



FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

**COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS**

JUNE 30, 2009 AND 2008

Community Development Administration
Housing Revenue Bonds

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Community Development Administration Housing Revenue Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements present only the Community Development Administration Housing Revenue Bonds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Community Development Administration Housing Revenue Bonds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



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

Reznick Group, P.C.

Baltimore, Maryland
September 24, 2009

Community Development Administration
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STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2009 and 2008

	2009	2008
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	\$ 56,319	\$ 68,945
Mortgage-backed securities	4,677	4,124
Mortgage loans		
Single family	18	21
Multi-family construction and permanent financing	2,853	3,257
Accrued interest and other receivables	2,837	2,800
Total restricted current assets	66,704	79,147
Restricted long-term assets		
Investments	6,917	6,719
Mortgage-backed securities, net of current portion	442,978	424,817
Mortgage loans, net of current portion and allowance		
Single family	286	309
Multi-family construction and permanent financing	89,711	87,764
Deferred bond issuance costs	164	272
Total restricted long-term assets	540,056	519,881
Total restricted assets	\$ 606,760	\$ 599,028
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued interest payable	\$ 14,286	\$ 13,710
Bonds payable	8,810	12,750
Deposits by borrowers	2,833	4,202
Total current liabilities	25,929	30,662
Long-term liabilities		
Bonds payable, net of current portion	531,919	527,039
Deposits by borrowers, net of current portion	6,917	7,402
Deferred income	5,716	5,768
Total long-term liabilities	544,552	540,209
Total liabilities	570,481	570,871
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Restricted	36,279	28,157
Total liabilities and net assets	\$ 606,760	\$ 599,028

See notes to financial statements

Community Development Administration
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STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
(in thousands)

Years ended June 30, 2009 and 2008

	2009	2008
Operating revenue		
Interest on mortgage loans	\$ 5,922	\$ 6,117
Interest on mortgage-backed securities	24,596	24,405
Interest income on investments	1,406	1,780
Increase in fair value of investments	202	444
Fee and deferred income	366	243
Other operating revenue	105	303
	32,597	33,292
Operating expenses		
Interest expense on bonds	28,450	27,686
Professional fees and other operating expenses	225	183
Decrease in provision for loan losses	(5)	-
Amortization of bond issuance costs	16	21
Loss on early retirement of debt	22	-
	28,708	27,890
Operating income	3,889	5,402
Nonoperating revenue (expenses)		
Increase (decrease) in fair value of mortgage-backed securities	17,358	(5,987)
Total nonoperating revenue (expenses)	17,358	(5,987)
Transfers of funds, net, as permitted by the various bond indentures	(13,125)	(1,125)
Changes in net assets	8,122	(1,710)
Net assets - restricted at beginning of year	28,157	29,867
Net assets - restricted at end of year	\$ 36,279	\$ 28,157

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Principal and interest received on mortgage loans	\$ 22,645	\$ 24,399
Principal and interest received on mortgage-backed securities	29,040	28,310
Escrow funds received	3,563	5,064
Escrow funds paid	(5,417)	(10,739)
Loan fees and deferred income received	240	704
Purchase of mortgage loans	(18,249)	(15,601)
Purchase of mortgage-backed securities	(5,808)	(16,702)
Professional fees and other operating expenses	(225)	(183)
Other income received	105	303
	<u>25,894</u>	<u>15,555</u>
Cash flows from investing activities		
Proceeds from maturities or sales of investments	-	477
Interest received on investments	1,469	1,862
	<u>1,469</u>	<u>2,339</u>
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	16,490	30,390
Payments on bond principal	(15,550)	(23,225)
Reimbursement of bond costs	70	116
Interest on bonds	(27,874)	(27,489)
Transfers among Funds	(13,125)	(1,125)
	<u>(39,989)</u>	<u>(21,333)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(12,626)	(3,439)
Cash and cash equivalents on deposit with trustee at beginning of year	<u>68,945</u>	<u>72,384</u>
Cash and cash equivalents on deposit with trustee at end of year	<u>\$ 56,319</u>	<u>\$ 68,945</u>

(continued)

