Reznick Group

COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS

JUNE 30, 2005

Community Development Administration
Revenue Obligation Funds

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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 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, 2005, 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 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, 2005, 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, 2005, 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.

Atlanta ■ Baltimore ■ Bethesda ■ Charlotte ■ Chicago ■ Sacramento

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Our audit was 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 is 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 basic combined financial statements and, accordingly, we express no opinion on it.

Reznick Group, P.C.

Baltimore, Maryland
September 15, 2005

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET ASSETS
(in thousands)

June 30, 2005
(with comparative combined totals as of June 30, 2004)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2005	Combined 2004
RESTRICTED ASSETS							
Restricted current assets							
Cash and cash equivalents on deposit with trustee	$ 22,845	$ 30,416	$ 55,797	$ 123,890	$ 7,647	$ 240,595	$ 208,198
Investments	21,199	893	19,567	200,578	8,030	250,267	319,781
Mortgage-backed securities	-	126	2,049	-	-	2,175	1,780
Mortgage loans, net of allowance							
Single family	10,858	-	22	11,377	-	22,257	23,054
Multi-family construction and permanent financing	-	2,755	3,293	-	-	6,048	6,189
Energy and rehabilitation	-	-	-	-	54	54	56
Accrued interest and other receivables	8,406	1,813	2,786	8,768	321	22,094	31,802
Due from other Funds	312	-	-	-	-	312	937
Total restricted current assets	63,620	36,003	83,514	344,613	16,052	543,802	591,797
Restricted long-term assets							
Investments, net of current portion	118,350	21,876	21,402	31,448	21,377	214,453	292,243
Mortgage-backed securities, net of current portion	-	14,987	383,489	-	-	398,476	328,273
Mortgage loans, net of current portion							
Single family	286,908	-	557	628,844	75	916,384	1,018,852
Multi-family construction and permanent financing	-	123,489	88,609	-	293	212,391	269,375
Energy and rehabilitation	-	-	-	-	188	188	256
Deferred bond issuance costs	2,321	1,172	545	6,180	-	10,218	11,930
Total restricted long-term assets	407,579	161,524	494,602	666,472	21,933	1,752,110	1,920,929
Total restricted assets	$ 471,199	$ 197,527	$ 578,116	$ 1,011,085	$ 37,985	$ 2,295,912	$ 2,512,726

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET ASSETS - CONTINUED
(in thousands)

June 30, 2005
(with comparative combined totals as of June 30, 2004)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2005	Combined 2004
LIABILITIES AND NET ASSETS							
Current liabilities							
Accrued interest payable	$ 4,165	$ 554	$ 12,820	$ 12,481	$ -	$ 30,020	$ 31,524
Accounts payable	-	25	3	-	280	308	1,409
Accrued workers' compensation	-	-	-	-	5	5	4
Accrued compensated absences	-	-	-	-	290	290	320
Due to State Treasurer	-	-	-	-	398	398	1,426
Rebate liability	3,043	-	-	360	-	3,403	251
Bonds payable and short-term debt	31,555	17,560	7,945	217,145	-	274,205	309,265
Deposits by borrowers	-	6,111	4,801	-	-	10,912	13,024
Due to other Funds	-	-	-	312	-	312	937
Total current liabilities	38,763	24,250	25,569	230,298	973	319,853	358,160
Long-term liabilities							
Accrued workers' compensation, net of current portion	-	-	-	-	30	30	24
Accrued compensated absences, net of current portion	-	-	-	-	243	243	237
Deferred income	-	155	5,394	-	-	5,549	5,375
Rebate liability, net of current portion	12,648	1,165	-	934	-	14,747	17,201
Bonds payable, net of current portion	295,566	103,484	486,529	691,264	-	1,576,843	1,788,060
Deposits by borrowers, net of current portion	-	6,346	15,427	-	-	21,773	24,864
Total long-term liabilities	308,214	111,150	507,350	692,198	273	1,619,185	1,835,761
Total liabilities	346,977	135,400	532,919	922,496	1,246	1,939,038	2,193,921
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-	-	-
NET ASSETS							
Restricted	124,222	62,127	45,197	88,589	36,739	356,874	318,805
Total liabilities and net assets	$ 471,199	$ 197,527	$ 578,116	$ 1,011,085	$ 37,985	$ 2,295,912	$ 2,512,726

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, 2005
(with comparative combined totals as of June 30, 2004)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2005	Combined 2004
Operating revenue							
Interest on mortgage loans	$ 24,283	$ 11,354	$ 6,930	$ 37,102	$ 52	$ 79,721	$ 95,501
Interest on mortgage-backed securities	-	987	18,834	-	-	19,821	16,718
Interest income on investments, net of rebate	9,809	2,444	3,569	8,988	1,397	26,207	26,699
(Decrease) increase in fair value of mortgage-backed securities	-	(670)	12,879	-	-	12,209	(12,602)
Increase (decrease) in fair value of investments, net of rebate	5,247	1,216	897	(180)	(403)	6,777	(13,101)
Fee and deferred income	522	892	236	986	1,787	4,423	5,977
Recovery of foreclosure losses	-	-	-	-	-	-	61
Other operating revenue	-	17	-	-	70	87	592
	39,861	16,240	43,345	46,896	2,903	149,245	119,845
Operating expenses							
Interest expense on bonds and short-term debt	23,280	6,647	25,350	38,564	-	93,841	108,539
Professional fees and other operating expenses	1,465	224	208	1,060	216	3,173	5,296
Salaries and related costs	-	-	-	-	6,150	6,150	6,758
General and administrative costs	-	-	-	-	2,513	2,513	3,035
(Gain) loss on foreclosure claims	(132)	-	-	(355)	3	(484)	21
Provision for loan losses	-	-	28	-	-	28	-
Origination expenses	-	-	-	270	-	270	35
Amortization of bond issuance costs	416	99	30	581	-	1,126	1,229
Loss on early retirement of debt	1,518	1,559	2	921	-	4,000	5,003
	26,547	8,529	25,618	41,041	8,882	110,617	129,916
Operating income (loss)	13,314	7,711	17,727	5,855	(5,979)	38,628	(10,071)
Transfers of funds, net, as permitted by the various bond indentures	(1,939)	(3,221)	(1,107)	1,855	3,853	(559)	(689)
CHANGES IN NET ASSETS	11,375	4,490	16,620	7,710	(2,126)	38,069	(10,760)
Net assets - restricted at beginning of year	112,847	57,637	28,577	80,879	38,865	318,805	329,565
Net assets - restricted at end of year	$ 124,222	$ 62,127	$ 45,197	$ 88,589	$ 36,739	$ 356,874	$ 318,805

