Reznick Group

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS

JUNE 30, 2008 AND 2007

Community Development Administration
Housing Revenue Bonds

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Reznick Group

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Community Development Administration Housing Revenue Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements present only the Community Development Administration Housing Revenue Bonds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Community Development Administration Housing Revenue Bonds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Reznick Group, P.C.

Baltimore, Maryland
September 26, 2008

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2008 and 2007

	2008	2007
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 68,945	$ 72,384
Investments	-	476
Mortgage-backed securities	4,124	3,471
Mortgage loans		
Single family	21	22
Multi-family construction and permanent financing	3,257	3,620
Accrued interest and other receivables	2,800	2,851
Due from other Funds	-	337
Total restricted current assets	79,147	83,161
Restricted long-term assets		
Investments, net of current portion	6,719	6,280
Mortgage-backed securities, net of current portion	424,817	418,714
Mortgage loans, net of current portion and allowance for loan losses		
Single family	309	357
Multi-family construction and permanent financing	87,764	90,226
Deferred bond issuance costs	272	409
Total restricted long-term assets	519,881	515,986
Total restricted assets	$ 599,028	$ 599,147
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued interest payable	$ 13,710	$ 13,513
Accounts payable	-	1
Bonds payable	12,750	9,170
Deposits by borrowers	4,202	4,037
Total current liabilities	30,662	26,721
Long-term liabilities		
Bonds payable, net of current portion	527,039	523,454
Deposits by borrowers, net of current portion	7,402	13,242
Deferred income	5,768	5,863
Total long-term liabilities	540,209	542,559
Total liabilities	570,871	569,280
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Restricted	28,157	29,867
Total liabilities and net assets	$ 599,028	$ 599,147

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

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

Years ended June 30, 2008 and 2007

	2008	2007
Operating revenue		
Interest on mortgage loans	$ 6,117	$ 6,546
Interest on mortgage-backed securities	24,405	23,262
Interest income on investments	1,780	2,384
Increase in fair value of investments	444	48
Fee and deferred income	243	213
Other operating revenue	303	1
	33,292	32,454
Operating expenses		
Interest expense on bonds	27,686	26,883
Professional fees and other operating expenses	183	172
Amortization of bond issuance costs	21	25
Loss on early retirement of debt	-	2
	27,890	27,082
Operating income	5,402	5,372
Nonoperating (expenses) revenue		
(Decrease) increase in fair value of mortgage-backed securities	(5,987)	3,661
Total nonoperating (expenses) revenue	(5,987)	3,661
Transfers of funds, net, as permitted by the various bond indentures	(1,125)	(1,092)
Changes in net assets	(1,710)	7,941
Net assets - restricted at beginning of year	29,867	21,926
Net assets - restricted at end of year	$ 28,157	$ 29,867

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 24,399	$ 11,448
Principal and interest received on mortgage-backed securities	28,310	26,474
Escrow funds received	5,064	5,619
Escrow funds paid	(10,739)	(4,820)
Loan fees and deferred income received	704	120
Purchase of mortgage loans	(15,601)	(7,602)
Purchase of mortgage-backed securities	(16,702)	(21,044)
Professional fees and other operating expenses	(183)	(172)
Other income received	303	1
Net cash provided by operating activities	15,555	10,024
Cash flows from investing activities		
Proceeds from maturities or sales of investments	477	13,423
Purchases of investments	-	(4,999)
Interest received on investments	1,862	2,224
Net cash provided by investing activities	2,339	10,648
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	30,390	30,435
Payments on bond principal	(23,225)	(8,980)
Reimbursement of bond costs	116	1
Interest on bonds	(27,489)	(26,616)
Transfers among Funds	(1,125)	(1,092)
Net cash used in noncapital financing activities	(21,333)	(6,252)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(3,439)	14,420
Cash and cash equivalents on deposit with trustee at beginning of year	72,384	57,964
Cash and cash equivalents on deposit with trustee at end of year	$ 68,945	$ 72,384

(continued)

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2008 and 2007

	2008	2007
Reconciliation of operating income to net cash from operating activities		
Operating income	$ 5,402	$ 5,372
Adjustments to reconcile operating income to net cash provided by operating activities		
Decrease (increase) in assets		
Mortgage loans	2,655	(2,624)
Mortgage-backed securities	(12,743)	(17,755)
Accrued interest and other receivables	51	131
Due from other Funds	337	(337)
Increase (decrease) in liabilities		
Accrued interest payable	197	267
Accounts payable	(1)	(20)
Deposits by borrowers	(5,675)	500
Deferred income	(95)	240
Amortizations		
Deferred income on loans	(92)	(61)
Investment premiums	4	(125)
Deferred bond issuance costs	21	25
Loan fees deferred	311	65
Increase in fair value of investments	(444)	(48)
Loss on early retirement of debt	-	2
Interest received on investments	(1,862)	(2,224)
Interest on bonds	27,489	26,616
Net cash provided by operating activities	$ 15,555	$ 10,024

