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COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS

JUNE 30, 2010

Community Development Administration
Revenue Obligation Funds

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying combined financial statements of the Community Development Administration Revenue Obligation Funds (the Funds) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2010, as listed in the table of contents. These combined financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

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

As discussed in Note 1, the combined financial statements present only the Community Development Administration Revenue Obligation Funds 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, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Community Development Administration Revenue Obligation Funds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Reznick Group, P.C.

Baltimore, Maryland
September 30, 2010

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET ASSETS
(in thousands)

June 30, 2010
(with comparative combined totals as of June 30, 2009)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2010	Combined 2009
RESTRICTED ASSETS							
Restricted current assets							
Cash and cash equivalents on deposit with trustee	$ 26,969	$ -	$ 50,355	$ 251,263	$ 14,322	$ 342,909	$ 407,225
Investments	17,397	-	-	69,280	16,012	102,689	21,199
Mortgage-backed securities	-	-	4,658	-	-	4,658	4,677
Mortgage loans							
Single family	8,291	-	23	22,516	-	30,830	32,902
Multi-family construction and permanent financing	-	-	2,883	1,818	380	5,081	4,687
Energy and rehabilitation	-	-	-	-	-	-	55
Accrued interest and other receivables	1,189	-	2,474	18,151	51	21,865	22,218
Claims receivable on foreclosed and other loans, net of allowance	775	-	-	78,454	-	79,229	27,328
Real estate owned	-	-	-	6,585	-	6,585	2,131
Deferred bond issuance costs	413	-	-	-	-	413	-
Due from other Funds	-	-	-	39	-	39	74
Total restricted current assets	55,034	-	60,393	448,106	30,765	594,298	522,496
Restricted long-term assets							
Investments, net of current portion	-	-	7,385	34,530	-	41,915	76,330
Mortgage-backed securities, net of current portion	-	-	432,425	-	-	432,425	442,978
Mortgage loans, net of current portion and allowance							
Single family	98,720	-	220	2,008,583	31	2,107,554	2,183,095
Multi-family construction and permanent financing	-	-	82,773	41,149	4,484	128,406	142,135
Accrued interest receivable, net of current portion	10	-	-	-	-	10	3
Other loan receivable	-	-	-	-	750	750	750
Deferred bond issuance costs, net of current portion	-	-	152	15,287	-	15,439	15,296
Deferred outflow on interest rate swap agreements (see Note 9)	-	-	-	32,630	-	32,630	-
Total restricted long-term assets	98,730	-	522,955	2,132,179	5,265	2,759,129	2,860,587
Total restricted assets	$ 153,764	$ -	$ 583,348	$ 2,580,285	$ 36,030	$ 3,353,427	$ 3,383,083

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET ASSETS - CONTINUED
(in thousands)

June 30, 2010
(with comparative combined totals as of June 30, 2009)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2010	Combined 2009
LIABILITIES AND NET ASSETS							
Current liabilities							
Accrued interest payable	$ 719	$ -	$ 13,371	$ 33,385	$ -	$ 47,475	$ 51,736
Accounts payable	66	-	-	397	1,162	1,625	638
Accrued workers' compensation	-	-	-	-	8	8	1
Accrued compensated absences	-	-	-	-	420	420	310
Due to State Treasurer	-	-	-	-	2,011	2,011	3,418
Rebate liability	-	-	-	725	-	725	1,078
Bonds payable	58,010	-	11,535	49,485	-	119,030	100,338
Deposits by borrowers	-	-	2,707	2,286	32	5,025	5,771
Due to other Funds	39	-	-	-	-	39	74
Total current liabilities	58,834	-	27,613	86,278	3,633	176,358	163,364
Long-term liabilities							
Accrued workers' compensation, net of current portion	-	-	-	-	41	41	8
Accrued compensated absences, net of current portion	-	-	-	-	356	356	354
Rebate liability, net of current portion	5,993	-	-	934	-	6,927	8,088
Bonds payable, net of current portion	-	-	491,699	2,170,123	-	2,661,822	2,761,518
Deposits by borrowers, net of current portion	-	-	7,114	2,882	19	10,015	10,039
Deferred income	-	-	5,229	-	-	5,229	5,716
Interest rate swap agreements (see Note 9)	-	-	-	32,630	-	32,630	-
Total long-term liabilities	5,993	-	504,042	2,206,569	416	2,717,020	2,785,723
Total liabilities	64,827	-	531,655	2,292,847	4,049	2,893,378	2,949,087
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-	-	-
NET ASSETS							
Restricted	88,937	-	51,693	287,438	31,981	460,049	433,996
Total liabilities and net assets	$ 153,764	$ -	$ 583,348	$ 2,580,285	$ 36,030	$ 3,353,427	$ 3,383,083

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

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

Year ended June 30, 2010
(with comparative combined totals as of June 30, 2009)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2010	Combined 2009
Operating revenue							
Interest on mortgage loans	$ 8,557	$ 366	$ 5,502	$ 124,540	$ 246	$ 139,211	$ 141,642
Interest on mortgage-backed securities	-	-	24,104	-	-	24,104	24,596
Interest income on investments, net of rebate	2,269	105	819	3,294	116	6,603	11,502
Increase (decrease) in fair value of investments, net of rebate	330	(1,762)	472	2,709	(53)	1,696	727
Increase on interest rate swap agreement termination (see Note 9)	-	-	-	15,305	-	15,305	-
Fee and deferred income	59	-	605	642	3,154	4,460	4,480
Other operating revenue	-	-	1	195	59	255	448
	11,215	(1,291)	31,503	146,685	3,522	191,634	183,395
Operating expenses							
Interest expense on bonds and short-term debt	3,723	1	27,821	102,544	-	134,089	142,703
Professional fees and other operating expenses	750	266	234	2,665	402	4,317	3,811
Salaries and related costs	-	-	-	-	8,665	8,665	7,849
General and administrative costs	-	-	-	-	3,705	3,705	4,650
Increase (decrease) in provision for loan losses	-	-	-	8,058	(7)	8,051	7,839
Origination expenses	1	-	-	2,962	-	2,963	2,331
Real estate owned expenses	46	-	-	1,060	-	1,106	116
Loss on foreclosure claims, net	18	-	-	274	1	293	47
Loss on real estate owned, net	108	-	-	367	-	475	50
Amortization of bond issuance costs	219	-	12	504	-	735	758
Loss (gain) on early retirement of debt	96	4	-	(2,220)	-	(2,120)	(1,890)
	4,961	271	28,067	116,214	12,766	162,279	168,264
Operating income (loss)	6,254	(1,562)	3,436	30,471	(9,244)	29,355	15,131
Nonoperating revenue							
Increase in fair value of mortgage-backed securities	-	-	13,103	-	-	13,103	17,358
Total nonoperating revenue	-	-	13,103	-	-	13,103	17,358
Transfers of funds, net, as permitted by the various bond indentures	(21,904)	(61,259)	(1,125)	80,020	3,168	(1,100)	(71)
CHANGES IN NET ASSETS	(15,650)	(62,821)	15,414	110,491	(6,076)	41,358	32,418
Net assets - restricted at beginning of year	104,587	62,821	36,279	192,252	38,057	433,996	401,578
Adjustment - interest rate exchange agreements (see Note 9)	-	-	-	(15,305)	-	(15,305)	-
Net assets - restricted at end of year	$ 88,937	$ -	$ 51,693	$ 287,438	$ 31,981	$ 460,049	$ 433,996

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS
(in thousands)

