,600 term bonds due September 1, 2022, with interest at 4.5%; $3,000 term bonds due March 1, 2029, with interest at 5.25%; $20,900 term bonds due September 1, 2029, with interest at 5.25%.	62,810
1999 Series A dated January 7, 1999. $22,780 bonds due January 14, 2000, with interest rate of 3.05%.	22,780
1999 Series B dated January 7, 1999. $79,590 bonds due January 14, 2000, with interest rate of 3.15%.	79,590
1999 Series C dated May 1, 1999. $915 due serially from 2011 to 2012, with interest rates of 4.7% to 4.8%; $1,750 term bonds due September 1, 2015, with interest at 4.95%.	2,665
1999 Series D dated May 1, 1999. $10,855 due serially from 2001 to 2012, with interest rates of 3.7% to 5.0%; $9,955 term bonds due September 1, 2019, with interest at 5.25%; $12,175 term bonds due September 1, 2024, with interest at 5.375%; $10,000 term bonds due March 1, 2028, with interest at 4.8%; $8,000 term bonds due March 1, 2031, with interest at 5.4%; $6,305 term bonds, net of unamortized discount of $45, with interest at 5.4%.	57,290
Total	$405,085

As of June 30, 2000, the required principal payments including mandatory sinking fund payments for each of the next five years are as follows:

For the year ended June 30,				
2001	**2002**	**2003**	**2004**	**2005**
$167,970	$3,980	$8,865	$9,285	$9,720

All outstanding bonds are subject to redemption at the option of CDA, as a whole at any time after certain dates or in part on any interest payment date, as specified in the respective series certificates. The prescribed redemption prices range from 100% to 101.5% of the principal amount.

6. Redemption of bonds and extraordinary item:

The provisions of the bond certificates 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.

During the year, CDA redeemed Residential Revenue Bonds in the following series:

2000	1999
• 1997 Series B	• 1997 Series B
• 1998 Series B	• 1998 Series C
• 1998 Series D	
• 1999 Series A	
• 1999 Series B	
• 1999 Series D	
• 1999 Series F	

Certain refundings of debt are due to the prepayments of mortgage loans. In these cases, CDA transfers the proceeds of the refunding bonds into 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 an extraordinary loss in the accompanying statements of revenues, expenses and changes in fund equity.

7. Commitments and contingencies:

As of June 30, 2000 and 1999, the Fund had excess arbitrage for certain Residential Revenue Bonds which are subject to rebate. As of June 30, 2000 and 1999, an estimated liability of $463 and $472, respectively, for potential excess arbitrage subject to rebate has been recorded in accounts payable in the accompanying balance sheets.

8. Pension and other postretirement 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 postemployment benefits is its required annual contribution, which it has fully funded during the years ended June 30, 2000 and 1999. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 301 West Preston Street, Baltimore, Maryland 21201.

9. Subsequent events:

On August 1, 2000, CDA redeemed the following bonds:

1997 Series B	$2,120
1998 Series B	225
1998 Series D	135
1999 Series D	40
1999 Series F	195

On September 7, 2000, CDA issued the following bonds:

2000 Series F	$15,190
2000 Series G	64,810

Community Development Administration
Residential Revenue Bond Program Fund

Supplemental disclosure of change in fair value of investments
June 30, 2000
(Unaudited)

During fiscal year 1997, CDA adopted the provisions of The Government 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 statement of revenues, expenses and changes in fund equity.