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2009 and 2008

	2009	2008
Reconciliation of operating income to net cash from operating activities		
Operating income	\$ 3,889	\$ 5,402
Adjustments to reconcile operating income to net cash provided by operating activities		
(Increase) decrease in assets		
Mortgage loans	(1,438)	2,655
Mortgage-backed securities	(1,356)	(12,743)
Accrued interest and other receivables	(37)	51
Due from other Funds	-	337
Increase (decrease) in liabilities		
Accrued interest payable	576	197
Accounts payable	-	(1)
Deposits by borrowers	(1,854)	(5,675)
Deferred income	(52)	(95)
Amortizations		
Deferred income on loans	(208)	(92)
Investment premiums	4	4
Deferred bond issuance costs	16	21
Loan fees deferred	134	311
Decrease in provision for loan losses	(5)	-
Increase in fair value of investments	(202)	(444)
Loss on early retirement of debt	22	-
Interest received on investments	(1,469)	(1,862)
Interest on bonds	27,874	27,489
	\$ 25,894	\$ 15,555

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2009 and 2008

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

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

The accompanying financial statements only include CDA's Housing Revenue Bonds (the Fund). CDA's other Funds are not included. The Fund was established to issue bonds to provide funds to finance or refinance loans for various types of housing. As of June 30, 2009 and 2008, Housing Revenue Bonds have primarily financed multi-family projects.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Generally Accepted Accounting Principles

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

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2009 and 2008, all of the Fund's cash equivalents were invested in a money market mutual fund which is more fully described in Note 3.

Investments

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

Mortgage-Backed Securities

These guaranteed securities are issued in connection with mortgage loans on multi-family projects. They are stated at fair value, based on quoted market prices. It is the intention of CDA to hold each of these securities to maturity or until the payoff of the related multi-family loan. Mortgage-backed securities are more fully described in Note 3.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of unamortized loan fees. Loan fees are deferred and amortized over the life of the related loans using the effective interest method. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as other receivables. See Notes 4 and 10 for additional information on mortgage loans and mortgage insurance, respectively.

Allowance for Loan Losses

Substantially all the mortgage loans of the Fund are insured or guaranteed. Less than 1% of the loan portfolio is uninsured and CDA has established an allowance for loan losses on these loans. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD's asset management group. See Notes 4 and 10 for additional information.

Accrued Interest and Other Receivables

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

Deferred Bond Issuance Costs

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

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from (to) Other Funds

Due from (to) other Funds records the pending transfers of cash between Funds which is primarily a result of receipts due to one fund, but received by another, as more fully described in Note 9.

Bonds Payable

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

Deposits by Borrowers

This account consists of escrows and reserves held by CDA on behalf of multi-family housing developments. CDA invests these deposits and, for reserves, allows earnings to accrue to the benefit of the mortgagor. Escrows represent amounts held by CDA for mortgage insurance and hazard insurance premiums and real estate taxes, all of which are generally paid annually and which are classified as a current liability. Based on the current year's reserve disbursements, CDA has estimated the current reserve liability. The balance of the reserves is classified as long-term. See Note 8 for further information on changes in long-term obligations.

Mortgage Yield Limitations

All mortgage loans are subject to yield limitations under the Internal Revenue Service Code (the Code) in order for the associated bonds to maintain their tax-exempt status. At the time of bond issuance and over the term of the bonds, CDA determines and maintains compliance with the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the Code. If at any time the composite yields on the transferred loans are out of compliance with the Code, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2009 and 2008, all mortgage loan yields were in compliance with the Code.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest on Mortgage Loans and Mortgage-Backed Securities

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

Fee Income

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

Administrative Support

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

The employees of CDA are covered by the Maryland State Retirement and Pension System and the costs of employees' retirement benefits are included in the salaries and related costs charged to CDA's General Bond Reserve Fund. See Note 11 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in conformity with GASB Statement No. 34. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the State of Maryland. The Fund's activities are considered to be operating except for increases and decreases in the fair value of mortgage-backed securities. It is the intention of CDA to hold these securities to maturity.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES

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

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

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

The following assets, reported at fair value and held by the Fund as of June 30, 2009 and 2008, are evaluated in accordance with GASB Statement No. 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2009	2008
Cash and cash equivalents:		
Federated Treasury Obligations Fund	\$ 56,319	\$ 68,945
Investments:		
Obligations of the U.S. Treasury	6,917	6,719
GNMA mortgage-backed securities	447,655	428,941
Total	\$ 510,891	\$ 504,605