Year ended June 30, 2010
(with comparative combined totals as of June 30, 2009)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2010	Combined 2009
Cash flows from operating activities							
Principal and interest received on mortgage loans	$ 24,164	$ 1,036	$ 21,287	$ 202,241	$ 376	$ 249,104	$ 270,072
Principal and interest received on mortgage-backed securities	-	-	54,111	-	-	54,111	29,040
Escrow funds received	-	442	4,170	2,101	56	6,769	6,487
Escrow funds transferred	-	(5,566)	-	5,566	-	-	-
Escrow funds paid	-	(876)	(4,099)	(2,499)	(65)	(7,539)	(11,021)
Mortgage insurance claims received	882	-	-	38,242	-	39,124	11,259
Foreclosure expenses paid	(309)	-	-	(4,682)	-	(4,991)	(507)
Loan fees and deferred income received	1	-	131	282	3,138	3,552	4,119
Loan fees disbursed	(3)	-	-	(1,226)	-	(1,229)	(5,939)
Purchase of mortgage loans	(295)	-	(8,651)	(110,300)	(1,401)	(120,647)	(342,386)
Purchase of mortgage-backed securities	-	-	(6,222)	-	-	(6,222)	(5,808)
Transfer of mortgage loans, net of deferred fees	12,643	50,425	-	(63,068)	-	-	-
Professional fees and other operating expenses	(721)	(266)	(234)	(2,566)	(413)	(4,200)	(3,896)
Other income received	-	-	1	195	59	255	448
Salaries and related costs	-	-	-	-	(8,922)	(8,922)	(6,331)
General and administrative costs	-	-	-	-	(4,703)	(4,703)	(4,157)
Other reimbursements	158	-	-	(158)	748	748	(243)
Net cash provided by (used in) operating activities	36,520	45,195	60,494	64,128	(11,127)	195,210	(58,863)
Cash flows from investing activities							
Proceeds from maturities or sales of investments	58,941	2,000	-	93,995	39,657	194,593	217,927
Purchases of investments	(25,383)	-	-	(164,420)	(50,996)	(240,799)	(54,741)
Transfer of investments	-	5,564	-	(5,564)	-	-	-
Arbitrage rebates paid	-	(1,003)	-	-	-	(1,003)	(2,427)
Interest received on investments	3,441	228	898	2,607	134	7,308	13,690
Net cash provided by (used in) investing activities	36,999	6,789	898	(73,382)	(11,205)	(39,901)	174,449
Cash flows from noncapital financing activities							
Proceeds from sale of bonds	-	-	8,755	129,450	-	138,205	206,490
Payments on bond principal	(26,345)	(200)	(46,250)	(143,355)	-	(216,150)	(178,030)
Bond issuance costs	-	-	-	(1,894)	-	(1,894)	(1,557)
Reimbursement of bond costs	-	-	-	-	-	-	70
Interest on bonds and short-term debt	(4,028)	(2)	(28,736)	(105,920)	-	(138,686)	(140,443)
Transfers among Funds	(21,904)	(61,259)	(1,125)	80,020	3,168	(1,100)	(71)
Net cash (used in) provided by noncapital financing activities	(52,277)	(61,461)	(67,356)	(41,699)	3,168	(219,625)	(113,541)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	21,242	(9,477)	(5,964)	(50,953)	(19,164)	(64,316)	2,045
Cash and cash equivalents on deposit with trustee at beginning of year	5,727	9,477	56,319	302,216	33,486	407,225	405,180
Cash and cash equivalents on deposit with trustee at end of year	$ 26,969	$ -	$ 50,355	$ 251,263	$ 14,322	$ 342,909	$ 407,225

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS - CONTINUED
(in thousands)

Year ended June 30, 2010
(with comparative combined totals as of June 30, 2009)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2010	Combined 2009
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	$ 6,254	$ (1,562)	$ 3,436	$ 30,471	$ (9,244)	$ 29,355	$ 15,131
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Decrease (increase) in assets							
Mortgage loans	28,796	51,162	6,956	3,124	(1,268)	88,770	(172,898)
Mortgage-backed securities	-	-	23,675	-	-	23,675	(1,356)
Accrued interest and other receivables	733	506	363	(1,296)	40	346	(2,964)
Claims receivable on foreclosed and other loans	(187)	-	-	(57,096)	-	(57,283)	(23,012)
Real estate owned	-	-	-	(6,219)	-	(6,219)	(1,903)
Due from other Funds	74	-	-	(39)	-	35	176
(Decrease) increase in liabilities							
Accrued interest payable	(305)	(1)	(915)	(3,040)	-	(4,261)	2,635
Accounts payable	30	(5)	-	225	737	987	(345)
Accrued workers' compensation and compensated absences	-	-	-	-	152	152	193
Due to State Treasurer	-	-	-	-	(1,407)	(1,407)	1,818
Rebate liability	705	(1,014)	-	(1,205)	-	(1,514)	(2,834)
Deposits by borrowers	-	(6,000)	71	5,168	(9)	(770)	(4,534)
Deferred income	-	-	(487)	-	-	(487)	(52)
Due to other Funds	39	-	-	(74)	-	(35)	(176)
Amortizations							
Deferred income and expense on loans	(57)	-	(118)	2,320	-	2,145	1,485
Investment discounts and premiums	88	-	4	1,009	(40)	1,061	271
Bond original issue discounts and premiums	-	-	-	(336)	-	(336)	(375)
Deferred bond issuance costs	219	-	12	504	-	735	758
Loan fees and expenses deferred	(3)	-	131	(944)	-	(816)	(5,399)
Loan fees transferred	(23)	(434)	-	457	-	-	-
Increase (decrease) in provision for loan losses	-	-	-	8,058	(7)	8,051	7,839
Decrease (increase) in fair value of investments	6,338	1,762	(472)	(2,747)	53	4,934	1,119
Realized gains on investments sold	(6,864)	-	-	-	-	(6,864)	(1,730)
Arbitrage rebates paid	-	1,003	-	-	-	1,003	2,427
Loss (gain) on early retirement of debt	96	4	-	(2,220)	-	(2,120)	(1,890)
Increase on interest rate swap agreement termination	-	-	-	(15,305)	-	(15,305)	-
Interest received on investments	(3,441)	(228)	(898)	(2,607)	(134)	(7,308)	(13,690)
Interest on bonds and short-term debt	4,028	2	28,736	105,920	-	138,686	140,443
Net cash provided by (used in) operating activities	$ 36,520	$ 45,195	$ 60,494	$ 64,128	$ (11,127)	$ 195,210	$ (58,863)

See notes to combined financial statements

NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)

June 30, 2010

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 combined financial statements only include CDA's Revenue Obligation Funds (the Funds). CDA's other programs are not included. However, CDA has also separately issued combined financial statements for the Infrastructure Program Funds and financial statements for the newly created Single Family Housing Revenue Bonds and Multi-Family Mortgage Revenue Bonds indentures. The Revenue Obligation Funds, Infrastructure Program Funds, Single Family Housing Revenue Bonds and Multi-Family Mortgage Revenue Bonds are enterprise funds of the State of Maryland and are included in the State of Maryland's Comprehensive Annual Financial Report.

Within each Fund in the Revenue Obligation Funds are separate accounts maintained for each obligation in accordance with the respective indentures. The following summarizes each of the Funds.

Fund	Purpose
Single Family Program Bonds	To originate or purchase single family mortgage loans.
Multi-Family Housing Revenue Bonds	To provide construction and permanent financing for multi-family housing projects. As of June 30, 2010, all outstanding mortgage loans have been transferred to Residential Revenue Bonds.
Housing Revenue Bonds	To provide funds to finance or refinance loans for various types of housing. As of June 30, 2010, Housing Revenue Bonds have primarily financed multi-family projects.
Residential Revenue Bonds	To originate or purchase single family mortgage loans.

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION (Continued)

Fund	Purpose
General Bond Reserve Fund	To provide funds for payment of principal and interest on bonds and notes in the Revenue Obligation Funds to the extent revenues and assets specifically pledged are not sufficient. This Fund also provides for the payment of operating expenses of CDA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Revenue Obligation Funds are accounted for as enterprise funds. Accordingly, the accompanying combined 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). 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.

In accordance with accounting guidance issued by GASB, 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 Funds are restricted as to their use as all net assets are pledged to bondholders.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2010, all of the Funds' cash equivalents are 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of allowance and unamortized loan fees and expenses. Loan fees and expenses are deferred and amortized over the life of the related loans using the effective interest method. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as claims receivable. See Notes 4 and 15 for additional information on mortgage loans and mortgage insurance, respectively.

Accrued Interest and Other Receivables

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

Claims Receivable on Foreclosed and Other Loans

Claims receivable on foreclosed and other loans include insured loans that are in foreclosure or other loans with pending insurance claims, recorded net of allowance. These loans are primarily insured by U.S. Government Agencies or private mortgage insurers. Foreclosed loans insured by private mortgage insurers are held in this account until the insurer has made a final determination as to claim payment or transfer of the property to CDA.

Real Estate Owned

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses

Substantially all the mortgage loans of the Funds are insured or guaranteed by agencies of the U.S. Government, the Maryland Housing Fund (MHF), or private mortgage insurers. Primary coverage levels range from 25% to 100% of the loan. CDA also has secondary pool insurance for loans in Single Family Program Bonds. CDA has established an allowance for loan losses on the uninsured portions of multi-family loans and on single family loans with private mortgage insurance. CDA has also established an allowance for loan losses on single family loans with private mortgage insurance that are in foreclosure. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD's asset management group and a current assessment of probability and risk of loss due to default or deteriorating economic conditions. See Note 4 for additional information on allowance for loan losses.

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 Combined Statement of Revenue, Expenses and Changes in Net Assets. If unamortized original issue premiums exceeds unamortized deferred issuance costs and original issue discounts, CDA records a gain. However, in an economic refunding, CDA defers unamortized costs and redemption premiums as an offset to the new bonds as more fully described in Note 10.

Due from (to) Other Funds

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized deferred gain or loss for bonds refunded for economic purposes and original issue discounts or premiums. See Notes 6, 7, 8, 9, 10 and 12 for additional 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 12 for further information on changes in long-term obligations.