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS
(in thousands)

Year ended June 30, 2005
(with comparative combined totals as of June 30, 2004)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2005	Combined 2004
Cash flows from operating activities							
Principal and interest received on mortgage loans	$ 130,411	$ 69,243	$ 11,749	$ 177,615	$ 1,041	$ 390,059	$ 485,318
Principal and interest received on mortgage-backed securities	-	1,948	20,764	-	-	22,712	27,960
Escrow funds received	-	7,571	4,951	-	-	12,522	16,307
Escrow funds paid	-	(12,139)	(5,334)	-	-	(17,473)	(25,508)
Mortgage insurance claims received	7,753	-	-	8,600	-	16,353	19,316
Foreclosure expenses paid	(883)	-	-	(736)	-	(1,619)	(2,148)
Other income received	-	10	-	-	70	80	592
Loan fees and deferred income received	-	78	550	95	1,768	2,491	4,610
Loan fees disbursed	-	-	-	(1,740)	-	(1,740)	(1,766)
Purchase of mortgage loans	(73)	(886)	(4,243)	(146,492)	(619)	(152,313)	(138,444)
Purchase of mortgage-backed securities	-	-	(61,415)	-	-	(61,415)	(74,170)
Professional fees and other operating expenses	(1,482)	(224)	(195)	(1,092)	(123)	(3,116)	(6,186)
Salaries and related costs	-	-	-	-	(6,659)	(6,659)	(6,922)
General and administrative costs	-	-	-	-	(3,049)	(3,049)	(2,807)
Other reimbursements	(22)	-	-	(600)	29	(593)	611
Net cash provided by (used in) operating activities	135,704	65,601	(33,173)	35,650	(7,542)	196,240	296,763
Cash flows from investing activities							
Proceeds from maturities or sales of investments	276,885	31,881	63,538	386,430	7,972	766,706	654,955
Purchases of investments	(187,884)	(9,986)	(24,879)	(379,316)	(3,967)	(606,032)	(674,670)
Arbitrage rebates paid	(5,717)	-	-	(751)	-	(6,468)	(2,740)
Interest received on investments	12,649	2,368	3,406	7,471	1,652	27,546	29,482
Net cash provided by investing activities	95,933	24,263	42,065	13,834	5,657	181,752	7,027
Cash flows from noncapital financing activities							
Proceeds from sale of bonds	-	-	29,010	352,620	-	381,630	450,307
Payments on bond principal	(201,355)	(78,450)	(6,055)	(344,250)	-	(630,110)	(785,326)
Bond issuance costs	-	(41)	-	(1,899)	-	(1,940)	(1,464)
Reimbursement of bond costs	-	820	-	-	-	820	680
Interest on bonds and short-term debt	(26,210)	(7,050)	(24,103)	(38,073)	-	(95,436)	(115,601)
Transfers among Funds	(1,939)	(3,221)	(1,107)	1,855	3,853	(559)	(689)
Net cash (used in) provided by noncapital financing activities	(229,504)	(87,942)	(2,255)	(29,747)	3,853	(345,595)	(452,093)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	2,133	1,922	6,637	19,737	1,968	32,397	(148,303)
Cash and cash equivalents on deposit with trustee at beginning of year	20,712	28,494	49,160	104,153	5,679	208,198	356,501
Cash and cash equivalents on deposit with trustee at end of year	$ 22,845	$ 30,416	$ 55,797	$ 123,890	$ 7,647	$ 240,595	$ 208,198

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS - CONTINUED
(in thousands)

Year ended June 30, 2005
(with comparative combined totals as of June 30, 2004)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2005	Combined 2004
Reconciliation of operating income (loss) to net cash from operating activities							
Operating income (loss)	$ 13,314	$ 7,711	$ 17,727	$ 5,855	$ (5,979)	$ 38,628	$ (10,071)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Decrease (increase) in assets							
Mortgage loans	108,121	57,043	554	(2,100)	374	163,992	263,541
Mortgage-backed securities	-	961	(59,350)	-	-	(58,389)	(62,927)
Accrued interest and other receivables	5,114	528	(55)	4,017	104	9,708	6,089
Due from other Funds	603	-	13	-	9	625	(791)
(Decrease) increase in liabilities							
Accounts payable	(17)	(417)	(133)	(632)	98	(1,101)	(363)
Deferred income	-	(5)	179	-	-	174	1,498
Rebate liability	747	591	-	(640)	-	698	(10,656)
Accrued interest payable	(2,913)	(403)	1,247	565	-	(1,504)	(7,022)
Deposits by borrowers	-	(4,728)	(475)	-	-	(5,203)	(9,390)
Due to other Funds	-	-	-	(625)	-	(625)	791
Accrued workers' compensation and vacation leave	-	-	-	-	(17)	(17)	103
Due to State Treasurer	-	-	-	-	(1,028)	(1,028)	(38)
Amortizations							
Deferred income and expense on loans	(522)	(826)	(25)	(716)	(3)	(2,092)	(3,015)
Investment discounts and premiums	112	(97)	4	(807)	149	(639)	458
Bond original issue discounts and premiums	(17)	-	-	(74)	-	(91)	(40)
Deferred bond issuance costs	416	99	30	581	-	1,126	1,229
Decrease (increase) in fair value of investments	18,117	(1,784)	(897)	(403)	403	15,436	22,510
Realized gains on investments sold	(28,167)	-	-	-	-	(28,167)	-
Decrease (increase) in fair value of mortgage-backed securities	-	670	(12,879)	-	-	(12,209)	12,602
Loan fees and expenses deferred	-	17	160	(1,645)	-	(1,468)	(1,607)
Provision for loan losses	-	-	28	-	-	28	-
Arbitrage rebates paid	5,717	-	-	751	-	6,468	2,740
Loss on early retirement of debt	1,518	1,559	2	921	-	4,000	5,003
Interest received on investments	(12,649)	(2,368)	(3,406)	(7,471)	(1,652)	(27,546)	(29,482)
Interest on bonds and short-term debt	26,210	7,050	24,103	38,073	-	95,436	115,601
Net cash provided by (used in) operating activities	$ 135,704	$ 65,601	$ (33,173)	$ 35,650	$ (7,542)	$ 196,240	$ 296,763