For investments held by CDA as of June 30, 2000, the following schedule summarizes the differences between fair value and amortized costs attributable for each of these years:

Cumulative FY 1996 and prior periods	$ —
FY 1997	—
FY 1998	—
FY 1999	—
FY 2000	(227)
Cumulative total	$ (227)

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BOND PROGRAM FUND

UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED
MARCH 31, 2001

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COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BOND PROGRAM FUND
BALANCE SHEETS
AS OF MARCH 31, 2001 AND JUNE 30, 2000
(in thousands)

	03/31/01 UNAUDITED	06/30/00 AUDITED
Assets:		
Cash on deposit with trustee	$ 32,995	$ 14,227
Investments	368,068	397,893
Mortgage loans - single family	570,544	386,861
Accrued interest and other receivables	6,719	7,931
Deferred bond issuance costs	7,445	5,482
Total assets	$ 985,771	$ 812,394
Liabilities and fund equity:		
Accrued interest payable	$ 3,914	$ 11,267
Accounts payable	508	463
Bonds payable	915,877	762,036
Due to other funds	39,704	20,068
Total liabilities	960,003	793,834
Fund equity	25,768	18,560
Total liabilities and fund equity	$ 985,771	$ 812,394

The accompanying notes are an integral part of these balance sheets.

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BOND PROGRAM FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
FOR THE NINE MONTHS ENDED MARCH 31, 2001 AND MARCH 31, 2000
(in thousands)

	03/31/01 UNAUDITED	03/31/00 UNAUDITED
Revenues:		
Interest on mortgage loans	$ 22,462	$ 11,571
Interest on investments	15,715	10,932
Other income	101	56
Loan fees	126	55
Increase (decrease) in fair value of investments	704	(241)
Total revenues	39,108	22,373
Expenses:		
Interest on bonds payable	31,195	18,295
Trustee, legal and mortgage servicing costs	1,171	657
Amortization of bond issuance costs	296	207
Other expenses	22	446
Total expenses	32,684	19,605
Income before extraordinary item	6,424	2,768
Extraordinary item - loss on early extinguishment of bonds payable	(47)	(48)
Net income	6,377	2,720
Transfers of funds, net, at CDA's discretion, in accordance with the General Certificate of Revenue Bond Authorization and the Certificate of General Authorization	831	788
Fund equity, beginning of period	18,560	13,865
Fund equity, end of period	$ 25,768	$ 17,373

The accompanying notes are an integral part of these unaudited statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BOND PROGRAM FUND
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31, 2001 AND MARCH 31, 2000
(in thousands)

	03/31/01 UNAUDITED	03/31/00 UNAUDITED
Cash flows from operating activities:		
Net income	$ 6,377	$ 2,720
Adjustments to reconcile net income to net cash used in operating activities--		
(Increase) decrease in fair value of investments	(704)	241
Purchase and origination of mortgage loans	(194,462)	(169,280)
Interest on investments	(15,715)	(10,932)
Repayment of mortgage loans	8,086	3,718
Decrease in accrued interest and other receivables	1,212	1,146
Increase (decrease) in accounts payable	45	(472)
Deferred loan fees collected	1,510	1,306
Increase in due to other funds	19,636	14,098
Amortization of investment premiums or discounts	(24)	(37)
Transfer of funds	2,139	788
Amortization of deferred loan fees	(125)	(56)
Amortization of deferred bond issuance costs	296	206
Interest expense	31,195	18,295
Net cash used in operating activities	(140,534)	(138,259)
Cash flows from investing activities:		
Proceeds from maturity and sale of investments	348,638	173,115
Purchase of investments	(277,596)	(169,302)
Interest on investments	15,715	10,932
Investments transferred to other fund	(40,489)	(25,968)
Net cash provided by (used in) investing activities	46,268	(11,223)
Cash flows from noncapital financing activities:		
Proceeds from the sale of bonds	268,865	326,585
Principal payments	(115,020)	(106,225)
Decrease in deferred bond issuance costs due to redemption of related bonds	46	48
Bond issuance costs	(2,305)	(2,135)
Interest payments	(38,552)	(21,420)
Net cash provided by noncapital financing activities	113,034	196,853
Net increase in cash on deposit with trustee	18,768	47,371
Cash on deposit with trustee, beginning of period	14,227	1,814
Cash on deposit with trustee, end of period	$ 32,995	$ 49,185