Rebate Liability on Investments

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Rate Exchange Agreements (Swaps)

Interest rate exchange agreements (swaps) are derivative instruments which are entered into as cash flow hedges to reduce exposure to identified financial risks associated with assets, liabilities or expected transactions or to lower the costs of borrowings and are considered to be hedging derivative instruments. Swaps are reported at fair value in the Statement of Net Assets and are tested quarterly for hedge effectiveness. Effectiveness is established if the changes in cash flows of the swaps substantially offset the changes in cash flows of the hedgeable items. The changes in fair values of the swaps that are determined to be effective hedges will be recognized as deferred inflows or outflows in the Statement of Net Assets. The changes in fair value of the swaps that are determined not to be effective hedges will be reported in the Statement of Revenue, Expenses and Changes in Net Assets. Accounting guidance issued by GASB has been adopted by CDA effective as of July 1, 2009 and CDA has applied the principle retrospectively, which is the application of a different accounting principle to one or more previously issued financial statements at the beginning of the current period, as if that principle had always been used. This has resulted in the restatement of beginning net assets for the period ended June 30, 2010 to recognize the changes in fair value of CDA's swaps as deferrals. As a result of this restatement, beginning net assets as of July 1, 2009 were decreased by $15,305. CDA's swaps are more fully described in Note 9.

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, 2010, all mortgage loan yields are in compliance with the Code.

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 and single family commitment fees at loan origination. These fees are deferred and amortized over the life of the loan. Tax credit fees and administrative fees are recorded as earned.

Origination Expenses

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

Administrative Support

In addition to expenses incurred directly by the Funds, 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. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

For the year ended June 30, 2010, the total costs charged to the General Bond Reserve Fund were:

Salaries and related costs	$	8,665
General and administrative costs		3,705
	$	12,370

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 discussed above. See Note 16 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the State of Maryland. CDA'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.

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 periods. Actual results could differ from these estimates.

Combined Totals

The totals of similar accounts of the various Funds in the accompanying combined financial statements are presented for information purposes only. The totals represent an aggregation of the Funds and do not represent consolidated financial information, as interfund balances are not eliminated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In March 2009, GASB issued the Accounting Standards Codification (Codification). Effective upon issuance, the Codification is the single source of authoritative accounting principles recognized by GASB to be applied by governmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of CDA's accounting policies. The adoption of the Codification did not have a material impact on CDA's financial position or results of operations.

In May 2009, FASB issued guidance regarding subsequent events, which was subsequently updated in February 2010. This guidance established general standards of accounting for and disclosure of events that occur after the date of the statement of net assets but before financial statements are issued or are available to be issued. In particular, this guidance sets forth the period after the date of the statement of net assets during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the date of the statement of net assets in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the date of the statement of net assets. This guidance was effective for financial statements issued for fiscal years and interim periods ending after June 15, 2009, and was therefore adopted by CDA for the period ending June 30, 2010. The adoption did not have a significant impact on the subsequent events that CDA reports, either through recognition or disclosure, in the combined financial statements. In February 2010, FASB amended its guidance on subsequent events for entities that are not SEC filers to disclose the date that the financial statements were available to be issued. This amendment was effective immediately. See Note 18 regarding the date through which subsequent events have been evaluated.

(in thousands)

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 respective indentures 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 notes, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, repurchase agreements, investment agreements, money market funds and certificates of deposit.

The following assets, reported at fair value and held by CDA at June 30, 2010, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

	Cash and Cash Equivalents		Total Cash and Cash Equivalents	Investments			Total Investments	Mortgage-backed Securities	
	Federated Treasury Obligations Fund	Obligations of U.S. Government Agencies		Obligations of the U.S. Treasury	Obligations of U.S. Government Agencies	Repurchase Agreements/ Investment Agreements		GNMA Mortgage -backed Securities	Total Cash, Investments and Mortgage-backed Securities
Single Family Program Bonds	$ 26,969	$ -	$ 26,969	$ -	$ -	$ 17,397	$ 17,397	$ -	$ 44,366
Multi-Family Housing Revenue Bonds	-	-	-	-	-	-	-	-	-
Housing Revenue Bonds	50,355	-	50,355	7,385	-	-	7,385	437,083	494,823
Residential Revenue Bonds	251,263	-	251,263	7,629	78,031	18,150	103,810	-	355,073
General Bond Reserve Fund	14,322	-	14,322	-	16,012	-	16,012	-	30,334
Total	$ 342,909	$ -	$ 342,909	$ 15,014	$ 94,043	$ 35,547	$ 144,604	$ 437,083	$ 924,596

(in thousands)

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

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.

As of June 30, 2010, the amortized cost, fair value and maturities for these assets were as follows:

			Maturities (in years)				
Asset	Amortized Cost	Fair Value	Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	$ 342,909	$ 342,909	$ 342,909	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	11,068	15,014	-	547	4,274	2,808	7,385
Obligations of U.S. Government Agencies	92,336	94,043	85,292	-	2,484	-	6,267
Repurchase agreements/ Investment agreements	35,547	35,547	17,397	-	-	-	18,150
Mortgage-backed Securities	417,240	437,083	-	-	-	-	437,083
Total	$ 899,100	$ 924,596	$ 445,598	$ 547	$ 6,758	$ 2,808	$ 468,885

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, 2010, the cost of the 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.

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

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 trust indentures 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 CDA's indentures and 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 in a specific indenture 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, 2010, all counterparty ratings were at least equal to the ratings on the bonds. The ratings on Single Family Program Bonds, Housing Revenue Bonds, and Residential Revenue Bonds as of June 30, 2010 were Aa2 by Moody's Investors Service. The ratings on Single Family Program Bonds and Residential Revenue Bonds as of June 30, 2010 were AA by Fitch Ratings. Housing Revenue Bonds was rated AA+ by Fitch as of June 30, 2010. 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 accounting guidance issued by GASB.

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

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

As of June 30, 2010, 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	$ 342,909	37.09%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed Securities	437,083	47.27%		Direct U.S. Obligation	
Obligations of the U.S. Treasury	15,014	1.62%		Direct U.S. Obligation	
Obligations of U.S. Government Agencies:					
Federal Home Loan Banks	47,025	5.09%		Aaa	Moody's
Federal Home Loan Mortgage Corporation	38,530	4.17%		Aaa	Moody's
Other government agencies	8,488	0.92%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
Counterparty rated Aa1 by Moody's	35,547	3.84%		Aaa	Moody's
Total	$ 924,596	100.00%			

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

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

All mortgage-backed securities held by CDA are guaranteed by the Government National Mortgage Association (GNMA), an instrumentality of the United States Government. GNMA securities are "fully modified pass-through" mortgage-backed securities which require monthly payments by a Federal Housing Administration (FHA) 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, 2010, CDA's investments were not subject to custodial credit risk under accounting guidance issued by GASB. 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

Substantially all single family mortgage loans are secured by first liens on the related property. Approximately 99% of all single family mortgage loans are credit enhanced through the FHA mortgage insurance programs, the Veterans Administration and USDA/RD guarantee programs, the Maryland Housing Fund (MHF) or by private mortgage insurance policies. As of June 30, 2010, interest rates on first lien single family loans range from 1.0% to 13.9%, with remaining loan terms ranging from less than 1 year to 40 years.

Approximately 99% of all multi-family construction and permanent mortgage loans outstanding are insured or credit enhanced by FHA, MHF, FHLMC, FNMA or GNMA. As of June 30, 2010, interest rates on the loans range from 2.75% to 12.0%, with remaining loan terms ranging from 2 years to 40 years.

(in thousands)

NOTE 4 - MORTGAGE LOANS (Continued)

For the year ended June 30, 2010, the mortgage loan and claims receivable balances and changes in the allowance for loan losses on the uninsured portions of multi-family loans and on single family loans with private mortgage insurance, including loans in foreclosure and other loans with pending insurance claims, were as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Mortgage loans	$ 107,011	$ -	$ 85,942	$ 2,084,546	$ 4,895	$ 2,282,394
Allowance for loan losses						
Beginning balance	-	-	43	9,569	7	9,619
Provision for loan losses	-	-	-	911	(7)	904
Ending balance	-	-	43	10,480	-	10,523
Mortgage loans, net	$ 107,011	$ -	$ 85,899	$ 2,074,066	$ 4,895	$ 2,271,871
Claims receivable on foreclosed and other loans	$ 775	$ -	$ -	$ 87,995	$ -	$ 88,770
Allowance for loan losses						
Beginning balance	-	-	-	2,872	-	2,872
Provision for loan losses	-	-	-	7,147	-	7,147
Charge offs	-	-	-	(478)	-	(478)
Ending balance	-	-	-	9,541	-	9,541
Claims receivable, net	$ 775	$ -	$ -	$ 78,454	$ -	$ 79,229

(in thousands)

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2010, were as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Accrued mortgage loan interest	$ 905	$ -	$ 483	$ 17,199	$ 20	$ 18,607
Accrued investment interest	294	-	46	952	5	1,297
Accrued mortgage-backed securities interest	-	-	1,945	-	-	1,945
Miscellaneous loan and other billings	-	-	-	-	26	26
	$ 1,199	$ -	$ 2,474	$ 18,151	$ 51	$ 21,875

NOTE 6 - SHORT-TERM DEBT

CDA issues short-term debt to preserve volume cap when prepayments and payments from mortgages exceed the demand for new mortgages. Proceeds of the short-term debt are used to refund and to pay at maturity prior series of bonds. At the time of the refunding, prepayments and repayments of mortgage loans financed by these prior bonds are transferred to accounts in the short-term series. CDA expects to make these funds available to purchase mortgage loans upon the maturity or earlier redemption of the short-term bonds with proceeds of additional long-term bonds. By issuing the short-term debt, CDA more closely matches the rates on the short-term debt with the rates on short-term investments. When there is sufficient mortgage demand, CDA issues long-term refunding bonds to redeem the short-term debt and the prepayments and repayments are used to fund new mortgages. For the year ended June 30, 2010, CDA did not issue any short-term debt.