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2008 and 2007

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

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

The accompanying financial statements only include CDA's Housing Revenue Bonds (the Fund). CDA's other Funds are not included. The Fund was established to issue bonds to provide funds to finance or refinance loans for various types of housing. As of June 30, 2008 and 2007, Housing Revenue Bonds have primarily financed multi-family projects.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Generally Accepted Accounting Principles

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2008 and 2007, all of the Fund's cash equivalents were invested in a money market mutual fund which is more fully described in Note 3.

Investments

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

Mortgage-Backed Securities

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans

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

Allowance for Loan Losses

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

Accrued Interest and Other Receivables

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

Deferred Bond Issuance Costs

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from (to) Other Funds

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

Bonds Payable

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

Deposits by Borrowers

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

Mortgage Yield Limitations

All mortgage loans are subject to yield limitations under the Internal Revenue Service Code (the Code) in order for the associated bonds to maintain their tax-exempt status. At the time of bond issuance and over the term of the bonds, CDA determines and maintains compliance with the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the Code. If at any time the composite yields on the transferred loans are out of compliance with the Code, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2008 and 2007, all mortgage loan yields were 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 at loan origination. These fees are deferred and amortized over the life of the loan.

Administrative Support

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

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

Revenue and Expenses

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

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

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

(in thousands)

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

The following assets, reported at fair value and held by the Fund as of June 30, 2008 and 2007, are evaluated in accordance with GASB Statement No. 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2008	2007
Cash and cash equivalents:		
Federated Treasury Obligations Fund	$ 68,945	$ 72,384
Investments:		
Obligations of the U.S. Treasury	6,719	6,280
Repurchase and investment agreements	-	476
GNMA mortgage-backed securities	428,941	422,185
Total	$ 504,605	$ 501,325

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.

(in thousands)

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

As of June 30, 2008, 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	$ 68,945	$ 68,945	$ 68,945	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	5,514	6,719	-	-	-	-	6,719
GNMA mortgage-backed securities	439,559	428,941	-	-	-	-	428,941
Total	$ 514,018	$ 504,605	$ 68,945	$ -	$ -	$ -	$ 435,660

As of June 30, 2007, 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	$ 72,384	$ 72,384	$ 72,384	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	5,519	6,280	-	-	-	-	6,280
Repurchase agreements/ Investment agreements	476	476	476	-	-	-	-
GNMA mortgage-backed securities	426,816	422,185	-	-	-	-	422,185
Total	$ 505,195	$ 501,325	$ 72,860	$ -	$ -	$ -	$ 428,465

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

The Federated Treasury Obligations Fund invests primarily in repurchase agreements collateralized by Treasury securities and U.S. Treasuries. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2008 and 2007, the cost of this money market mutual fund approximated fair value.

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

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the Resolution require investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Resolution and CDA's Investment Policy, securities must be at a rating no lower than the rating on the bonds or, if an investment maintains only a short-term rating, a rating not less than F1/P-1; and financial institutions who are a counterparty to CDA in investment agreements must be rated at least comparable to the existing rating on CDA bonds unless counterparty ratings lower than the bond ratings are permitted and do not affect the ratings on the bonds. In addition, certain investment and repurchase agreements require counterparty ratings no less than the ratings on the bonds. As of June 30, 2008, all counterparty ratings were at least equal to the ratings on the Fund's bonds. As of June 30, 2007, all counterparty ratings were at least equal to the ratings on the Fund's bonds except for one counterparty whose credit rating of Aa3 had not affected the ratings on the Housing Revenue Bonds. The ratings on Housing Revenue Bonds as of June 30, 2008 and 2007 were Aa2 by Moody's Investors Service and AA by Fitch Ratings. The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5 percent or more of total investments in accordance with GASB Statement No. 40.

(in thousands)

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

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

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

As of June 30, 2007, 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	$ 72,384	14.44%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed securities	422,185	84.21%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	6,280	1.25%		Direct U.S. Obligations	
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
Counterparty rated Aa3 by Moody's	476	0.10%		Aaa	Moody's
Total	$ 501,325	100.00%			

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

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.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2008 and 2007, the Fund's investments were not subject to custodial credit risk under GASB Statement No. 40. CDA's investments and collateralized securities are held in trust by the trustee or the trustee's agent, kept separate from the assets of the bank and from other trust accounts and are held in CDA's name.