See notes to combined financial statements

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 Article 83B, Sections 2-201 through 2-208) of the Annotated Code of Maryland to meet the shortage of adequate, safe and sanitary housing in the State of Maryland, particularly for persons or families of limited income. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

The accompanying 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. Both the Revenue Obligation Funds and the Infrastructure Program Funds 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 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.
Housing Revenue Bonds	To provide funds to finance or refinance loans for various types of housing. As of June 30, 2005, Housing Revenue Bonds have primarily financed multi-family projects.
Residential Revenue Bonds	To originate or purchase single family mortgage loans.
General Bond Reserve Fund	To provide funds for payment of principal and interest on bonds and notes in 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). 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.

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 Funds 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

Effective July 1, 2004, CDA adopted GASB Statement No. 40 *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. GASB Statement No. 40 requires disclosure of information regarding investments: credit risk, interest rate risk, concentration of credit risk and custodial credit risk. This new statement does not have any impact on the Funds' financial position or results of operations. The disclosures are in Note 3.

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, 2005, all of CDA's 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, 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 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 and expenses. Loan fees and expenses are deferred over the life of the related loans and amortized 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 14 for additional information on mortgage loans and mortgage insurance, respectively.

Allowance for Loan Losses

Substantially all the mortgage loans of the Funds are insured or guaranteed by agencies of the U.S. Government or the Maryland Housing Fund (MHF). 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 loans. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD's asset management group.

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 and energy and rehabilitation 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 Combined Statement of Revenue, Expenses and Changes in Net Assets. 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 9.

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 12.

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, and 9 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 short-term liability. Based on the current year's reserve disbursements, CDA has estimated the short-term reserve liability. The balance of the reserves is classified as long-term. See Note 11 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 10.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, CDA determines the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the Code. If at any time the composite yields on the transferred loans are out of compliance with the Code, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2005, all mortgage loan yields are in compliance with the Code.

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 earns 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. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended June 30, 2005, the total costs charged to the General Bond Reserve Fund were:

Salaries and related costs	$	6,150
General and administrative expenses		2,513
	$	8,663

The employees of CDA are covered by the Maryland State Retirement and Pension System (the System) and the costs of employees' retirement benefits are included in the salaries and related costs discussed above. See Note 15 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. All of CDA's activities are considered to be operating.

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 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.

(in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain 2004 amounts have been reclassified to conform to 2005 financial statement presentation.

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, 2005, are evaluated in accordance with GASB 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

	Cash and Cash Equivalents	Investments			Total Investments	Mortgage-backed Securities	
	Federated Treasury Obligations Fund	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 Funds	$ 22,845	$ 84,587	$ 10,473	$ 44,489	$ 139,549	$ -	$ 162,394
Multi-Family Housing Revenue Bonds	30,416	18,760	2,009	2,000	22,769	15,113	68,298
Housing Revenue Bonds	55,797	7,106	-	33,863	40,969	385,538	482,304
Residential Revenue Bonds	123,890	-	209,147	22,879	232,026	-	355,916
General Bond Reserve Fund	7,647	507	28,900	-	29,407	-	37,054
Total	$ 240,595	$ 110,960	$ 250,529	$ 103,231	$ 464,720	$ 400,651	$ 1,105,966

(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, 2005, 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	$ 240,595	$ 240,595	$ 240,595	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	83,957	110,960	1,038	361	16,272	53,905	39,384
Obligations of U.S. Government Agencies	249,499	250,529	215,882	22,125	-	4,254	8,268
Repurchase agreements/ Investment agreements	103,231	103,231	6,687	28,676	2,000	42,989	22,879
Mortgage-backed Securities	380,783	400,651	-	-	-	-	400,651
Total	$ 1,058,065	$ 1,105,966	$ 464,202	$ 51,162	$ 18,272	$ 101,148	$ 471,182

The Federated Treasury Obligations Fund invests exclusively in U.S. Treasuries and in repurchase agreements collateralized by Treasury securities. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be

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

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, 2005, 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 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 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 the 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, 2005, all counterparty ratings were at least equal to the ratings on the bonds except for two counterparties whose credit rating of Aa3 has not affected the Aa2 rating on CDA bonds. The ratings on Single Family Program Bonds, Multi-Family Housing Revenue Bonds, Housing Revenue Bonds, and Residential Revenue Bonds as of June 30, 2005 were Aa2 by Moody's Investors Service and AA by Fitch.

(in thousands)

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

As of June 30, 2005, 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	$ 240,595	21.75%	Aaa		Moody's
Mortgage-backed Securities	400,651	36.23%		Direct U.S. Obligation	
Obligations of the U.S. Treasury	110,960	10.03%		Direct U.S. Obligation	
Obligations of U.S. Government Agencies	250,529	22.65%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
Counterparty rated Aaa	754	0.07%		Aaa	Moody's
Counterparty rated Aa1	14,169	1.28%		Aaa	Moody's
Counterparties rated Aa2	71,801	6.50%		Aaa	Moody's
Counterparty rated Aa3	14,507	1.31%		Aaa	Moody's
Uncollateralized investment agreement:					
Counterparty rated Aa3	2,000	0.18%		N/A	Moody's
Total	$ 1,105,966	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 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. 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. The uncollateralized investment agreement in the amount of $2,000 is registered in CDA's name.