NOTE 7 - BONDS PAYABLE

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

The provisions of the various bond indentures 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 indentures. The prescribed optional redemption premiums range from 0% to .5% of the principal amount.

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

<u>Residential Revenue Bonds</u>

2003 Series C; 2004 Series C, F and I; 2005 Series C; 2006 Series G and J; 2007 Series F, J and M; and 2008 Series D

The rate is set weekly by a remarketing agent so that the market value of the bonds is as close as possible to 100% of the principal amount of the bonds. In no event will the bonds bear interest at a rate in excess of 12%.

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

Residential Revenue Bonds 2006 Series S and 2007 Series B, E and I

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2010, and the debt outstanding and bonds payable as of June 30, 2010:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2009	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2010	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2010
Single Family Program Bonds										
1999 Second Series	12/01/98	4.55% - 4.80%	2010 - 2013	$ 17,290	$ -	$ (1,650)	$ (15,640)	$ -	$ -	$ -
1999 Third Series	12/01/98	4.70% - 5.125%	2010 - 2021	31,690	-	(2,290)	(935)	28,465	-	28,465
2001 First Series	03/01/01	4.40% - 4.95%	2010 - 2015	28,530	-	(4,315)	(240)	23,975	(503)	23,472
2001 Second Series	03/01/01	4.55% - 4.65%	2010 - 2011	1,025	-	(760)	(75)	190	(40)	150
2002 First Series	02/01/02	4.45% - 4.60%	2012 - 2013	4,060	-	-	(190)	3,870	(24)	3,846
2002 Second Series	02/01/02	4.50%	2024	2,390	-	-	(250)	2,140	(63)	2,077
Total				$ 84,985	$ -	$ (9,015)	$ (17,330)	$ 58,640	$ (630)	$ 58,010

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2009	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2010	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2010
Multi-Family Housing Revenue Bonds										
1998 Series A	11/01/98	5.15%	2029	$ 100	$ -	$ -	$ (100)	$ -	$ -	$ -
2001 Series A	10/01/01	5.10%	2028	100	-	-	(100)	-	-	-
Total				$ 200	$ -	$ -	$ (200)	$ -	$ -	$ -

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2009	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2010	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2010
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.50% - 5.95%	2010 - 2023	$ 21,940	$ -	$ (2,015)	$ -	$ 19,925	$ -	$ 19,925
Series 1996 B	11/01/96	5.875% - 5.95%	2016 - 2028	1,545	-	(60)	-	1,485	-	1,485
Series 1997 A	06/01/97	5.20% - 6.00%	2009 - 2039	34,110	-	(410)	-	33,700	-	33,700
Series 1997 B	09/01/97	5.00% - 5.75%	2009 - 2039	7,090	-	(125)	-	6,965	-	6,965
Series 1997 C	12/01/97	4.90% - 5.65%	2009 - 2039	12,880	-	(160)	-	12,720	-	12,720
Series 1998 A	04/01/98	4.90% - 5.625%	2009 - 2040	10,090	-	(130)	(9,960)	-	-	-
Series 1999 A	02/01/99	4.40% - 5.35%	2009 - 2041	15,200	-	(180)	-	15,020	-	15,020
Series 1999 B	10/15/99	5.40% - 6.40%	2009 - 2042	14,530	-	(220)	-	14,310	-	14,310
Series 1999 C	10/15/99	5.85% - 6.40%	2014 - 2040	485	-	(5)	-	480	-	480
Series 1999 D	12/01/99	5.40% - 6.35%	2009 - 2042	12,000	-	(620)	(5,175)	6,205	-	6,205
Series 2000 A	10/01/00	5.05% - 6.10%	2009 - 2042	26,090	-	(265)	-	25,825	-	25,825
Series 2001 A	07/01/01	4.60% - 5.625%	2009 - 2043	28,180	-	(330)	-	27,850	-	27,850
Series 2001 B	10/01/01	4.25% - 5.45%	2009 - 2043	43,975	-	(655)	-	43,320	-	43,320
Series 2002 A	03/01/02	4.60% - 5.70%	2009 - 2043	9,090	-	(90)	-	9,000	-	9,000
Series 2002 B	10/01/02	3.40% - 5.05%	2009 - 2045	32,230	-	(350)	-	31,880	-	31,880
Series 2002 C	10/01/02	3.40% - 5.00%	2009 - 2035	6,375	-	(105)	-	6,270	-	6,270
Series 2002 D	10/01/02	3.40% - 5.00%	2009 - 2035	7,900	-	(130)	-	7,770	-	7,770
Series 2003 A	04/01/03	3.35% - 5.22%	2009 - 2045	24,030	-	(245)	-	23,785	-	23,785
Series 2003 B	07/01/03	3.00% - 5.00%	2009 - 2045	16,965	-	(190)	-	16,775	-	16,775
Series 2003 C	09/01/03	3.375% - 5.90%	2009 - 2045	10,460	-	(100)	-	10,360	(6)	10,354
Series 2003 D	12/01/03	3.15% - 5.125%	2009 - 2045	11,730	-	(120)	-	11,610	-	11,610
Series 2004 A	01/01/04	2.95% - 5.10%	2009 - 2045	10,230	-	(215)	(10,015)	-	-	-
Series 2004 B	03/31/04	2.50% - 4.70%	2009 - 2046	20,320	-	(860)	-	19,460	-	19,460
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	1,675	-	(75)	-	1,600	-	1,600
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	6,265	-	(60)	-	6,205	-	6,205
Series 2005 B	04/21/05	3.50% - 5.10%	2009 - 2047	19,165	-	(335)	-	18,830	-	18,830
Series 2005 C	12/14/05	3.70% - 5.15%	2009 - 2047	13,295	-	(340)	-	12,955	-	12,955
Series 2006 A	04/27/06	3.875% - 5.05%	2009 - 2047	9,945	-	(150)	-	9,795	-	9,795
Series 2006 B	04/27/06	3.875% - 5.00%	2009 - 2039	3,185	-	(110)	-	3,075	-	3,075
Series 2006 C	04/27/06	3.60% - 4.75%	2009 - 2036	2,045	-	(40)	-	2,005	-	2,005
Series 2006 D	09/27/06	4.91%	2048	4,425	-	-	-	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	5.38%	2043	1,535	-	(15)	-	1,520	-	1,520
Series 2008 A	05/29/08	5.24%	2038	5,805	-	(85)	-	5,720	-	5,720
Series 2008 B	05/29/08	3.70% - 5.63%	2010 - 2049	17,360	-	(20)	(7,060)	10,280	-	10,280
Series 2008 C	09/19/08	4.63% - 5.60%	2010 - 2048	11,380	-	-	(4,000)	7,380	-	7,380
Series 2008 D	12/18/08	4.00% - 6.75%	2011 - 2039	5,110	-	-	(1,230)	3,880	-	3,880
Series 2009 A	11/24/09	2.75% - 5.25%	2011 - 2041	-	8,755	-	-	8,755	-	8,755
Total				$ 540,735	$ 8,755	$ (8,810)	$ (37,440)	$ 503,240	$ (6)	$ 503,234