The accompanying notes are an integral part of these unaudited statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BOND PROGRAM FUND
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
MARCH 31, 2001
(in thousands)

1. Basis of presentation:

In the opinion of management, the accompanying interim financial statements of the Community Development Administration (CDA) Residential Revenue Bond Program Fund present fairly the financial position at March 31, 2001 and the results of its operations for the nine months ended March 31, 2001 and March 31, 2000. These interim financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations. The March 31, 2001 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, 2000 and June 30, 1999 and for the years then ended, which have been included elsewhere in this disclosure. The results of operations presented in the accompanying financial statements are not necessarily representative of operations for the entire year.

2. Investments:

In accordance with GASB 31, CDA reflects investments at fair value. As of March 31, 2001, the fair value of the investments was $ 368,068 of which $ 367,591 was the cost of these investments and $ 477 was the cumulative increase in fair value.

3. Mortgage loans:

During the nine months ended March 31, 2001, CDA purchased single family loans in the amount of $ 194,462.

4. Bonds payable:

During the nine months ended March 31, 2001, CDA issued $ 268,865 of Residential Revenue Bonds, which are due in varying amounts from September 1, 2002 to September 1, 2032, bearing interest at rates ranging from 3.20% to 5.95%.

5. Redemption of bonds and extraordinary item:

On August 1, 2000, October 23, 2000, December 6, 2000 and February 14, 2001, CDA redeemed, prior to maturity, $2,715, $1,220, $30,000 and $1,300, respectively, of Residential Revenue Bonds. Extraordinary losses of $23, $12, $0, and $ 12 were incurred, respectively.

6. Subsequent events:

On May 4, 2001, CDA redeemed, prior to maturity, $ 2,840 of Residential Revenue Bonds.

APPENDIX I

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL FOR 2001 SERIES BONDS

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

September ___, 2001

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

$10,100,000
Community Development Administration
Maryland Department of Housing and Community Development
Residential Revenue Bonds
2001 Series G (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 $10,100,000 aggregate principal amount of its Residential Revenue Bonds, 2001 Series G (Non-AMT) (the "2001 Series G Bonds"). With the proceeds of the 2001 Series G Bonds, the Administration will currently refund or pay at maturity (i) all or a portion of certain series of Single Family Program Bonds previously issued by the Administration under the 1980 General Certificate (the "Prior 1980 General Certificate Bonds"), and (ii) all or a portion of certain series of bonds (the "Prior Bonds") previously issued by the Administration, as a result of which $9,901,900 representing prepayments and repayments of mortgage loans financed with proceeds of such Prior Bonds and Prior 1980 General Certificate Bonds will be transferred to the 2001 Series G Program Account of the Program Fund and $198,100 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 2001 Series G 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 Allfirst Bank, Baltimore, Maryland, as trustee (the "Trustee"), and (3) the Series Resolution Providing for the Issuance and Sale of $10,100,000 Principal Amount of Residential Revenue Bonds 2001 Series G adopted as of August 15, 2001 (the "Series Resolution"), pursuant to which the 2001 Series G Bonds are authorized to be issued. The Bond Resolution and the Series Resolution are referred to collectively as the Bond Resolutions.

The 2001 Series G Bonds mature, bear interest and are subject to redemption as provided therein and in the Bond Resolutions. The 2001 Series G 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 2001 Series G Bonds will be paid as provided in the Bond Resolutions by the Trustee to the persons in whose names the 2001 Series G 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 2001 Series G Bonds for interest on the 2001 Series G 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 2001 Series G Bonds to be subject to inclusion in gross income retroactively to the date of issuance of the 2001 Series G 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 2001 Series G Bonds, we have examined and considered the Act, the Bond Resolutions, the Code, a specimen of the 2001 Series G 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 2001 Series G Bonds for the purpose of refunding or paying at maturity the Prior Bonds and the Prior 1980 General Certificate Bonds.