Interest Rate Risk

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

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

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

As of June 30, 2009, the amortized cost, fair value and maturities for these assets were as follows:

Asset	Amortized cost	Fair value	Maturities (in years)				
			Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	\$ 56,319	\$ 56,319	\$ 56,319	\$ -	\$ -	\$ -	\$ -
Obligations of the U.S. Treasury	5,510	6,917	-	-	-	-	6,917
GNMA mortgage-backed securities	440,915	447,655	-	-	-	-	447,655
Total	<u>\$ 502,744</u>	<u>\$ 510,891</u>	<u>\$ 56,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 454,572</u>

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

Asset	Amortized cost	Fair value	Maturities (in years)				
			Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	\$ 68,945	\$ 68,945	\$ 68,945	\$ -	\$ -	\$ -	\$ -
Obligations of the U.S. Treasury	5,514	6,719	-	-	-	-	6,719
GNMA mortgage-backed securities	439,559	428,941	-	-	-	-	428,941
Total	<u>\$ 514,018</u>	<u>\$ 504,605</u>	<u>\$ 68,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,660</u>

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

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

The Federated Treasury Obligations Fund invests primarily in repurchase agreements collateralized by Treasury securities and U.S. Treasuries. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2009 and 2008, the cost of this money market mutual fund approximated fair value.

For mortgage-backed securities, it is the intention of CDA to hold the securities until the underlying loan is paid in full.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the Resolution require investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Resolution and CDA's Investment Policy, securities must be at a rating no lower than the rating on the bonds or, if an investment maintains only a short-term rating, a rating not less than F1/P-1; and financial institutions who are a counterparty to CDA in investment agreements must be rated at least comparable to the existing rating on CDA bonds unless counterparty ratings lower than the bond ratings are permitted and do not affect the ratings on the bonds. In addition, certain investment and repurchase agreements require counterparty ratings no less than the ratings on the bonds. As of June 30, 2009 and 2008, all counterparty ratings were at least equal to the ratings on the Fund's bonds. The ratings on Housing Revenue Bonds as of June 30, 2009 and 2008 were Aa2 by Moody's Investors Service and AA by Fitch Ratings. The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5 percent or more of total investments in accordance with GASB Statement No. 40.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

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

As of June 30, 2009, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	\$ 56,319	11.03%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed securities	447,655	87.62%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	<u>6,917</u>	<u>1.35%</u>		Direct U.S. Obligations	
Total	<u>\$ 510,891</u>	<u>100.00%</u>			

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

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	\$ 68,945	13.66%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed securities	428,941	85.01%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	<u>6,719</u>	<u>1.33%</u>		Direct U.S. Obligations	
Total	<u>\$ 504,605</u>	<u>100.00%</u>			

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2009 and 2008, the Fund’s investments were not subject to custodial credit risk under GASB Statement No. 40. CDA’s investments and collateralized securities are held in trust by the trustee or the trustee’s agent, kept separate from the assets of the bank and from other trust accounts and are held in CDA’s name.

NOTE 4 - MORTGAGE LOANS

All the mortgage loans are secured by first liens on the related property and approximately 98% are insured or credit enhanced by FHA, MHF, FHLMC, FNMA or GNMA. As of June 30, 2009 and 2008, interest rates on such loans range from 3.7% to 7.85% and 3.0% to 14.5%, respectively, with remaining loan terms ranging from less than 1 year to 40 years. For the years ended June 30, 2009 and 2008, an allowance for loan losses in the amount of \$43 and \$48 has been established for uninsured loans, respectively.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Accrued mortgage loan interest	\$ 661	\$ 573
Accrued investment interest	46	129
Accrued mortgage-backed securities interest	2,055	2,047
Negative arbitrage due from mortgagors	<u>75</u>	<u>51</u>
	<u>\$ 2,837</u>	<u>\$ 2,800</u>