NOTE 4 - MORTGAGE LOANS

All the mortgage loans are secured by first liens on the related property and approximately 99% are insured or credit enhanced by FHA, MHF, FHLMC, FNMA or GNMA. Interest rates on such loans range from 3.0% to 14.5%. As of June 30, 2008 and 2007, remaining loan terms range from approximately less than 1 year to 40 years, and 2 to 40 years, respectively. For the years ended June 30, 2008 and 2007, an allowance for loan losses in the amount of $48 has been established for uninsured loans.

(in thousands)

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2008 and 2007 were as follows:

	2008	2007
Accrued mortgage loan interest	$ 573	$ 599
Accrued investment interest	129	257
Accrued mortgage-backed securities interest	2,047	1,993
Negative arbitrage due from mortgagors	51	2
	$ 2,800	$ 2,851

NOTE 6 - BONDS PAYABLE

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 6 - BONDS PAYABLE (Continued)

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

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

(in thousands)

NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2007 and the debt outstanding and bonds payable as of June 30, 2007:

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2006	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2007	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2007
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.10% - 5.95%	2006 - 2023	$ 45,220	$ -	$ (2,945)	$ (160)	$ 42,115	$ -	$ 42,115
Series 1996 B	11/01/96	5.10% - 5.95%	2006 - 2028	1,775	-	(55)	(60)	1,660	-	1,660
Series 1997 A	06/01/97	4.90% - 6.00%	2006 - 2039	35,215	-	(345)	-	34,870	-	34,870
Series 1997 B	09/01/97	4.80% - 5.75%	2006 - 2039	7,310	-	(70)	-	7,240	-	7,240
Series 1997 C	12/01/97	4.60% - 5.65%	2006 - 2039	13,320	-	(140)	-	13,180	-	13,180
Series 1998 A	04/01/98	4.60% - 5.625%	2006 - 2040	10,450	-	(115)	-	10,335	-	10,335
Series 1999 A	02/01/99	4.10% - 5.35%	2006 - 2041	15,700	-	(160)	-	15,540	-	15,540
Series 1999 B	10/15/99	5.05% - 6.40%	2006 - 2042	15,115	-	(180)	-	14,935	-	14,935
Series 1999 C	10/15/99	5.85% - 6.40%	2014 - 2040	505	-	(5)	-	500	-	500
Series 1999 D	12/01/99	5.10% - 6.35%	2006 - 2042	13,105	-	(350)	-	12,755	-	12,755
Series 2000 A	10/01/00	4.80% - 6.10%	2006 - 2042	26,825	-	(235)	-	26,590	-	26,590
Series 2001 A	07/01/01	4.10% - 5.625%	2006 - 2043	29,430	-	(630)	-	28,800	-	28,800
Series 2001 B	10/01/01	3.60% - 5.45%	2006 - 2043	45,990	-	(740)	-	45,250	-	45,250
Series 2002 A	03/01/02	3.90% - 5.70%	2006 - 2043	9,340	-	(80)	-	9,260	-	9,260
Series 2002 B	10/01/02	2.50% - 5.05%	2006 - 2045	33,390	-	(115)	-	33,275	-	33,275
Series 2002 C	10/01/02	2.50% - 5.00%	2006 - 2035	6,660	-	(90)	-	6,570	-	6,570
Series 2002 D	10/01/02	2.50% - 5.00%	2006 - 2035	8,240	-	(105)	-	8,135	-	8,135
Series 2003 A	04/01/03	3.00% - 5.22%	2008 - 2045	24,730	-	-	-	24,730	-	24,730
Series 2003 B	07/01/03	2.35% - 5.00%	2007 - 2045	17,660	-	-	-	17,660	-	17,660
Series 2003 C	09/01/03	2.70% - 5.90%	2007 - 2045	10,735	-	-	-	10,735	(6)	10,729
Series 2003 D	12/01/03	2.50% - 5.125%	2007 - 2045	12,080	-	-	-	12,080	-	12,080
Series 2004 A	01/01/04	2.30% - 5.10%	2007 - 2045	10,865	-	-	-	10,865	-	10,865
Series 2004 B	03/31/04	2.50% - 4.70%	2009 - 2046	20,320	-	-	-	20,320	-	20,320
Series 2004 C	06/10/04	4.00% - 5.40%	2010 - 2047	36,515	-	-	(975)	35,540	-	35,540
Series 2004 D	11/23/04	2.80% - 5.00%	2007 - 2037	3,235	-	(45)	(1,380)	1,810	-	1,810
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	6,385	-	-	-	6,385	-	6,385
Series 2005 B	04/21/05	3.15% - 5.10%	2008 - 2047	19,355	-	-	-	19,355	-	19,355
Series 2005 C	12/14/05	3.625% - 5.15%	2008 - 2047	13,985	-	-	-	13,985	-	13,985
Series 2006 A	04/27/06	3.65% - 5.05%	2007 - 2047	10,800	-	-	-	10,800	-	10,800
Series 2006 B	04/27/06	3.65% - 5.00%	2007 - 2039	4,800	-	-	-	4,800	-	4,800
Series 2006 C	04/27/06	3.45% - 4.75%	2007 - 2036	2,120	-	-	-	2,120	-	2,120
Series 2006 D	09/27/06	4.04% - 4.91%	2008 - 2048	-	8,000	-	-	8,000	-	8,000
Series 2007 A	06/14/07	3.80% - 4.95%	2009 - 2049	-	22,435	-	-	22,435	-	22,435
Total				$ 511,175	$ 30,435	$ (6,405)	$ (2,575)	$ 532,630	$ (6)	$ 532,624