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 2001 Series G 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 2001 Series G 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 2001 Series G Bonds are payable from the revenues and assets of the Administration pledged therefor pursuant to the Bond Resolutions.

4. The form of the specimen 2001 Series G Bonds is regular and proper.

5. The 2001 Series G 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 2001 Series G 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 2001 Series G Bonds is not an item of preference for purposes of calculating the federal individual or corporate alternative minimum taxes, but such interest may be indirectly subject to corporate alternative minimum taxes because it is included in adjusted current earnings of corporations (other than S corporations, regulated investment companies, real estate investment trusts or real estate mortgage investment conduits).

Under certain circumstances interest on a 2001 Series G Bond held by a foreign corporation may be subject to the branch profits tax.

Ownership of tax-exempt obligations, including the 2001 Series G 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 2001 Series G 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 2001 Series G 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 2001 Series G 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 2001 Series G Bonds or as to any other matter not set forth herein.

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

September ___, 2001

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

$49,900,000
Community Development Administration
Maryland Department of Housing and Community Development
Residential Revenue Bonds
2001 Series H (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 $49,900,000 aggregate principal amount of its Residential Revenue Bonds, 2001 Series H (AMT) (the "2001 Series H Bonds"). With the proceeds of the 2001 Series H Bonds, the Administration will (i) make a deposit of $30,225,450 into the 2001 Series H Program Account of the Program Fund under the Bond Resolution (as defined herein) and a deposit of $604,550 into the Reserve Fund and (ii) currently refund or pay at maturity all or a portion of certain series of Single Family Program Bonds previously issued by the Administration under the 1980 General Certificate (the "Prior 1980 General Certificate Bonds") and all or a portion of certain series of bonds (the "Prior Bonds") previously issued by the Administration, as a result of which $18,696,050 representing prepayments and repayments of mortgage loans financed with the proceeds of such Prior Bonds and Prior 1980 General Certificate Bonds, will be transferred to the 2001 Series H Program Account of the Program Fund and $373,950 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 2001 Series H 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 Allfirst Bank, Baltimore, Maryland, as trustee (the "Trustee"), and (3) the Series Resolution Providing for the Issuance and Sale of $49,900,000 Principal Amount of Residential Revenue Bonds 2001 Series H, adopted as of August 15, 2001 (the "Series Resolution"), pursuant to which the 2001 Series H Bonds are authorized to be issued. The Bond Resolution and the Series Resolution are referred to collectively as the Bond Resolutions.

The 2001 Series H Bonds mature, bear interest and are subject to redemption as provided therein and in the Bond Resolutions. The 2001 Series H 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 2001 Series H Bonds will be paid as provided in the Bond

Resolutions by the Trustee to the persons in whose names the 2001 Series H 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 2001 Series H Bonds for interest on the 2001 Series H 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 2001 Series H Bonds to be subject to inclusion in gross income retroactively to the date of issuance of the 2001 Series H 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 2001 Series H Bonds, we have examined and considered the Act, the Bond Resolutions, the Code, a specimen of the 2001 Series H 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 2001 Series H Bonds for the purposes of refunding or paying at maturity the Prior Bonds and the Prior 1980 General Certificate 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 2001 Series H 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 2001 Series H 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 2001 Series H Bonds are payable from the revenues and assets of the Administration pledged therefor pursuant to the Bond Resolutions.

4. The form of the specimen 2001 Series H Bonds is regular and proper.

5. The 2001 Series H 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 2001 Series H 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 2001 Series H Bonds is an item of preference for purposes of calculating the federal individual or corporate alternative minimum taxes.

Under certain circumstances interest on a 2001 Series H Bond held by a foreign corporation may be subject to the branch profits tax.

Ownership of tax-exempt obligations, including the 2001 Series H 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 2001 Series H 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 2001 Series H 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 2001 Series H 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 2001 Series H Bonds or as to any other matter not set forth herein.

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