NOTE 6 - BONDS PAYABLE

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

The provisions of the Resolution require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. All outstanding bonds are subject to optional redemption, in whole or in part at any time, after certain dates, as specified in the respective series resolutions. The prescribed optional redemption premiums range from 0% to 1% of the principal amount. All bonds are tax-exempt and have fixed interest rates.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2009 and the debt outstanding and bonds payable as of June 30, 2009:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2008	Bond Activity			Debt Outstanding at June 30, 2009	Discounts/premiums and other deferred costs	Bonds payable at June 30, 2009
					New bonds issued	Scheduled maturity payments	Bonds redeemed			
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.30% - 5.95%	2008 - 2023	\$ 27,160	\$ -	\$ (2,295)	\$ (2,925)	\$ 21,940	\$ -	\$ 21,940
Series 1996 B	11/01/96	5.30% - 5.95%	2008 - 2028	1,605	-	(60)	-	1,545	-	1,545
Series 1997 A	06/01/97	5.10% - 6.00%	2008 - 2039	34,500	-	(390)	-	34,110	-	34,110
Series 1997 B	09/01/97	4.95% - 5.75%	2008 - 2039	7,170	-	(80)	-	7,090	-	7,090
Series 1997 C	12/01/97	4.80% - 5.65%	2008 - 2039	13,035	-	(155)	-	12,880	-	12,880
Series 1998 A	04/01/98	4.80% - 5.625%	2008 - 2040	10,215	-	(125)	-	10,090	-	10,090
Series 1999 A	02/01/99	4.30% - 5.35%	2008 - 2041	15,375	-	(175)	-	15,200	-	15,200
Series 1999 B	10/15/99	5.30% - 6.40%	2008 - 2042	14,735	-	(205)	-	14,530	-	14,530
Series 1999 C	10/15/99	5.85% - 6.40%	2014 - 2040	490	-	(5)	-	485	-	485
Series 1999 D	12/01/99	5.30% - 6.35%	2008 - 2042	12,385	-	(385)	-	12,000	-	12,000
Series 2000 A	10/01/00	4.95% - 6.10%	2008 - 2042	26,345	-	(255)	-	26,090	-	26,090
Series 2001 A	07/01/01	4.45% - 5.625%	2008 - 2043	28,500	-	(320)	-	28,180	-	28,180
Series 2001 B	10/01/01	4.10% - 5.45%	2008 - 2043	44,620	-	(645)	-	43,975	-	43,975
Series 2002 A	03/01/02	4.40% - 5.70%	2008 - 2043	9,175	-	(85)	-	9,090	-	9,090
Series 2002 B	10/01/02	3.15% - 5.05%	2008 - 2045	32,580	-	(350)	-	32,230	-	32,230
Series 2002 C	10/01/02	3.15% - 5.00%	2008 - 2035	6,475	-	(100)	-	6,375	-	6,375
Series 2002 D	10/01/02	3.15% - 5.00%	2008 - 2035	8,020	-	(120)	-	7,900	-	7,900
Series 2003 A	04/01/03	3.00% - 5.22%	2008 - 2045	24,730	-	(700)	-	24,030	-	24,030
Series 2003 B	07/01/03	2.70% - 5.00%	2008 - 2045	17,150	-	(185)	-	16,965	-	16,965
Series 2003 C	09/01/03	3.00% - 5.90%	2008 - 2045	10,555	-	(95)	-	10,460	(6)	10,454
Series 2003 D	12/01/03	2.90% - 5.125%	2008 - 2045	11,850	-	(120)	-	11,730	-	11,730
Series 2004 A	01/01/04	2.65% - 5.10%	2008 - 2045	10,445	-	(215)	-	10,230	-	10,230
Series 2004 B	03/31/04	2.50% - 4.70%	2009 - 2046	20,320	-	-	-	20,320	-	20,320
Series 2004 C	06/10/04	4.00% - 5.40%	2010 - 2047	35,540	-	-	-	35,540	-	35,540
Series 2004 D	11/23/04	4.35% - 5.00%	2015 - 2037	1,745	-	(70)	-	1,675	-	1,675
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	6,325	-	(60)	-	6,265	-	6,265
Series 2005 B	04/21/05	3.15% - 5.10%	2008 - 2047	19,355	-	(190)	-	19,165	-	19,165
Series 2005 C	12/14/05	3.625% - 5.15%	2008 - 2047	13,985	-	(690)	-	13,295	-	13,295
Series 2006 A	04/27/06	3.70% - 5.05%	2008 - 2047	9,985	-	(40)	-	9,945	-	9,945
Series 2006 B	04/27/06	3.70% - 5.00%	2008 - 2039	3,265	-	(80)	-	3,185	-	3,185
Series 2006 C	04/27/06	3.50% - 4.75%	2008 - 2036	2,085	-	(40)	-	2,045	-	2,045
Series 2006 D	09/27/06	4.04% - 4.91%	2008 - 2048	8,000	-	(3,575)	-	4,425	-	4,425
Series 2007 A	06/14/07	3.85% - 4.95%	2010 - 2049	21,685	-	-	-	21,685	-	21,685
Series 2007 B	08/30/07	5.51%	2038	4,875	-	-	-	4,875	-	4,875
Series 2007 C	12/20/07	3.67% - 5.38%	2009 - 2043	2,310	-	(775)	-	1,535	-	1,535
Series 2008 A	05/29/08	5.24%	2038	5,845	-	(40)	-	5,805	-	5,805
Series 2008 B	05/29/08	3.70% - 5.63%	2010 - 2049	17,360	-	-	-	17,360	-	17,360
Series 2008 C	09/19/08	4.63% - 5.60%	2010 - 2048	-	11,380	-	-	11,380	-	11,380
Series 2008 D	12/18/08	4.00% - 6.75%	2011 - 2039	-	5,110	-	-	5,110	-	5,110
Total				\$ 539,795	\$ 16,490	\$ (12,625)	\$ (2,925)	\$ 540,735	\$ (6)	\$ 540,729