(in thousands)

NOTE 7 - DEBT SERVICE REQUIREMENTS

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

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

(in thousands)

NOTE 7 - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2007, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2007 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 6) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Years ended June 30,	Interest	Principal
2008	$ 27,394	$ 9,170
2009	27,395	14,220
2010	26,818	10,865
2011	26,310	11,190
2012	25,783	10,825
2013 - 2017	120,208	59,945
2018 - 2022	105,489	50,295
2023 - 2027	91,775	55,820
2028 - 2032	75,070	70,805
2033 - 2037	53,983	87,725
2038 - 2042	28,581	94,510
2043 - 2047	6,826	54,500
2048 - 2052	143	2,760
Total	$ 615,775	$ 532,630

(in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2008 and 2007, were as follows:

	2008	2007
Bonds payable		
Beginning balance	$ 532,624	$ 511,169
Additions	30,390	30,435
Reductions	(23,225)	(8,980)
Ending balance	539,789	532,624
Less due within one year	(12,750)	(9,170)
Total long-term bonds payable	527,039	523,454
Deposits by borrowers		
Beginning balance	17,279	16,779
Additions	5,064	5,320
Reductions	(10,739)	(4,820)
Ending balance	11,604	17,279
Less due within one year	(4,202)	(4,037)
Total long-term deposits by borrowers	7,402	13,242
Deferred income		
Beginning balance	5,863	5,623
Additions	56	392
Reductions	(151)	(152)
Ending balance	5,768	5,863
Total long-term deferred income	5,768	5,863
Total long-term liabilities	$ 540,209	$ 542,559

(in thousands)

NOTE 9 - INTERFUND ACTIVITY

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

During the years ended June 30, 2008 and 2007, the Fund transferred the following amounts, as permitted, among Funds:

	2008	2007
Multi-family financing fees transferred from the General Bond Reserve Fund	$ -	$ 33
Excess revenue transferred to the General Bond Reserve Fund	(1,125)	(1,125)
	$ (1,125)	$ (1,092)

As of June 30, 2008 and 2007, due from other Funds consisted of the following:

	2008	2007
Cash due from the General Bond Reserve Fund	$ -	$ 337

NOTE 10 - MORTGAGE INSURANCE

Approximately 99% of the Fund's mortgage loans are insured or credit enhanced as described in Note 4.

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

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

NOTE 11 - PENSION AND OTHER POST-RETIREMENT BENEFITS

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

NOTE 12 - COMMITMENTS

As of June 30, 2008, the Fund had commitments to purchase approximately $4,740 in GNMA mortgage-backed securities. These securities will be purchased with the proceeds of bonds already issued to finance mortgage loans on multi-family projects. The interest rates on these securities range from 5.39% to 5.94%. The Fund also had commitments to fund mortgage loans from bond proceeds in the amount of $12,043 with interest rates from 3.95% to 5.94%.

NOTE 13 - SUBSEQUENT EVENTS

On September 19, 2008, CDA issued Series 2008 C bonds in the amount of $11,380.

Community Development Administration
Housing Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES

(in thousands)

June 30, 2008 and 2007
(Unaudited)

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

For investments (obligations of the U.S. Treasury) held by the Fund as of June 30, 2008, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

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

Community Development Administration
Housing Revenue Bonds

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

June 30, 2008 and 2007
(Unaudited)

For mortgage-backed securities held by the Fund as of June 30, 2008, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and cost:

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