NOTE 4 - MORTGAGE LOANS

Approximately 99% of all single family mortgage loans are secured by first liens on the related property and 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, 2005, interest rates on single family loans range from 4.0% to 13.9%, with remaining loan terms ranging from 2 to 35 years.

Approximately 99% of all multi-family construction and permanent mortgage loans outstanding are insured or credit enhanced by the FHA, the MHF, FHLMC, FNMA or GNMA. As of June 30, 2005, interest rates on loans range from 3.0% to 14.5%, with remaining loan terms ranging from approximately 5 to 40 years.

(in thousands)

NOTE 4 - MORTGAGE LOANS (Continued)

All energy and rehabilitation loans are insured by the MHF. Loans made or purchased in excess of $5 are secured by a deed of trust on the related property. As of June 30, 2005, interest rates on such loans range from 7.0% on owner-occupied residential properties to 10.0% on rental housing, with remaining loan terms ranging from less than one year to 5 years.

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2005, 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	$ 2,917	$ 876	$ 604	$ 5,235	$ 5	$ 9,637
Escrows due from multi-family mortgagors	-	424	264	-	-	688
Accrued investment interest	2,281	513	1,854	1,195	277	6,120
Claims due from mortgage insurers	3,205	-	-	2,336	2	5,543
Negative arbitrage due from mortgagors	-	-	64	-	-	64
Miscellaneous loan billings	3	-	-	2	37	42
	$ 8,406	$ 1,813	$ 2,786	$ 8,768	$ 321	$ 22,094

(in thousands)

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.

Short-term debt activity for the year ended June 30, 2005, in Residential Revenue Bonds, was as follows:

	Balance at June 30, 2004	Bond Activity		Balance at June 30, 2005
		Issued	Matured/ Redeemed	
Residential Revenue Bonds				
2003 Series D	$ 91,795	$ -	$ 91,795	$ -
2003 Series E	128,515	-	128,515	-
2004 Series J	-	91,795	-	91,795
2004 Series K	-	78,260	-	78,260
Totals	$ 220,310	$ 170,055	$ 220,310	$ 170,055

The outstanding short-term debt of $170,055 plus the principal payments due within one year of $47,090 equal the current portion of bonds payable and short-term debt of $217,145 for the Residential Revenue Bonds on the Combined Statement of Net Assets. For the year ended June 30, 2005, none of the other Funds had short-term debt activity.

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 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 2% 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>Multi-Family Housing Revenue Bonds (Insured Mortgage Loans)</u>

2003 Series C

The variable rate is set quarterly and is equal to the Federal Home Loan Bank (FHLB) Discount Notes Funding Costs plus ½ of 1%.

2004 Series A

The bonds were offered as Auction Rate Certificates. Auctions to set the interest rate are generally held every 28 days. The maximum rate is 12% or such higher rate as the Administration may establish with a Rating Confirmation.

<u>Residential Revenue Bonds</u>

2003 Series C; 2004 Series C, F and I; 2005 Series C

The rate is set weekly by the 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.

Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) 2003 Series C
Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) 2004 Series A

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2005, and the debt outstanding and bonds payable as of June 30, 2005:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2004	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2005	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2005
Single Family Program Bonds										
1993 Third Series	10/01/93	4.85% - 5.25%	2005 - 2016	$ 19,780	$ -	$ (3,295)	$ (4,620)	$ 11,865	$ -	$ 11,865
1994 First Series	03/01/94	5.80%	2009	15,535	-	(1,995)	(7,970)	5,570	-	5,570
1994 Fourth Series	05/01/94	5.85% - 6.35%	2005 - 2011	12,180	-	-	(12,180)	-	-	-
1994 Ninth Series*	12/22/94	5.20% - 6.15%	2005 - 2019	11,270	-	(775)	(10,495)	-	-	-
1995 First Series	03/01/95	5.60% - 6.25%	2005 - 2017	29,920	-	-	(29,920)	-	-	-
1995 Third Series	06/01/95	5.45% - 6.25%	2005 - 2027	56,545	-	(1,310)	(55,235)	-	-	-
1995 Fourth Series	10/01/95	6.00%	2017	5,790	-	-	(5,790)	-	-	-
1995 Fifth Series	10/01/95	5.20% - 6.20%	2005 - 2024	18,590	-	-	(18,590)	-	-	-
1996 Third Series	07/01/96	5.35% - 6.25%	2005 - 2017	8,390	-	(345)	(8,045)	-	-	-
1996 Fifth Series	08/01/96	5.10% - 5.95%	2005 - 2016	25,395	-	(1,560)	(8,945)	14,890	-	14,890
1997 First Series	08/01/97	5.25% - 5.60%	2005 - 2018	77,240	-	(5,890)	(3,485)	67,865	-	67,865
1999 First Series	12/01/98	4.30% - 5.25%	2005 - 2029	20,695	-	(515)	(2,040)	18,140	-	18,140
1999 Second Series	12/01/98	4.40% - 5.00%	2009 - 2017	53,205	-	-	-	53,205	-	53,205
1999 Third Series	12/01/98	4.30% - 5.125%	2005 - 2021	55,590	-	(2,305)	(1,740)	51,545	-	51,545
2000 First Series	03/01/00	5.00% - 5.70%	2005 - 2015	20,885	-	(1,510)	(1,215)	18,160	(575)	17,585
2001 First Series	03/01/01	3.875% - 5.00%	2005 - 2017	49,310	-	(3,535)	-	45,775	(1,197)	44,578
2001 Second Series	03/01/01	3.95% - 4.80%	2005 - 2023	9,710	-	-	(3,775)	5,935	(165)	5,770
2002 First Series	02/01/02	4.45% - 4.60%	2012 - 2013	4,495	-	-	-	4,495	(95)	4,400
2002 Second Series	02/01/02	3.35% - 5.375%	2005 - 2024	36,935	-	(1,625)	(2,650)	32,660	(952)	31,708
Total				$ 531,460	$ -	$ (24,660)	$ (176,695)	$ 330,105	$ (2,984)	$ 327,121

