Reznick Group

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS

JUNE 30, 2007 AND 2006

Community Development Administration
Residential 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 Residential 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, 2007 and 2006, 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 Residential 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, 2007 and 2006, and the changes in its net assets and 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 Residential Revenue Bonds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2007 and 2006, 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 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 27, 2007

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2007 and 2006

	2007	2006
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 543,151	$ 95,268
Investments	353,808	395,865
Single family mortgage loans	16,511	13,055
Accrued interest and other receivables	20,965	13,585
Total restricted current assets	934,435	517,773
Restricted long-term assets		
Investments, net of current portion	27,681	28,931
Single family mortgage loans, net of current portion and allowance for loan losses	1,364,514	703,629
Deferred bond issuance costs	12,826	6,473
Total restricted long-term assets	1,405,021	739,033
Total restricted assets	$ 2,339,456	$ 1,256,806
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued interest payable	$ 27,890	$ 15,058
Accounts payable	187	2,275
Bonds payable and short-term debt	338,665	345,570
Due to other Funds	195	287
Total current liabilities	366,937	363,190
Long-term liabilities		
Rebate liability	3,501	40
Bonds payable, net of current portion	1,847,821	794,836
Total long-term liabilities	1,851,322	794,876
Total liabilities	2,218,259	1,158,066
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Restricted	121,197	98,740
Total liabilities and net assets	$ 2,339,456	$ 1,256,806

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

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

Years ended June 30, 2007 and 2006

	2007	2006
Operating revenue		
Interest on mortgage loans	$ 56,475	$ 35,089
Interest income on investments, net of rebate	34,549	17,617
Increase (decrease) in fair value of investments, net of rebate	1,062	(633)
Fee income	503	753
	92,589	52,826
Operating expenses		
Interest expense on bonds and short-term debt	73,918	41,148
Professional fees and other operating expenses	1,409	1,162
Loss (gain) on foreclosure claims	168	(52)
Provision for loan losses	731	532
Origination expenses	880	541
Amortization of bond issuance costs	1,913	908
Loss on early retirement of debt	18	812
	79,037	45,051
Operating income	13,552	7,775
Transfers of funds, net, as permitted by the various bond indentures	8,905	2,376
Changes in net assets	22,457	10,151
Net assets - restricted at beginning of year	98,740	88,589
Net assets - restricted at end of year	$ 121,197	$ 98,740

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 156,682	$ 168,516
Mortgage insurance claims received	2,357	4,697
Foreclosure expenses paid	(456)	(817)
Loan fees received	2,926	117
Loan fees disbursed	(7,314)	(2,690)
Purchase of mortgage loans	(767,055)	(208,872)
Professional fees and other operating expenses	(1,294)	(1,090)
Net cash used in operating activities	(614,154)	(40,139)
Cash flows from investing activities		
Proceeds from maturities or sales of investments	1,271,510	464,058
Purchases of investments	(1,218,618)	(656,216)
Arbitrage rebates paid	-	(445)
Interest received on investments	25,730	8,131
Net cash provided by (used in) investing activities	78,622	(184,472)
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	1,463,147	559,557
Payments on bond principal	(416,155)	(327,080)
Advance deposit on bonds (applied)	(2,200)	2,200
Bond issuance costs	(8,916)	(2,376)
Interest on bonds and short-term debt	(61,366)	(38,688)
Transfers among Funds	8,905	2,376
Net cash provided by noncapital financing activities	983,415	195,989
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	447,883	(28,622)
Cash and cash equivalents on deposit with trustee at beginning of year	95,268	123,890
Cash and cash equivalents on deposit with trustee at end of year	$ 543,151	$ 95,268

(continued)