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2009	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2010	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2010
Residential Revenue Bonds										
1998 Series A	01/01/98	4.70% - 5.05%	2010 - 2017	$ 3,570	$ -	$ -	$ (1,940)	$ 1,630	$ -	$ 1,630
1998 Series D	12/01/98	4.55% - 5.25%	2009 - 2029	30,575	-	(1,515)	(1,785)	27,275	-	27,275
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	05/01/99	4.65% - 5.40%	2009 - 2031	29,010	-	(1,145)	(2,595)	25,270	(4)	25,266
1999 Series H	12/01/99	6.15%	2025	9,420	-	-	(9,420)	-	-	-
2000 Series F	08/01/00	4.70% - 4.90%	2009 - 2011	3,920	-	(1,425)	(1,980)	515	-	515
2001 Series A	03/01/01	4.30% - 5.00%	2009 - 2017	10,770	-	(950)	(995)	8,825	-	8,825
2001 Series B	03/01/01	4.65% - 5.45%	2011 - 2032	19,180	-	-	(10,850)	8,330	-	8,330
2001 Series E	06/01/01	4.35% - 4.65%	2009 - 2012	5,095	-	(1,530)	(2,785)	780	-	780
2001 Series G	08/15/01	4.00% - 4.20%	2009 - 2011	3,825	-	(1,015)	(1,375)	1,435	-	1,435
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	32,845	-	-	(795)	32,050	-	32,050
2003 Series A	11/01/03	2.875% - 4.05%	2009 - 2015	6,420	-	(825)	-	5,595	-	5,595
2003 Series B	11/01/03	4.75% - 5.00%	2019 - 2026	5,240	-	-	(785)	4,455	198	4,653
2003 Series C	12/09/03	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series A	05/13/04	3.00% - 4.20%	2009 - 2016	8,390	-	(930)	-	7,460	-	7,460
2004 Series B	05/13/04	5.00%	2023 - 2028	7,405	-	-	(1,095)	6,310	209	6,519
2004 Series C	05/13/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series D	08/12/04	3.25% - 4.40%	2009 - 2016	9,870	-	(1,085)	-	8,785	-	8,785
2004 Series E	08/12/04	5.15% - 5.25%	2023 - 2030	14,385	-	-	(1,265)	13,120	254	13,374
2004 Series F	08/12/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series G	11/10/04	2.55% - 3.65%	2009 - 2016	10,150	-	(1,145)	-	9,005	-	9,005
2004 Series H	11/10/04	4.55% - 5.00%	2023 - 2029	13,555	-	-	(1,750)	11,805	354	12,159
2004 Series I	11/10/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series A	03/30/05	2.95% - 3.90%	2009 - 2016	10,415	-	(1,160)	-	9,255	-	9,255
2005 Series B	03/30/05	4.55% - 5.25%	2023 - 2029	19,985	-	-	(1,360)	18,625	414	19,039
2005 Series C	03/30/05	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series D	11/10/05	3.25% - 4.05%	2009 - 2017	11,390	-	(1,100)	-	10,290	-	10,290
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	40,565	-	-	(1,820)	38,745	561	39,306
2006 Series A	02/23/06	3.375% - 4.10%	2009 - 2017	10,995	-	(1,065)	-	9,930	-	9,930
2006 Series B	02/23/06	4.75% - 5.50%	2025 - 2037	42,800	-	-	(1,190)	41,610	553	42,163
2006 Series E	05/24/06	3.60% - 4.35%	2009 - 2017	21,555	-	(2,060)	-	19,495	-	19,495
2006 Series F	05/24/06	4.80% - 6.00%	2021 - 2039	49,120	-	-	(3,195)	45,925	1,684	47,609
2006 Series G	05/24/06	Variable rate	2040	40,000	-	-	-	40,000	-	40,000
2006 Series H	07/13/06	3.70% - 4.15%	2009 - 2017	16,185	-	(1,540)	-	14,645	-	14,645
2006 Series I	07/13/06	3.875% - 6.00%	2009 - 2041	127,965	-	(1,535)	(7,380)	119,050	3,006	122,056
2006 Series J	07/13/06	Variable rate	2040	60,000	-	-	-	60,000	-	60,000
2006 Series K	09/14/06	3.65% - 4.15%	2009 - 2017	13,750	-	(1,295)	-	12,455	-	12,455
2006 Series L	09/14/06	3.90% - 5.75%	2009 - 2041	157,255	-	(1,375)	(7,435)	148,445	2,166	150,611
2006 Series O	12/13/06	3.45% - 3.85%	2009 - 2017	9,160	-	(875)	-	8,285	-	8,285
2006 Series P	12/13/06	3.85% - 5.75%	2009 - 2037	80,635	-	(1,445)	(2,195)	76,995	1,407	78,402
2006 Series S	12/13/06	6.07%	2037	23,410	-	-	(1,235)	22,175	-	22,175

(continued)

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2009	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2010	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2010
Residential Revenue Bonds (continued)										
2007 Series A	03/28/07	3.75% - 5.75%	2009 - 2047	$ 262,285	$ -	$ (1,535)	$ (10,660)	$ 250,090	$ 8,112	$ 258,202
2007 Series B	03/28/07	6.00%	2037	28,830	-	-	(1,415)	27,415	-	27,415
2007 Series C	06/20/07	3.60% - 3.95%	2009 - 2017	45,000	-	(3,585)	-	41,415	-	41,415
2007 Series D	06/20/07	4.65% - 5.50%	2022 - 2048	168,185	-	-	(6,685)	161,500	2,869	164,369
2007 Series E	06/20/07	4.93% - 6.11%	2009 - 2042	48,170	-	(1,215)	-	46,955	-	46,955
2007 Series F	06/20/07	Variable rate	2031	48,240	-	-	(3,935)	44,305	-	44,305
2007 Series G	08/09/07	3.70% - 4.30%	2009 - 2017	56,480	-	(5,320)	(280)	50,880	-	50,880
2007 Series H	08/09/07	4.95% - 5.20%	2022 - 2048	62,515	-	-	(250)	62,265	-	62,265
2007 Series I	08/09/07	5.28% - 6.56%	2009 - 2043	61,930	-	(1,345)	-	60,585	-	60,585
2007 Series J	08/09/07	Variable rate	2031	60,415	-	-	(4,025)	56,390	-	56,390
2007 Series K	12/12/07	3.25% - 3.85%	2009 - 2017	29,795	-	(2,880)	(765)	26,150	-	26,150
2007 Series M	12/12/07	Variable rate	2043	29,550	-	-	(500)	29,050	-	29,050
2008 Series A	06/19/08	2.20% - 4.00%	2009 - 2017	59,530	-	(2,000)	(1,820)	55,710	-	55,710
2008 Series B	09/04/08	1.95% - 4.20%	2009 - 2017	19,770	-	(1,935)	(555)	17,280	-	17,280
2008 Series C	09/04/08	4.45% - 5.65%	2019 - 2048	79,560	-	-	(2,410)	77,150	-	77,150
2008 Series D	09/04/08	Variable rate	2038	50,000	-	-	-	50,000	-	50,000
2008 Series E	12/17/08	2.95% - 4.55%	2010 - 2017	21,500	-	-	-	21,500	-	21,500
2008 Series F	12/17/08	4.75% - 5.90%	2018 - 2038	18,500	-	-	-	18,500	-	18,500
2009 Series A	09/24/09	0.65% - 5.05%	2010 - 2039	-	40,000	-	-	40,000	-	40,000
2009 Series B	10/08/09	0.65% - 4.75%	2010 - 2039	-	45,000	-	-	45,000	-	45,000
2009 Series C	10/27/09	0.45% - 4.55%	2010 - 2039	-	15,985	-	-	15,985	-	15,985
2010 Series A	06/09/10	3.95% - 4.45%	2018 - 2021	-	28,465	-	-	28,465	-	28,465
Total				$ 2,211,730	$ 129,450	$ (44,830)	$ (98,525)	$ 2,197,825	$ 21,783	$ 2,219,608

(in thousands)

NOTE 8 - DEBT SERVICE REQUIREMENTS

As of June 30, 2010, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2010 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 7) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

For the Year Ended June 30,	Single Family Program Bonds Interest	Single Family Program Bonds Principal	Multi-Family Housing Revenue Bonds Interest	Multi-Family Housing Revenue Bonds Principal	Housing Revenue Bonds Interest	Housing Revenue Bonds Principal	Residential Revenue Bonds Interest	Residential Revenue Bonds Principal
2011	$ 795	$ 58,640	$ -	$ -	$ 26,518	$ 11,535	$ 88,469	$ 49,485
2012	-	-	-	-	26,014	10,405	86,880	55,330
2013	-	-	-	-	25,531	9,380	84,770	57,620
2014	-	-	-	-	25,054	10,275	82,428	62,995
2015	-	-	-	-	24,529	10,535	79,848	65,995
2016 - 2020	-	-	-	-	114,613	49,965	355,861	345,670
2021 - 2025	-	-	-	-	101,652	52,555	287,657	269,370
2026 - 2030	-	-	-	-	86,219	66,070	227,064	262,850
2031 - 2035	-	-	-	-	66,341	84,055	162,825	400,710
2036 - 2040	-	-	-	-	41,191	99,185	82,860	436,515
2041 - 2045	-	-	-	-	15,619	79,755	24,124	171,755
2046 - 2050	-	-	-	-	1,669	19,525	1,779	19,530
Totals	$ 795	$ 58,640	$ -	$ -	$ 554,950	$ 503,240	$ 1,564,565	$ 2,197,825

The interest calculations on outstanding variable rate bonds in the amounts of $379,745 in Residential Revenue Bonds are based on the variable rates in effect on June 30, 2010 and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary. See Note 9 for additional information on interest rate exchange agreements (swaps) associated with the variable rate debt in Residential Revenue Bonds.

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS)

Objective of the Swaps

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

(in thousands)

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

Terms and Fair Value

The terms, including the fair values of the outstanding swaps as of June 30, 2010, are provided in the table below. The counterparty credit ratings for all outstanding swaps as of June 30, 2010 are listed under the Credit Risk section. For each of the outstanding swap agreements the variable rates are reset monthly, and it is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds. The fair values are based on the market values and are affirmed by an independent advisor who used valuation methods and assumptions in accordance with accounting guidance issued by GASB.