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

NOTE 6 - BONDS PAYABLE (Continued)

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

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2007	Bond Activity			Debt Outstanding at June 30, 2008	Discounts/premiums and other deferred costs	Bonds payable at June 30, 2008
					New bonds issued	Scheduled maturity payments	Bonds redeemed			
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.20% - 5.95%	2007 - 2023	\$ 42,115	\$ -	\$ (2,890)	\$ (12,065)	\$ 27,160	\$ -	\$ 27,160
Series 1996 B	11/01/96	5.20% - 5.95%	2007 - 2028	1,660	-	(55)	-	1,605	-	1,605
Series 1997 A	06/01/97	5.00% - 6.00%	2007 - 2039	34,870	-	(370)	-	34,500	-	34,500
Series 1997 B	09/01/97	4.85% - 5.75%	2007 - 2039	7,240	-	(70)	-	7,170	-	7,170
Series 1997 C	12/01/97	4.70% - 5.65%	2007 - 2039	13,180	-	(145)	-	13,035	-	13,035
Series 1998 A	04/01/98	4.70% - 5.625%	2007 - 2040	10,335	-	(120)	-	10,215	-	10,215
Series 1999 A	02/01/99	4.20% - 5.35%	2007 - 2041	15,540	-	(165)	-	15,375	-	15,375
Series 1999 B	10/15/99	5.20% - 6.40%	2007 - 2042	14,935	-	(200)	-	14,735	-	14,735
Series 1999 C	10/15/99	5.85% - 6.40%	2014 - 2040	500	-	(10)	-	490	-	490
Series 1999 D	12/01/99	5.20% - 6.35%	2007 - 2042	12,755	-	(370)	-	12,385	-	12,385
Series 2000 A	10/01/00	4.85% - 6.10%	2007 - 2042	26,590	-	(245)	-	26,345	-	26,345
Series 2001 A	07/01/01	4.25% - 5.625%	2007 - 2043	28,800	-	(300)	-	28,500	-	28,500
Series 2001 B	10/01/01	3.85% - 5.45%	2007 - 2043	45,250	-	(630)	-	44,620	-	44,620
Series 2002 A	03/01/02	4.20% - 5.70%	2007 - 2043	9,260	-	(85)	-	9,175	-	9,175
Series 2002 B	10/01/02	2.85% - 5.05%	2007 - 2045	33,275	-	(695)	-	32,580	-	32,580
Series 2002 C	10/01/02	2.85% - 5.00%	2007 - 2035	6,570	-	(95)	-	6,475	-	6,475
Series 2002 D	10/01/02	2.85% - 5.00%	2007 - 2035	8,135	-	(115)	-	8,020	-	8,020
Series 2003 A	04/01/03	3.00% - 5.22%	2008 - 2045	24,730	-	-	-	24,730	-	24,730
Series 2003 B	07/01/03	2.35% - 5.00%	2007 - 2045	17,660	-	(510)	-	17,150	-	17,150
Series 2003 C	09/01/03	2.70% - 5.90%	2007 - 2045	10,735	-	(180)	-	10,555	(6)	10,549
Series 2003 D	12/01/03	2.50% - 5.125%	2007 - 2045	12,080	-	(230)	-	11,850	-	11,850
Series 2004 A	01/01/04	2.30% - 5.10%	2007 - 2045	10,865	-	(420)	-	10,445	-	10,445
Series 2004 B	03/31/04	2.50% - 4.70%	2009 - 2046	20,320	-	-	-	20,320	-	20,320
Series 2004 C	06/10/04	4.00% - 5.40%	2010 - 2047	35,540	-	-	-	35,540	-	35,540
Series 2004 D	11/23/04	4.35% - 5.00%	2015 - 2037	1,810	-	(65)	-	1,745	-	1,745