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2007 and 2006

	2007	2006
Reconciliation of operating income to net cash from operating activities		
Operating income	$ 13,552	$ 7,775
Adjustments to reconcile operating income to net cash used in operating activities		
Increase in assets		
Mortgage loans	(661,061)	(74,210)
Accrued interest and other receivables	(7,380)	(4,817)
Increase (decrease) in liabilities		
Accrued interest payable	12,832	2,577
Accounts payable	(2,088)	2,275
Rebate liability	3,461	(1,254)
Due to other Funds	(92)	(25)
Amortizations		
Deferred income and expense on loans	377	(212)
Investment discounts and premiums	(8,523)	(2,179)
Bond original issue discounts and premiums	(280)	(117)
Deferred bond issuance costs	1,913	908
Loan fees and expenses deferred	(4,388)	(2,573)
Provision for loan losses	731	532
(Increase) decrease in fair value of investments	(1,062)	1,567
Arbitrage rebates paid	-	445
Advance deposit on bonds applied (received)	2,200	(2,200)
Loss on early retirement of debt	18	812
Interest received on investments	(25,730)	(8,131)
Interest on bonds and short-term debt	61,366	38,688
Net cash used in operating activities	$ (614,154)	$ (40,139)

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2007 and 2006

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 Residential Revenue Bonds (the Fund). CDA's other Funds are not included. The Fund was established to issue bonds primarily to originate or purchase single family mortgage loans.

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.

Recent Accounting Pronouncements

On June 29, 2007, GASB published an exposure draft of the proposed Statement *Accounting and Financial Reporting for Derivative Instruments*, which will supersede GASB Technical Bulletin No. 2003-1 *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets.* This proposed Statement addresses recognition and measurement of derivative instruments and disclosure of information about derivative instruments. The disclosures of GASB Technical Bulletin No. 2003-1 have been incorporated in the proposed Statement, which will become effective for financial statements for periods beginning after June 15, 2009. CDA may elect to implement the proposed Statement earlier. The proposed Statement will require that all CDA interest rate exchange agreements (swaps) are reported at fair value in the Statement of Net Assets and that all swaps are tested for hedge effectiveness. Effectiveness is established if the changes in cash flows of the swaps substantially offset the changes in cash flows of the hedgeable items. The changes in fair values of the swaps, that are determined to be effective hedges, will be recognized as deferred inflows or outflows in the Statement of Net Assets. The changes in fair value of the swaps that are determined not to be effective hedges will be reported in the

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Revenue, Expenses and Changes in Net Assets. For the year ended June 30, 2007 and 2006, CDA swaps are reported in accordance with GASB Technical Bulletin No. 2003-1 and are more fully described in Note 9.

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, 2007, the Fund's cash equivalents are invested in a money market mutual fund and U.S. Government Agencies. As of June 30, 2006, all cash equivalents were invested in a money market mutual fund. Cash equivalents are 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 Loans

Mortgage loans are carried at their unpaid principal balances, net of unamortized loan fees and expenses. Loan fees and expenses are deferred and amortized over the life of the related loans using the effective interest method. Any 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses

Substantially all of the mortgage loans of the Fund are insured or guaranteed by agencies of the U.S. Government, the Maryland Housing Fund (MHF), or private mortgage insurers. As of June 30, 2007 and 2006, CDA has established an allowance for loan losses on the uninsured portions of mortgage loans with private mortgage insurance. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD's asset management group and a current assessment of probability and risk of loss due to default. See Notes 4 and 14 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 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.

Due from (to) Other Funds

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

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of original issue discounts or premiums. See Notes 6, 7, 8, 9 and 10 for more information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rebate Liability on Investments

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

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, 2007 and 2006, all mortgage loan yields are in compliance with the Code.

Interest on Mortgage Loans

Interest on mortgage loans is calculated using the effective interest method.

Fee Income

CDA receives single family commitment fees at loan origination. These fees are deferred and amortized over the life of the loan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Origination Expenses

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

Administrative Support

In addition to expenses incurred directly by the 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 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 the Fund'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 period. Actual results could differ from these estimates.