*Remarketed on November 9, 1995

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2004	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2005	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2005
Multi-Family Housing Revenue Bonds										
1995 Series A	04/01/95	5.45% - 6.70%	2005 - 2036	$ 15,415	$ -	$ (160)	$ (15,255)	$ -	$ -	$ -
1995 Series B	12/01/95	4.85% - 5.80%	2005 - 2026	9,945	-	(265)	(6,500)	3,180	-	3,180
1995 Series C	12/01/95	4.85% - 5.80%	2005 - 2026	1,615	-	(35)	(1,580)	-	-	-
1995 Series D	12/01/95	5.05% - 5.90%	2005 - 2027	2,260	-	(50)	(2,210)	-	-	-
1998 Series A	11/01/98	4.15% - 5.15%	2005 - 2029	7,195	-	(180)	(835)	6,180	-	6,180
2001 Series A	10/01/01	3.00% - 5.10%	2005 - 2028	2,010	-	(75)	-	1,935	(44)	1,891
2001 Series B	10/01/01	3.35% - 5.35%	2005 - 2032	25,670	-	(335)	(10,005)	15,330	(502)	14,828
2002 Series A	03/01/02	3.25% - 5.40%	2005 - 2033	9,300	-	(395)	(65)	8,840	(209)	8,631
2002 Series B	03/01/02	3.60% - 5.60%	2005 - 2033	12,375	-	(300)	-	12,075	(410)	11,665
2003 Series A	06/19/03	1.20% - 4.45%	2005 - 2034	69,615	-	(1,590)	(36,650)	31,375	(955)	30,420
2003 Series B	06/19/03	1.40% - 4.40%	2005 - 2023	1,930	-	(75)	-	1,855	(66)	1,789
2003 Series C	06/19/03	Variable Rate	2033	19,350	-	(660)	-	18,690	-	18,690
2004 Series A	03/31/04	Variable Rate	2036	25,175	-	(720)	-	24,455	(685)	23,770
Total				$ 201,855	$ -	$ (4,840)	$ (73,100)	$ 123,915	$ (2,871)	$ 121,044

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2005

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2004	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2005	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2005
Housing Revenue Bonds										
Series 1996 A	11/01/96	4.90% - 5.95%	2004 - 2023	$ 60,300	$ -	$ (3,200)	$ (150)	$ 56,950	$ -	$ 56,950
Series 1996 B	11/01/96	4.90% - 5.95%	2004 - 2028	1,870	-	(45)	-	1,825	-	1,825
Series 1997 A	06/01/97	4.70% - 6.00%	2004 - 2039	35,860	-	(315)	-	35,545	-	35,545
Series 1997 B	09/01/97	4.60% - 5.75%	2004 - 2039	7,440	-	(65)	-	7,375	-	7,375
Series 1997 C	12/01/97	4.40% - 5.65%	2004 - 2039	13,575	-	(125)	-	13,450	-	13,450
Series 1998 A	04/01/98	4.40% - 5.625%	2004 - 2040	10,660	-	(100)	-	10,560	-	10,560
Series 1999 A	02/01/99	3.90% - 5.35%	2004 - 2041	15,995	-	(145)	-	15,850	-	15,850
Series 1999 B	10/15/99	4.80% - 6.40%	2004 - 2042	15,460	-	(165)	-	15,295	-	15,295
Series 1999 C	10/15/99	5.85% - 6.40%	2014 - 2040	510	-	-	-	510	-	510
Series 1999 D	12/01/99	4.85% - 6.35%	2004 - 2042	13,780	-	(345)	-	13,435	-	13,435
Series 2000 A	10/01/00	4.70% - 6.10%	2004 - 2042	27,245	-	(200)	-	27,045	-	27,045
Series 2001 A	07/01/01	3.95% - 5.625%	2005 - 2043	29,645	-	-	-	29,645	-	29,645
Series 2001 B	10/01/01	3.15% - 5.45%	2004 - 2043	47,060	-	(250)	-	46,810	-	46,810
Series 2002 A	03/01/02	3.00% - 5.70%	2004 - 2043	9,500	-	(85)	-	9,415	-	9,415
Series 2002 B	10/01/02	2.20% - 5.05%	2005 - 2045	34,435	-	-	(865)	33,570	-	33,570
Series 2002 C	10/01/02	2.20% - 5.00%	2005 - 2035	6,740	-	-	-	6,740	-	6,740
Series 2002 D	10/01/02	2.20% - 5.00%	2005 - 2035	8,280	-	-	-	8,280	-	8,280
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	11,130	-	-	-	11,130	-	11,130
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	-	-	-	36,515	-	36,515
Series 2004 D	11/23/04	2.80% - 5.00%	2007 2037	-	3,270	-	-	3,270	-	3,270
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
Total				$ 471,525	$ 29,010	$ (5,040)	$ (1,015)	$ 494,480	$ (6)	$ 494,474

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2005

NOTE 7 - BONDS PAYABLE (Continued)