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	6,385	-	(60)	-	6,325	-	6,325
Series 2005 B	04/21/05	3.15% - 5.10%	2008 - 2047	19,355	-	-	-	19,355	-	19,355
Series 2005 C	12/14/05	3.625% - 5.15%	2008 - 2047	13,985	-	-	-	13,985	-	13,985
Series 2006 A	04/27/06	3.65% - 5.05%	2007 - 2047	10,800	-	(40)	(775)	9,985	-	9,985
Series 2006 B	04/27/06	3.65% - 5.00%	2007 - 2039	4,800	-	(80)	(1,455)	3,265	-	3,265
Series 2006 C	04/27/06	3.45% - 4.75%	2007 - 2036	2,120	-	(35)	-	2,085	-	2,085
Series 2006 D	09/27/06	4.04% - 4.91%	2008 - 2048	8,000	-	-	-	8,000	-	8,000
Series 2007 A	06/14/07	3.80% - 4.95%	2009 - 2049	22,435	-	-	(750)	21,685	-	21,685
Series 2007 B	08/30/07	5.51%	2038	-	4,875	-	-	4,875	-	4,875
Series 2007 C	12/20/07	3.67% - 5.38%	2009 - 2043	-	2,310	-	-	2,310	-	2,310
Series 2008 A	05/29/08	5.24%	2038	-	5,845	-	-	5,845	-	5,845
Series 2008 B	05/29/08	3.70% - 5.63%	2010 - 2049	-	17,360	-	-	17,360	-	17,360
Total				<u>\$ 532,630</u>	<u>\$ 30,390</u>	<u>\$ (8,180)</u>	<u>\$ (15,045)</u>	<u>\$ 539,795</u>	<u>\$ (6)</u>	<u>\$ 539,789</u>

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2009, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2009 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 6) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Years ended June 30,	Interest	Principal
2010	\$ 28,418	\$ 8,810
2011	27,808	21,010
2012	27,059	11,110
2013	26,553	9,850
2014	26,053	10,770
2015 - 2019	121,759	54,160
2020 - 2024	108,162	53,160
2025 - 2029	92,622	65,620
2030 - 2034	72,864	83,035
2035 - 2039	47,937	102,480
2040 - 2044	20,639	89,010
2045 - 2049	3,150	31,405
2050 - 2054	9	315
Total	\$ 603,033	\$ 540,735

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

NOTE 7 - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2008, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2008 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 6) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Years ended June 30,	Interest	Principal
2009	\$ 27,703	\$ 12,750
2010	27,666	9,285
2011	27,087	17,470
2012	26,477	10,070
2013	25,984	10,040
2014 - 2018	121,602	55,635
2019 - 2023	107,994	50,720
2024 - 2028	93,403	61,135
2029 - 2033	75,015	77,630
2034 - 2038	51,822	96,845
2039 - 2043	24,868	94,215
2044 - 2048	4,874	42,060
2049 - 2053	85	1,940
Total	\$ 614,580	\$ 539,795

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

NOTE 8 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2009 and 2008, were as follows:

	<u>2009</u>	<u>2008</u>
Bonds payable		
Beginning balance	\$ 539,789	\$ 532,624
Additions	16,490	30,390
Reductions	<u>(15,550)</u>	<u>(23,225)</u>
Ending balance	540,729	539,789
Less due within one year	<u>(8,810)</u>	<u>(12,750)</u>
Total long-term bonds payable	<u>531,919</u>	<u>527,039</u>
Deposits by borrowers		
Beginning balance	11,604	17,279
Additions	3,563	5,064
Reductions	<u>(5,417)</u>	<u>(10,739)</u>
Ending balance	9,750	11,604
Less due within one year	<u>(2,833)</u>	<u>(4,202)</u>
Total long-term deposits by borrowers	<u>6,917</u>	<u>7,402</u>
Deferred income		
Beginning balance	5,768	5,863
Additions	106	56
Reductions	<u>(158)</u>	<u>(151)</u>
Ending balance	<u>5,716</u>	<u>5,768</u>
Total long-term deferred income	<u>5,716</u>	<u>5,768</u>
Total long-term liabilities	<u>\$ 544,552</u>	<u>\$ 540,209</u>

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

NOTE 9 - INTERFUND ACTIVITY

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

During the years ended June 30, 2009 and 2008, the Fund transferred the following amounts, as permitted, among Funds:

	<u>2009</u>	<u>2008</u>
Excess revenue transferred to Residential Revenue Bonds	\$ (12,000)	\$ -
Excess revenue transferred to the General Bond Reserve Fund	<u>(1,125)</u>	<u>(1,125)</u>
	<u>\$ (13,125)</u>	<u>\$ (1,125)</u>

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2009 and 2008

NOTE 10 - MORTGAGE INSURANCE

Approximately 98% of the Fund's mortgage loans are insured or credit enhanced as described in Note 4.

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

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

NOTE 11 - PENSION AND OTHER POST-RETIREMENT BENEFITS

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

NOTE 12 - COMMITMENTS

As of June 30, 2009, the Fund had commitments to purchase approximately \$6,240 in GNMA mortgage-backed securities. These securities will be purchased with the proceeds of bonds already issued to finance mortgage loans on multi-family projects. The interest rates on these securities range from 5.93% to 5.94%. The Fund also had commitments to fund mortgage loans from bond proceeds in the amount of \$2,904 with interest rates from 5.94% to 6.99%.

NOTE 13 - SUBSEQUENT EVENTS

CDA has evaluated subsequent events through September 24, 2009 which is the date of this report. There were no subsequent events as of the report date.

Community Development Administration
Housing Revenue Bonds

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

June 30, 2009 and 2008
(Unaudited)

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

For investments (obligations of the U.S. Treasury) held by the Fund as of June 30, 2009, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal year ended June 30,	Annual increases/ decreases	Cumulative total
1997	\$ (352)	\$ (352)
1998	\$ 832	\$ 480
1999	\$ (407)	\$ 73
2000	\$ 48	\$ 121
2001	\$ 193	\$ 314
2002	\$ 157	\$ 471
2003	\$ 889	\$ 1,360
2004	\$ (678)	\$ 682
2005	\$ 897	\$ 1,579
2006	\$ (866)	\$ 713
2007	\$ 48	\$ 761
2008	\$ 444	\$ 1,205
2009	\$ 202	\$ 1,407

Community Development Administration
Housing Revenue Bonds

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

June 30, 2009 and 2008
(Unaudited)

For mortgage-backed securities held by the Fund as of June 30, 2009, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and cost:

Fiscal year ended June 30,	Annual increases/ decreases	Cumulative total
2000	\$ (3,825)	\$ (3,825)
2001	\$ (3,291)	\$ (7,116)
2002	\$ 3,340	\$ (3,776)
2003	\$ 21,435	\$ 17,659
2004	\$ (11,126)	\$ 6,533
2005	\$ 12,879	\$ 19,412
2006	\$ (27,704)	\$ (8,292)
2007	\$ 3,661	\$ (4,631)
2008	\$ (5,987)	\$ (10,618)
2009	\$ 17,358	\$ 6,740

It is the intention of CDA to hold the mortgage-backed securities until the underlying loan is paid in full.