Swap Counter-party	**Associated Bond Issue**	**Original Notional Amount**	**Outstanding Notional Amount**	**Effective Date**	**Fixed Rate Paid**	**Variable Rate Received (1)**	**Fair Value**	**Swap Final Termination Date**
JPMorgan Chase Bank, N.A. (JPM)	2004 Series I	$20,000	$20,000	9/1/2005	3.8525%	64% of LIBOR plus .29%	($1,185)	9/1/2035 (2)(7)
UBS AG	2006 Series G	$40,000	$40,000	5/24/2006	4.4030%	64% of LIBOR plus .29%	($4,560)	9/1/2040 (3)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$40,000	$40,000	7/13/2006	4.4030%	64% of LIBOR plus .29%	($4,540)	9/1/2040 (3)(7)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$20,000	$20,000	7/13/2006	4.4550%	64% of LIBOR plus .29%	($2,480)	9/1/2040 (3)(7)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	$46,485 (amended)	$44,305	10/27/2009 (amended)	4.4300% (amended)	64% of LIBOR plus .22% (amended)	($5,285)	3/1/2026 (4)(6)(9)(12)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	$58,680 (amended)	$56,390	9/1/2009 (amended)	4.8350% (amended)	64% of LIBOR plus .22% (amended)	($7,840)	9/1/2025 (4)(6)(9)(10)
The Bank of New York Mellon (BNYM)	2007 Series M	$26,990 (amended)	$24,860	10/8/2009 (amended)	4.3350% (amended)	64% of LIBOR plus .22% (amended)	($2,240)	9/1/2043 (5)(6)(11) (13)
Merrill Lynch Derivative Products AG (MLDP)	2008 Series D	$50,000	$50,000	9/4/2008	3.6880%	64% of LIBOR plus .31%	($4,500)	9/1/2038 (8)(9)

Notes to Table on next page

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

Notes to Table

(1) "LIBOR" means the 1 month London Interbank Offered Rate.

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

(3) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2016 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(4) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2017 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(5) CDA has the option to terminate a portion of this interest rate swap transaction without any termination payment up to the Maximum Optional Early Termination Amounts on each March 1 and September 1 until September 1, 2017. CDA has exercised its option to partially terminate the notional amount of this interest rate swap in the amount of $2,060 effective September 1, 2009 and $1,515 effective March 1, 2010. CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2017 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(6) The outstanding notional amount reflects the amount that has been amortized as of March 1, 2010.

(7) On May 14, 2009, all swap agreements with Bear Stearns Financial Products Inc. were assigned to JPMorgan Chase Bank, N.A. All terms and conditions of the contracts remain in force.

(8) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2018 and on each March 1 and September 1 thereafter (Optional Par Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(9) On January 1, 2009, Bank of America Corporation acquired Merrill Lynch & Co., Inc. Notwithstanding this acquisition, Merrill Lynch Derivative Products AG remains in existence and continues as a swap provider on this swap agreement.

(10) On September 24, 2009, 2007 Series J bonds, with an outstanding balance of $58,680, were remarketed and the related swap agreement was amended effective September 1, 2009.

(11) On October 8, 2009, 2007 Series M bonds, with an outstanding balance of $29,050, were remarketed and the related swap agreement with an outstanding balance of $26,990 was amended effective October 8, 2009 (refer to note 5 above). The Bank of New York Mellon replaced UBS AG as counterparty to the agreement.

(12) On October 27, 2009, 2007 Series F bonds, with an outstanding balance of $46,485, were remarketed and the related swap agreement was amended effective October 27, 2009.

(13) Subsequent to June 30, 2010, CDA exercised its option and partially terminated the interest rate swap in the amount of $1,735 effective September 1, 2010.

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

Basis Risk

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

Credit Risk

Credit risk is the risk that a swap counterparty will not fulfill its obligations. The fair value of the swaps represented CDA's credit exposure to each counterparty as of June 30, 2010. CDA was not exposed to credit risk under the swap agreements with JPM, UBS AG, MLDP or BNYM since the fair value of each counterparty's swap portfolio was negative. However, should the valuation of any of the individual swaps change, and the fair values turn positive, CDA may become exposed to credit risk in the amount of the swaps' fair values. To mitigate the potential for credit risk, the fair value of the swaps will be fully collateralized by the counterparties if a counterparty's credit quality falls below the designated credit rating thresholds.

(in thousands)

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

The credit rating details for each swap counterparty, including credit rating thresholds, and the total fair value amounts as of June 30, 2010 are summarized below:

Swap Counterparty	Outstanding Notional Amount	Current Credit Rating	Collateral Posting Credit Rating Threshold	Fair Value
JPMorgan Chase Bank, N.A. (JPM)	$80,000	Aa1 from Moody's AA- from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's	($8,205)
UBS AG	$40,000	Aa3 from Moody's A+ from Standard and Poor's A+ from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($4,560)
Merrill Lynch Derivative Products AG (MLDP)	$150,695	Aa3 from Moody's AAA from Standard and Poor's AAA from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($17,625)
The Bank of New York Mellon (BNYM)	$24,860	Aaa from Moody's AA- from Fitch	A1 or below from Moody's or A+ or below from Fitch	($2,240)

Termination Risk

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

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

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

Rollover Risk

CDA is exposed to rollover risk on the swap agreements if the agreement terminates prior to the maturity of the associated debt. CDA evaluates the range of reasonably expected repayment patterns for the financed assets to best match the swap schedule. Terminating an existing swap may enable CDA to enter a new swap or other financing mechanism that may be better tailored to the actual financed assets and repayment experience. It is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds.

Amortization Risk

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

Tax Risk

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

(in thousands)

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

Counterparty Risk

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

Swap Payments and Associated Debt

The following table provides a summary of debt service requirements for hedged variable rate bonds and net swap payments for the next five years and in 5-year increments thereafter. The interest calculations are based on the variable rates in effect on June 30, 2010, and may not be indicative of the actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year ending	Hedged Variable Rate Bonds		Interest Rate	
June 30,	Principal	Interest	Swaps, Net	Total
2011	$ 110	$ 901	$ 11,303	$ 12,314
2012	-	919	10,818	11,737
2013	-	915	10,365	11,280
2014	-	916	9,958	10,874
2015	-	916	9,588	10,504
2016 - 2020	6,695	4,552	41,814	53,061
2021 - 2025	9,560	4,385	33,236	47,181
2026 - 2030	21,555	4,175	28,606	54,336
2031 - 2035	148,505	2,554	20,628	171,687
2036 - 2040	77,365	997	8,944	87,306
2041 - 2045	31,765	247	912	32,924
Totals	$ 295,555	$ 21,477	$ 186,172	$ 503,204

(in thousands)

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

Fair Values

The table below summarizes the total fair values for CDA's interest rate exchange agreements at June 30, 2009 and June 30, 2010, and the changes in fair values for the period ending June 30, 2010.

	Total Fair Value at June 30, 2009	Total Fair Value at June 30, 2010	Change in Fair Value for the Period
Interest Rate Exchange Agreements:			
Cash Flow Hedges	$ (14,150)	$ (32,630)	$ (18,480)
Investment Derivatives	(15,305)	-	15,305
Total	$ (29,455)	$ (32,630)	$ (3,175)

In accordance with accounting guidance issued by GASB, the fair value balances of derivative instruments (interest rate exchange agreements) outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments as presented on the financial statements for the period ending June 30, 2010, are as follows:

	Change in Fair Value		Fair Value at June 30, 2010		Outstanding Notional Amounts
	Classification	Amount	Classification	Amount	
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	$ (18,480)	Debt	$ (32,630)	$ 295,555
Investment Derivatives:					
Pay fixed interest rate swaps	Investment Revenue	$ 15,305	Investment	$ -	$ -

At June 30, 2009, CDA determined that 2007 Series F, J and M interest rate swaps did not meet the criteria for effectiveness. Therefore, the swap fair values in the amount of $15,305 were classified as investment revenue.

As of June 30, 2010, CDA had terminated the original swap agreements for the 2007 Series F, J and M swaps. The new agreements were restructured based on the remarketing of the underlying bonds from taxable to tax-exempt. As of June 30, 2010, 2007 Series F, J and M swaps do meet the criteria for effectiveness and the swap fair values are classified as deferred outflow.

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

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on each future net settlement on the swaps.

NOTE 10 - BOND REFUNDINGS

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

For current refundings of debt in an optional redemption, CDA replaces previously issued bonds with lower cost debt. This type of transaction is commonly known as an economic refunding. In economic refundings, CDA defers the difference between the reacquisition price (i.e., the principal of the old debt, plus the call premium) and the net carrying amount of the old debt (i.e., the amount due at maturity, adjusted for any unamortized premium or discount and issuance costs related to the old debt) as an offset to the new bonds on the accompanying Combined Statement of Net Assets in accordance with accounting guidance issued by GASB. This deferral is amortized, using the effective interest method, over the remaining life of the old debt or the life of the new debt, whichever is shorter. For the year ended June 30, 2010, CDA issued Residential Revenue Bonds 2010 Series A on June 9, 2010 which refunded Single Family Program 1999 Third Series bonds. The 1999 Third Series bonds were not redeemed in full until July 9, 2010; therefore, the cost savings will be recognized next fiscal year including all deferrals as an offset to the new bonds.