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2004	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2005	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2005
Residential Revenue Bonds										
1997 Series A	08/01/97	5.60%	2017	$ 16,295	$ -	$ -	$ (60)	$ 16,235	$ -	$ 16,235
1997 Series B	08/01/97	4.90% - 5.875%	2004 - 2029	44,155	-	(1,865)	(6,850)	35,440	-	35,440
1998 Series A	01/01/98	4.70% - 5.05%	2010 - 2017	4,640	-	-	-	4,640	-	4,640
1998 Series B	01/01/98	4.35% - 5.35%	2004 - 2030	48,275	-	(1,335)	(4,555)	42,385	32	42,417
1998 Series D	12/01/98	4.20% - 5.25%	2004 - 2029	43,835	-	(1,225)	(2,500)	40,110	-	40,110
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	05/01/99	4.10% - 5.40%	2004 - 2031	41,845	-	(915)	(2,660)	38,270	(17)	38,253
1999 Series E	08/01/99	4.60% - 5.70%	2005 - 2017	21,965	-	-	-	21,965	-	21,965
1999 Series F	08/01/99	4.70% - 5.95%	2004 - 2029	25,285	-	(1,280)	(9,525)	14,480	-	14,480
1999 Series H	12/01/99	6.15%	2025	12,715	-	-	(1,085)	11,630	-	11,630
2000 Series A	03/01/00	5.15% - 5.50%	2007 - 2012	7,360	-	-	(4,600)	2,760	-	2,760
2000 Series B	03/01/00	5.10% - 6.05%	2004 - 2025	22,485	-	(1,055)	(21,430)	-	-	-
2000 Series C	06/01/00	5.45%	2010	670	-	-	(670)	-	-	-
2000 Series F	08/01/00	4.35% - 5.20%	2004 - 2014	14,825	-	(400)	(65)	14,360	-	14,360
2000 Series G	08/01/00	4.60% - 5.95%	2004 - 2032	49,005	-	(710)	(48,295)	-	-	-
2000 Series H	12/01/00	4.65% - 5.80%	2004 - 2032	44,455	-	(785)	(285)	43,385	-	43,385
2001 Series A	03/01/01	3.75% - 5.00%	2004 - 2017	15,110	-	(785)	(35)	14,290	-	14,290
2001 Series B	03/01/01	4.65% - 5.45%	2011 - 2032	35,075	-	-	(2,270)	32,805	-	32,805
2001 Series E	06/01/01	3.55% - 4.65%	2004 - 2012	13,315	-	(1,250)	-	12,065	-	12,065
2001 Series F	06/01/01	5.30% - 5.60%	2016 - 2032	62,655	-	-	(2,065)	60,590	-	60,590
2001 Series G	08/15/01	3.05% - 4.20%	2004 - 2011	8,385	-	(855)	-	7,530	-	7,530
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	40,505	-	-	(2,030)	38,475	-	38,475
2002 Series A	02/01/02	2.80% - 5.45%	2004 - 2033	7,980	-	(125)	(340)	7,515	-	7,515
2003 Series A	11/01/03	1.35% - 4.05%	2005 - 2015	9,550	-	-	-	9,550	-	9,550
2003 Series B	11/01/03	1.65% - 5.00%	2005 - 2026	15,450	-	-	(1,060)	14,390	632	15,022
2003 Series C	12/09/03	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2003 Series D	12/09/03	1.17%	12/21/04	91,795	-	(91,795)	-	-	-	-
2003 Series E	12/09/03	1.25%	12/21/04	128,515	-	(95,195)	(33,320)	-	-	-
2004 Series A	05/13/04	1.80% - 4.20%	2006 - 2016	10,710	-	-	-	10,710	-	10,710
2004 Series B	05/13/04	2.20% - 5.00%	2006 - 2028	19,290	-	-	(755)	18,535	622	19,157
2004 Series C	05/13/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series D	08/12/04	2.20% - 4.40%	2006 - 2016	-	12,960	-	-	12,960	-	12,960
2004 Series E	08/12/04	2.45% - 5.25%	2006 - 2030	-	27,040	-	(160)	26,880	681	27,561
2004 Series F	08/12/04	Variable rate	2035	-	20,000	-	-	20,000	-	20,000
2004 Series G	11/10/04	1.70% - 3.65%	2006 - 2016	-	13,445	-	-	13,445	-	13,445
2004 Series H	11/10/04	1.95% - 5.00%	2006 - 2029	-	26,555	-	(60)	26,495	925	27,420
2004 Series I	11/10/04	Variable rate	2035	-	20,000	-	-	20,000	-	20,000
2004 Series J	11/10/04	2.05%	12/5/05	-	91,795	-	-	91,795	-	91,795
2004 Series K	11/10/04	2.10%	12/5/05	-	78,260	-	-	78,260	-	78,260
2005 Series A	03/30/05	2.60% - 3.90%	2007 - 2016	-	12,640	-	-	12,640	-	12,640
2005 Series B	03/30/05	4.55% - 5.25%	2023 - 2029	-	27,360	-	-	27,360	919	28,279
2005 Series C	03/30/05	Variable rate	2035	-	20,000	-	-	20,000	-	20,000
Total				$ 898,810	$ 350,055	$ (199,575)	$ (144,675)	$ 904,615	$ 3,794	$ 908,409

(in thousands)

NOTE 8 - DEBT SERVICE REQUIREMENTS

As of June 30, 2005, the required principal payments for short-term debt and bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to year end and excluding the effect of unamortized discounts/premiums and other deferred costs 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	Single Family Program Bonds		Multi-Family Housing Revenue Bonds		Housing Revenue Bonds		Residential Revenue Bonds	
Ended June 30,	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2006	$ 15,924	$ 31,555	$ 4,545	$ 17,560	$ 25,823	$ 7,945	$ 35,491	$ 217,145
2007	14,988	23,110	4,277	4,005	25,782	6,760	31,463	17,030
2008	13,913	21,035	4,156	4,135	25,439	10,005	30,783	18,490
2009	12,920	24,490	4,020	4,250	25,020	8,745	29,989	20,065
2010	11,742	22,585	3,877	4,390	24,600	9,920	29,164	18,880
2011-2015	42,964	106,605	16,880	22,490	115,376	52,790	131,738	110,420
2016-2020	17,475	70,570	11,945	27,320	101,014	51,630	104,820	108,530
2021-2025	3,270	26,605	6,785	20,325	87,923	49,725	74,287	136,930
2026-2030	448	3,550	3,245	11,425	73,616	59,090	38,439	121,245
2031-2035	-	-	751	7,560	55,890	73,655	14,576	35,880
2036-2040	-	-	14	455	33,790	87,080	1,150	100,000
2041-2045	-	-	-	-	11,193	68,425	-	-
2046-2050	-	-	-	-	448	8,710	-	-
Totals	$ 133,644	$ 330,105	$ 60,495	$ 123,915	$ 605,914	$ 494,480	$ 521,900	$ 904,615

The interest calculations on outstanding variable rate bonds in the amounts of $43,145 in Multi-Family Housing Revenue Bonds and $100,000 in Residential Revenue Bonds are based on the variable rates in effect on June 30, 2005 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.

NOTE 9 - 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

NOTE 9 - BOND REFUNDINGS (Continued)

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.

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 GASB Statement No. 23 *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*. This deferral is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. For the year ended June 30, 2005, CDA did not issue any refunding bonds for the purpose of lowering its cost of debt.

NOTE 10 - 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 bond and note issues sold 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 unrealized gains on mortgage-backed securities.

(in thousands)

NOTE 10 - REBATE LIABILITY (Continued)

Rebate liability activity for the year ended June 30, 2005, 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, 2004	$ 14,944	$ 574	$ -	$ 1,934	$ -	$ 17,452
Change in estimated liability due to excess investment earnings	1,661	23	-	(472)	-	1,212
Change in estimated liability due to change in fair value of investments	4,803	568	-	583	-	5,954
Less - payments made	(5,717)	-	-	(751)	-	(6,468)
Rebate liability as of June 30, 2005	$ 15,691	$ 1,165	$ -	$ 1,294	$ -	$ 18,150

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	$ 3,390	$ 29	$ -	$ 360	$ -	$ 3,779
Estimated liability due to change in fair value of investments	12,301	1,136	-	934	-	14,371
Rebate liability as of June 30, 2005	$ 15,691	$ 1,165	$ -	$ 1,294	$ -	$ 18,150

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2005

NOTE 11 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2005, were as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Long-term bonds payable						
Beginning balance	$ 487,914	$ 179,892	$ 466,329	$ 653,925	$ -	$ 1,788,060
Additions	-	-	29,010	352,620	-	381,630
Reductions	(161,180)	(60,320)	(865)	(97,970)	-	(320,335)
Change in deferred amounts for issuance discounts/premiums	(17)	-	-	(166)	-	(183)
Change in deferred amounts on refundings	404	1,472	-	-	-	1,876
Less due within one year	(31,555)	(17,560)	(7,945)	(217,145)	-	(274,205)
Total long-term bonds payable	295,566	103,484	486,529	691,264	-	1,576,843
Deposits by borrowers						
Beginning balance	-	9,403	15,461	-	-	24,864
Additions	-	7,411	4,859	-	-	12,270
Reductions	-	(4,357)	(92)	-	-	(4,449)
Less due within one year	-	(6,111)	(4,801)	-	-	(10,912)
Total long-term deposits by borrowers	-	6,346	15,427	-	-	21,773
Workers' compensation						
Beginning balance	-	-	-	-	24	24
Additions	-	-	-	-	12	12
Reductions	-	-	-	-	(1)	(1)
Less due within one year	-	-	-	-	(5)	(5)
Total long-term workers' compensation	-	-	-	-	30	30
Compensated absences						
Beginning balance	-	-	-	-	237	237
Additions	-	-	-	-	296	296
Less due within one year	-	-	-	-	(290)	(290)
Total long-term compensated absences	-	-	-	-	243	243
Deferred income						
Beginning balance	-	160	5,215	-	-	5,375
Additions	-	-	297	-	-	297
Reductions	-	(5)	(118)	-	-	(123)
Total long-term deferred income	-	155	5,394	-	-	5,549
Rebate liability						
Beginning balance	14,944	574	-	1,683	-	17,201
Additions	1,956	591	-	583	-	3,130
Reductions	(1,209)	-	-	(972)	-	(2,181)
Less due within one year	(3,043)	-	-	(360)	-	(3,403)
Total long-term rebate liability	12,648	1,165	-	934	-	14,747
Total long-term liabilities	$ 308,214	$ 111,150	$ 507,350	$ 692,198	$ 273	$ 1,619,185

(in thousands)

NOTE 12 - 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, 2005.

During the year ended June 30, 2005, 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
Single family commitment fees	$ -	$ -	$ -	$ (84)	$ 84	-
Multi-family financing fees	-	(17)	(457)	-	474	-
Infrastructure financing fees	-	-	-	-	70	70
Excess revenue	-	(2,100)	(1,125)	-	3,225	-
Cost of issuance on bonds	(1,939)	-	-	1,939	-	-
Transfer surplus funds for loan originations	-	(475)	475	-	-	-
Transfer to separate account in accordance with HUD agreement	-	(629)	-	-	-	(629)
	$ (1,939)	$ (3,221)	$ (1,107)	$ 1,855	$ 3,853	$ (559)

(in thousands)

NOTE 12 - INTERFUND ACTIVITY (Continued)

As of June 30, 2005, 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
Servicer receipts for participation loans	$ 312	$ -	$ -	$ (312)	$ -

NOTE 13 - 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 Draw Down Mortgage Revenue Bonds are secured by an investment equal to the debt outstanding. 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 financial statements.

	Amount Issued	Outstanding at June 30, 2005
Multifamily Development Revenue Bonds		
1990 Issue B (Middle Branch Manor)	$ 12,350	$ 9,850
1990 Issue C (Harbor City Townhomes)	$ 4,150	$ 3,350
Series 1998 A (Auburn Manor)	$ 11,000	$ 10,010
Series 1999 A (GNMA - Selborne House)	$ 2,150	$ 2,090
Series 2000 A (Waters Landing II Apartments)	$ 11,000	$ 10,845
Series 2000 B-1 (Edgewater Village Apartments)	$ 7,640	$ 7,230
Series 2000 B-2 (Edgewater Village Apartments)	$ 3,125	$ 3,125
Series 2000 C (Park Montgomery Apartments)	$ 6,170	$ 5,655

(in thousands)

NOTE 13 - OTHER OUTSTANDING BONDS ISSUED BY CDA (CONDUIT BONDS) (UNAUDITED) (Continued)