(in thousands)

NOTE 11 - REBATE LIABILITY

In accordance with the Internal Revenue Service Code (the Code), CDA has recorded a rebate liability for excess investment earnings in tax-exempt bonds and notes issued after 1981. The excess investment earnings arise due to actual investment yields earned by CDA being greater than yields permitted to be retained by CDA under the Code. The Code requires 90% of such excess investment earnings to be remitted to the United States Treasury every five years and in full at the final redemption of the bonds. Interest income on the Combined Statement of Revenue, Expenses and Changes in Net Assets is reduced by the rebate liability due to excess investment earnings. The increase/decrease in fair value of investments on the Combined Statement of Revenue, Expenses and Changes in Net Assets is adjusted by the change in the estimated rebate liability due to change in fair value of investments. CDA has no rebate liability from interest income or from unrealized gains on mortgage-backed securities.

Rebate liability activity for the year ended June 30, 2010, was as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Rebate liability as of June 30, 2009	$ 5,288	$ 1,014	$ -	$ 2,864	$ -	$ 9,166
Change in estimated liability due to excess investment earnings	509	(11)	-	(1,243)	-	(745)
Change in estimated liability due to change in fair value of investments	196	-	-	38	-	234
Less - payments made	-	(1,003)	-	-	-	(1,003)
Rebate liability as of June 30, 2010	$ 5,993	$ -	$ -	$ 1,659	$ -	$ 7,652

Community Development Administration
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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 11 - REBATE LIABILITY (Continued)

Total rebate liability is allocated as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Estimated liability due to excess investment earnings	$ 1,144	$ -	$ -	$ 1,601	$ -	$ 2,745
Estimated liability due to change in fair value of investments	4,849	-	-	58	-	4,907
Rebate liability as of June 30, 2010	$ 5,993	$ -	$ -	$ 1,659	$ -	$ 7,652

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2010, were as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Workers' compensation						
Beginning balance at 6/30/2009	$ -	$ -	$ -	$ -	$ 9	$ 9
Additions	-	-	-	-	55	55
Reductions	-	-	-	-	(15)	(15)
Ending balance at 6/30/2010	-	-	-	-	49	49
Less due within one year	-	-	-	-	(8)	(8)
Total long-term workers' compensation	-	-	-	-	41	41
Compensated absences						
Beginning balance at 6/30/2009	-	-	-	-	664	664
Additions	-	-	-	-	456	456
Reductions	-	-	-	-	(344)	(344)
Ending balance at 6/30/2010	-	-	-	-	776	776
Less due within one year	-	-	-	-	(420)	(420)
Total long-term compensated absences	-	-	-	-	356	356
Rebate liability						
Beginning balance at 6/30/2009	5,288	1,014	-	2,864	-	9,166
Additions	705	-	-	38	-	743
Reductions	-	(1,014)	-	(1,243)	-	(2,257)
Ending balance at 6/30/2010	5,993	-	-	1,659	-	7,652
Less due within one year	-	-	-	(725)	-	(725)
Total long-term rebate liability	5,993	-	-	934	-	6,927

(continued)

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Bonds payable						
Beginning balance at 6/30/2009	$ 84,179	$ 198	$ 540,729	$ 2,236,750	$ -	$ 2,861,856
Additions	-	-	8,755	129,450	-	138,205
Reductions	(26,345)	(200)	(46,250)	(143,355)	-	(216,150)
Change in deferred amounts for issuance discounts/premiums	-	-	-	(3,237)	-	(3,237)
Change in deferred amounts on refundings	176	2	-	-	-	178
Ending balance at 6/30/2010	58,010	-	503,234	2,219,608	-	2,780,852
Less due within one year	(58,010)	-	(11,535)	(49,485)	-	(119,030)
Total long-term bonds payable	-	-	491,699	2,170,123	-	2,661,822
Deposits by borrowers						
Beginning balance at 6/30/2009	-	6,000	9,750	-	60	15,810
Additions	-	442	4,170	7,667	56	12,335
Reductions	-	(6,442)	(4,099)	(2,499)	(65)	(13,105)
Ending balance at 6/30/2010	-	-	9,821	5,168	51	15,040
Less due within one year	-	-	(2,707)	(2,286)	(32)	(5,025)
Total long-term deposits by borrowers	-	-	7,114	2,882	19	10,015
Deferred income						
Beginning balance at 6/30/2009	-	-	5,716	-	-	5,716
Additions	-	-	-	-	-	-
Reductions	-	-	(487)	-	-	(487)
Ending balance at 6/30/2010	-	-	5,229	-	-	5,229
Total long-term deferred income	-	-	5,229	-	-	5,229
Interest rate swap agreements						
Beginning balance at 6/30/2009	-	-	-	-	-	-
Additions	-	-	-	32,630	-	32,630
Reductions	-	-	-	-	-	-
Ending balance at 6/30/2010	-	-	-	32,630	-	32,630
Total long-term interest rate swap agreements	-	-	-	32,630	-	32,630
Total long-term liabilities	$ 5,993	$ -	$ 504,042	$ 2,206,569	$ 416	$ 2,717,020

(in thousands)

NOTE 13 - INTERFUND ACTIVITY

In accordance with the various bond indentures, net assets in each of the Funds are restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the respective indentures. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the indenture to meet the obligations of the Funds in current and future years. A cash flow analysis is not required for the General Bond Reserve Fund (GBRF) because there were no bonds outstanding in GBRF as of June 30, 2010.

During the year ended June 30, 2010, CDA transferred the following amounts, as permitted, among Funds:

	Transfers among Funds					
	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Excess revenue	$ (7,221)	$ (10,749)	$ (1,125)	$ 14,876	$ 4,286	$ 67
Transfer mortgage loans and mortgage loan-related activity	(12,765)	(50,504)	-	63,269	-	-
Cost of issuance on bonds and other expenses	(1,918)	-	-	1,918	(532)	(532)
Transfer funds for bond defeasance	-	(6)	-	-	(586)	(592)
Transfer to separate account in accordance with HUD agreement	-	-	-	(43)	-	(43)
	$ (21,904)	$ (61,259)	$ (1,125)	$ 80,020	$ 3,168	$ (1,100)

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 13 - INTERFUND ACTIVITY (Continued)

As of June 30, 2010, interfund balances consisted of the following:

	Due from (to) other Funds				
	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund
Mortgage loan receipts for participation loans	$ 119	$ -	$ -	$ (119)	$ -
Other mortgage loan receipts	(158)	-	-	158	-
	$ (39)	$ -	$ -	$ 39	$ -

(in thousands)

NOTE 14 - OTHER OUTSTANDING BONDS ISSUED BY CDA (CONDUIT BONDS) (UNAUDITED)

CDA has issued the following bonds that are not included in the combined financial statements of the Funds. The Multifamily Development Revenue Bonds and the Multifamily Development Revenue Refunding Bonds are secured solely by the properties and related revenues of the projects and the applicable credit enhancements. The Capital Fund Securitization Bonds are insured and are repayable by the Department of Housing and Urban Development (HUD) directly to the trustee from funds that the participating public housing authorities would have received under its Annual Contributions Contract. Neither the faith and credit of CDA nor the assets of the Funds have been pledged as security for these bonds. Accordingly, these obligations are excluded from CDA's combined financial statements.