	Amount Issued	Outstanding at June 30, 2005
Series 2001 C (Parklane Apartments)	$ 9,800	$ 9,800
Series 2001 D (Princess Anne Townhouses)	$ 4,350	$ 4,155
Series 2001 E (Princess Anne Townhouses)	$ 2,875	$ 2,830
Series 2001 F (Waters Tower Senior Apartments)	$ 7,570	$ 7,185
Series 2001 G (Waters Tower Senior Apartments)	$ 4,045	$ 3,975
Series 2002 B (Broadway Homes)	$ 5,045	$ 2,400
Series 2002 C (Orchard Mews Apartments)	$ 5,845	$ 5,845
Series 2003 A (Barrington Apartments)	$ 40,000	$ 40,000
Multifamily Development Revenue Refunding Bonds		
Series 1997 (Avalon Lea Apartments)	$ 16,835	$ 16,835
Series 1997 (Avalon Ridge Apartments)	$ 26,815	$ 26,815
Series 1999 C (Westfield/Greens)	$ 9,200	$ 8,550
Draw Down Mortgage Revenue Bonds		
Series 2002-1 (AMT)	$ 41,140	$ 50
Series 2002-2 (Non-AMT)	$ 162,515	$ 66,785
Capital Fund Securitization Revenue Bonds		
Series 2003	$ 94,295	$ 94,065

The Multifamily Development Revenue Bonds, the Multifamily Development Revenue Refunding Bonds, the Draw Down Mortgage Revenue 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.

Subsequent to June 30, 2005, CDA issued Draw Down Mortgage Revenue Bonds in the amount of $16,610 on August 1, 2005.

NOTE 14 - 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.

For an FHA insured loan in Single Family Program Bonds, the primary mortgage insurance covers an amount equal to the unpaid principal amount of the loan. All other loans have primary mortgage insurance in an amount that is at least 25% of the 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. MHF has issued most of the pool insurance policies.

FHA insured loans in Residential Revenue Bonds are insured in an amount equal to the unpaid principal amount of the loan. Less than 10% of all other loans are insured by the VA, USDA/RD, or private mortgage insurers at various coverages. In the opinion of management, these coverage levels are sufficient so that no pool insurance or reserves are required and no allowance for loan losses has been recorded. Premiums are paid by single family mortgagors.

NOTE 15 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (System) and are also entitled to certain healthcare benefits upon retirement. CDA's only 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 16 - COMMITMENTS

As of June 30, 2005, CDA had approximately $29,627 in reservations for single family mortgages at interest rates ranging from 4.875% to 5.95%. CDA plans to purchase these loans with proceeds from Residential Revenue Bonds. CDA also had commitments to purchase, from the proceeds of Housing Revenue Bonds, approximately $33,956 in GNMA mortgage-backed securities to finance mortgage loans on multifamily projects. The interest rates on the securities range from 5.11% to 5.83%. Finally, CDA has a commitment to fund a 5.85% mortgage loan of $5,347 financed with the proceeds of bonds in Housing Revenue Bonds.

NOTE 17 - SUBSEQUENT EVENTS

Subsequent to the year ended, June 30, 2005, the following bond activity took place:

Single Family Program Bonds

On July 8, 2005, CDA redeemed the following bonds:

1996 Fifth Series	$6,220
2001 Second Series	$125
2002 Second Series	$255

On August 26, 2005, CDA redeemed the following bonds:

1993 Third Series	$1,255
1994 First Series	$2,015
1996 Fifth Series	$8,670
1997 First Series	$345
1999 Third Series	$325
2000 First Series	$60
2001 Second Series	$440
2002 Second Series	$400

Multi-Family Housing Revenue Bonds

On July 22, 2005, CDA redeemed the following bonds:

1995 Series B	$3,180

On September 15, 2005, CDA redeemed the following bonds:

2001 Series A	$60
2003 Series A	$10,390

(in thousands)

NOTE 17 - SUBSEQUENT EVENTS (Continued)

Housing Revenue Bonds

On July 29, 2005, CDA redeemed the following bonds:

Series 1996 A	$1,460

On September 8, 2005, CDA redeemed the following bonds:

Series 2004 A	$265

Residential Revenue Bonds

On July 8, 2005, CDA redeemed the following bonds:

1999 Series F	$10,335
1999 Series H	$35
2001 Series H	$75
2003 Series B	$80
2004 Series E	$420
2004 Series H	$185

On August 26, 2005, CDA redeemed the following bonds:

1997 Series B	$15,655
1999 Series F	$4,145
1999 Series H	$190
2000 Series A	$990
2000 Series F	$275
2001 Series B	$30
2001 Series F	$130
2001 Series H	$205
2003 Series B	$210
2004 Series B	$430
2004 Series E	$515
2004 Series H	$310
2005 Series B	$40

NOTE 17 - SUBSEQUENT EVENTS (Continued)

Effective September 1, 2005, CDA entered into an Interest Rate Exchange Agreement or interest rate “swap”. This agreement, a synthetic fixed rate contract with a Aaa rated counterparty, will hedge $20,000 in variable rate debt in Residential Revenue Bonds, 2004 Series I.

Community Development Administration
Revenue Obligation Funds

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

June 30, 2005
(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 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, 2005, the following schedule summarizes the increase/decrease in fair value for each of these years and the cumulative difference between fair value and amortized cost:

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)
Cumulative total	$ 21,192	$ 4,714	$ 1,579	$ 694	$ (146)	$ 28,033

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, 2005
(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, 2005	$ (18,117)	$ 1,784	$ 897	$ 403	$ (403)	$(15,436)
Realized gains on investments sold	28,167	-	-	-	-	28,167
Adjustment due to change in rebate liability (see Note 10)	(4,803)	(568)	-	(583)	-	(5,954)
Increase (decrease) in fair value of investments, net of rebate, as reported on the Combined Statement of Revenue, Expenses and Changes in Net Assets	$ 5,247	$ 1,216	$ 897	$ (180)	$ (403)	$ 6,777

For mortgage-backed securities held by CDA as of June 30, 2005, the following schedule summarizes the increase/decrease in fair value for each of these years:

Fiscal Year Period	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Combined
FY 2000	$ (452)	$ (3,825)	$ (4,277)
FY 2001	1,358	(3,291)	(1,933)
FY 2002	812	3,340	4,152
FY 2003	884	21,435	22,319
FY 2004	(1,476)	(11,126)	(12,602)
FY 2005	(670)	12,879	12,209
Cumulative total	$ 456	$ 19,412	$ 19,868