	Amount Issued	Outstanding at June 30, 2010
Multifamily Development Revenue Bonds		
1990 Issue B (Middle Branch Manor)	$ 12,350	$ 8,000
1990 Issue C (Harbor City Townhomes)	$ 4,150	$ 2,700
Series 1998 A (Auburn Manor)	$ 11,000	$ 8,925
Series 1999 A (GNMA - Selborne House)	$ 2,150	$ 1,995
Series 2000 A (Waters Landing II Apartments)	$ 11,000	$ 10,110
Series 2000 B-1 (Edgewater Village Apartments)	$ 7,640	$ 6,175
Series 2000 B-2 (Edgewater Village Apartments)	$ 3,125	$ 3,125
Series 2000 C (Park Montgomery Apartments)	$ 6,170	$ 4,760
Series 2001 C (Parklane Apartments)	$ 9,800	$ 9,800
Series 2001 D (Princess Anne Townhouses)	$ 4,350	$ 3,610
Series 2001 E (Princess Anne Townhouses)	$ 2,875	$ 2,625
Series 2001 F (Waters Tower Senior Apartments)	$ 7,570	$ 6,230
Series 2001 G (Waters Tower Senior Apartments)	$ 4,045	$ 3,685
Series 2002 B (Broadway Homes)	$ 5,045	$ 2,215
Series 2002 C (Orchard Mews Apartments)	$ 5,845	$ 5,165
Series 2003 A (Barrington Apartments)	$ 40,000	$ 39,905
Series 2005 A (Fort Washington Manor Sr. Housing)	$ 14,000	$ 13,690
Series 2005 B (Washington Gardens)	$ 5,000	$ 2,415
Series 2006 A (Barclay Greenmount Apartments)	$ 4,535	$ 3,755
Series 2006 B (Charles Landing South Apartments)	$ 3,375	$ 3,375
Series 2007 A (Brunswick House Apartments)	$ 3,000	$ 2,000
Series 2007 B (Park View at Catonsville)	$ 5,200	$ 4,750
Series 2008 A (Walker Mews Apartments)	$ 11,700	$ 11,700
Series 2008 B (Shakespeare Park Apartments)	$ 7,200	$ 7,200
Series 2008 C (The Residences at Ellicott Gardens)	$ 9,105	$ 9,105

(in thousands)

NOTE 14 - OTHER OUTSTANDING BONDS ISSUED BY CDA (CONDUIT BONDS) (UNAUDITED) (Continued)

	Amount Issued		Outstanding at June 30, 2010	
Multifamily Development Revenue Bonds (continued)				
Series 2008 D (Crusader Arms Apartments)	$	3,885	$	3,885
Series 2008 E (MonteVerde Apartments)	$	15,200	$	15,200
Series 2008 F (Hopkins Village Apartments)	$	9,100	$	9,100
Series 2008 G (Kirkwood House Apartments)	$	16,000	$	16,000
Series 2009 A (Sharp Leadenhall Apartments)	$	16,950	$	16,950
Series 2010 A (C.W. Brooks Mid-Rise)	$	6,900	$	6,900
Multifamily Development Revenue Refunding Bonds				
Series 1997 (Avalon Lea Apartments)	$	16,835	$	16,835
Capital Fund Securitization Revenue Bonds				
Series 2003	$	94,295	$	77,935

The Multifamily Development Revenue Bonds, the Multifamily Development Revenue Refunding Bonds and the Capital Fund Securitization Revenue Bonds are special obligations payable solely from the trust estate pledged under each indenture. These bonds do not constitute a debt of and are not guaranteed by the State of Maryland, any political subdivision thereof, CDA or the Department of Housing and Community Development.

NOTE 15 - MORTGAGE INSURANCE

Substantially all of CDA’s mortgage loans have mortgage insurance 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.

NOTE 15 - MORTGAGE INSURANCE (Continued)

For a loan insured by an agency of the U.S. Government in Single Family Program Bonds, the primary mortgage insurance covers an amount substantially equal to the unpaid principal amount of the loan. Almost all other loans have primary mortgage insurance in an amount that is at least 25% of the loan amount. Less than 5% of all first lien loans either did not have primary mortgage insurance due to their original loan-to-value ratios of less than 75% or have cancelled primary mortgage insurance due to their outstanding balance falling below 75% of the original loan amount. Single family mortgagors pay the premiums for primary mortgage insurance. For any losses not covered by primary mortgage insurance in Single Family Program Bonds, CDA has purchased pool insurance or established specific reserves. For each series of bonds, pool insurance coverage cannot exceed 10% of the amount of proceeds of the series of bonds. Maryland Housing Fund (MHF) has issued most of the pool insurance policies.

About 41% of all loans in Residential Revenue Bonds are insured by agencies of the U.S. Government in an amount substantially equal to the unpaid principal amount of the loan. Approximately 58% of total loans are insured by private mortgage insurers or MHF at 35% of the loan amount. In the opinion of management, these coverage levels are sufficient so that no pool insurance or reserves are required. An allowance for loan losses has been established for loans insured by private mortgage insurers. Premiums are paid by single family mortgagors or CDA.

NOTE 16 - 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.

(in thousands)

NOTE 17 - COMMITMENTS

As of June 30, 2010, CDA had approximately $34,577 in reservations for single family mortgages at interest rates ranging from 4.375% to 5.25%. CDA plans to purchase these loans with proceeds from Residential Revenue Bonds.

NOTE 18 - SUBSEQUENT EVENTS

Events that occur after the date of the combined statement of net assets but before the combined financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the combined statement of net assets are recognized in the accompanying combined financial statements. Subsequent events which provide evidence about conditions that existed after the date of the combined statement of net assets require disclosure in the accompanying notes. Management evaluated the activity of CDA through September 30, 2010 (the date the combined financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the combined financial statements or disclosure in the notes to the combined financial statements, except for the following activity that occurred subsequent to June 30, 2010.

Subsequent to the year ended June 30, 2010, the following bond activity took place:

Single Family Program Bonds

On July 9, 2010, CDA redeemed the following bonds:

1999 Third Series	$28,465

On July 12, 2010, CDA redeemed the following bonds:

2001 First Series	$23,975
2001 Second Series	$190
2002 First Series	$3,870
2002 Second Series	$2,140

(in thousands)

NOTE 18 - SUBSEQUENT EVENTS (Continued)

Housing Revenue Bonds

On July 6, 2010, CDA redeemed the following bonds:

Series 1996 A	$210

On August 9, 2010, CDA redeemed the following bonds:

Series 1999 B	$2,045

Residential Revenue Bonds

On August 9, 2010, CDA redeemed the following bonds:

1998 Series A	$195
1998 Series D	$620
2000 Series F	$100
2001 Series B	$325
2001 Series E	$185
2003 Series B	$405
2004 Series B	$340
2004 Series E	$280
2004 Series H	$355
2005 Series B	$135
2006 Series B	$325
2006 Series F	$290
2006 Series I	$1,145
2006 Series P	$190
2007 Series A	$1,750
2007 Series D	$1,235
2008 Series F	$950

Community Development Administration
Revenue Obligation Funds

SUPPLEMENTAL DISCLOSURE OF COMBINED CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES

(in thousands)

June 30, 2010
(Unaudited)

In accordance with accounting guidance issued by GASB, CDA reflects investments and mortgage-backed securities at fair value, and the increase or decrease in fair value is included in the Combined Statement of Revenue, Expenses and Changes in Net Assets.

For investments (obligations of the U.S. Treasury and U.S. Government Agencies) held by CDA as of June 30, 2010, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal Year Period	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Cumulative FY 1996 and prior periods	$ 28,537	$ 1,972	$ -	$ -	$ 620	$ 31,129
FY 1997	3,461	415	(352)	-	175	3,699
FY 1998	18,225	3,431	832	-	90	22,578
FY 1999	(14,325)	(2,009)	(407)	-	(191)	(16,932)
FY 2000	(1,536)	(154)	48	(227)	(237)	(2,106)
FY 2001	1,356	1,192	193	551	244	3,536
FY 2002	3,372	(668)	157	97	405	3,363
FY 2003	18,005	755	889	544	519	20,712
FY 2004	(17,786)	(2,004)	(678)	(674)	(1,368)	(22,510)
FY 2005	(18,117)	1,784	897	403	(403)	(15,436)
FY 2006	(16,085)	(3,336)	(866)	(1,567)	(526)	(22,380)
FY 2007	125	(3)	48	1,062	437	1,669
FY 2008	2,465	245	444	785	445	4,384
FY 2009	(1,359)	142	202	46	(150)	(1,119)
FY 2010	(6,338)	(1,762)	472	2,747	(53)	(4,934)
Cumulative total	$ -	$ -	$ 1,879	$ 3,767	$ 7	$ 5,653

Community Development Administration
Revenue Obligation Funds

SUPPLEMENTAL DISCLOSURE OF COMBINED CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES - CONTINUED
(in thousands)

June 30, 2010
(Unaudited)

Reconciliation to the Combined Statement of Revenue, Expenses and Changes in Net Assets:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
(Decrease) increase in fair value of investments held at June 30, 2010	$ (6,338)	$ (1,762)	$ 472	$ 2,747	$ (53)	$ (4,934)
Realized gains on investments sold	6,864	-	-	-	-	6,864
Adjustment due to change in rebate liability (see Note 11)	(196)	-	-	(38)	-	(234)
Increase (decrease) in fair value of investments, net of rebate, as reported on the Combined Statement of Revenue, Expenses and Changes in Net Assets	$ 330	$ (1,762)	$ 472	$ 2,709	$ (53)	$ 1,696

Community Development Administration
Revenue Obligation Funds

SUPPLEMENTAL DISCLOSURE OF COMBINED CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES - CONTINUED
(in thousands)

June 30, 2010
(Unaudited)

For mortgage-backed securities held by CDA as of June 30, 2010, the following schedule summarizes annual increases/decreases in fair value:

Fiscal Year Period		Housing Revenue Bonds
FY 2000	$	(3,825)
FY 2001		(3,291)
FY 2002		3,340
FY 2003		21,435
FY 2004		(11,126)
FY 2005		12,879
FY 2006		(27,704)
FY 2007		3,661
FY 2008		(5,987)
FY 2009		17,358
FY 2010		13,103
Cumulative total	$	19,843

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