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Bond proceeds and revenues from mortgages and investments are invested in authorized investments as defined in the Residential Revenue Bond Resolution (the Resolution) and in CDA's Investment Policy until required for purchasing 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 the Fund as of June 30, 2007 and 2006, are evaluated in accordance with GASB Statement No. 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2007	2006
Cash and Cash Equivalents:		
Federated Treasury Obligations Fund	$ 292,963	$ 95,268
Obligations of the U.S. Government Agencies	250,188	-
Investments:		
Obligations of the U.S. Government Agencies	361,344	405,789
Repurchase and Investment Agreements	20,145	19,007
Total	$ 924,640	$ 520,064

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, AND INVESTMENTS (Continued)

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	$ 292,963	$ 292,963	$ 292,963	$ -	$ -	$ -	$ -
Obligations of U.S. Government Agencies	611,343	611,532	603,996	-	-	2,099	5,437
Repurchase agreements/ Investment agreements	20,145	20,145	-	-	-	-	20,145
Total	$ 924,451	$ 924,640	$ 896,959	$ -	$ -	$ 2,099	$ 25,582

As of June 30, 2006, 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	$ 95,268	$ 95,268	$ 95,268	$ -	$ -	$ -	$ -
Obligations of U.S. Government Agencies	406,662	405,789	395,865	2,441	-	2,059	5,424
Repurchase agreements/ Investment agreements	19,007	19,007	-	-	-	-	19,007
Total	$ 520,937	$ 520,064	$ 491,133	$ 2,441	$ -	$ 2,059	$ 24,431

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, 2007 and 2006, the cost of this money market mutual fund approximated fair value.

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the Resolution requires 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, 2007 and 2006, all counterparty ratings were at least equal to the ratings on the Fund's bonds. The ratings on Residential Revenue Bonds as of June 30, 2007 and 2006 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.

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	$ 292,963	31.68%	Aaa		Moody's
Obligations of U.S. Government Agencies:					
Federal Agricultural Mortgage Corporation	410,253	44.37%		Aaa	Moody's
Federal Home Loan Banks	144,877	15.67%		Aaa	Moody's
Federal National Mortgage Association	48,865	5.28%		Aaa	Moody's
Other government agencies	7,537	0.82%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
Counterparty rated Aa1 by Moody's	13,462	1.46%		Aaa	Moody's
Counterparty rated Aa2 by Moody's	6,683	0.72%		Aaa	Moody's
Total	$ 924,640	100.00%			

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of June 30, 2006, 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	$ 95,268	18.32%	Aaa		Moody's
Obligations of U.S. Government Agencies:					
Federal Home Loan Banks	349,789	67.26%		Aaa	Moody's
Federal National Mortgage Association	27,744	5.33%		Aaa	Moody's
Federal Agricultural Mortgage Corporation	15,063	2.90%		Aaa	Moody's
Other government agencies	13,193	2.54%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
Counterparty rated Aa2 by Moody's	10,460	2.01%		Aaa	Moody's
Counterparty rated AA by Standard & Poor's	8,547	1.64%		Aaa	Moody's
Total	$ 520,064	100.00%			

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

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, 2007 and 2006, 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.

(in thousands)

NOTE 4 - MORTGAGE LOANS

All mortgage loans of the Fund are secured by first liens on the related property. Substantially all the mortgage loans are credit enhanced through the FHA mortgage insurance programs, the Veterans Administration, USDA/RD guarantee programs, the Maryland Housing Fund (MHF) or by private mortgage insurers. Interest rates on such loans ranged from 4.0% to 7.5%. Remaining loan terms ranged from approximately 20 to 40 years, and 21 to 40 years, for the years ended June 30, 2007 and 2006, respectively.

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2007 and 2006 were as follows:

	2007	2006
Accrued mortgage loan interest	$ 7,351	$ 3,762
Accrued investment interest	12,385	8,628
Claims due from mortgage insurers	1,229	1,193
Miscellaneous loan billings	-	2
	$ 20,965	$ 13,585

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.

(in thousands)

NOTE 6 - SHORT-TERM DEBT (Continued)

Short-term debt activity for the year ended June 30, 2007 was as follows:

	Balance at June 30, 2006	Bond Activity: Issued	Bond Activity: Matured/ redeemed	Balance at June 30, 2007
Residential Revenue Bonds				
2005 Series F	$ 91,795	$ -	$ 91,795	$ -
2005 Series G	103,205	-	103,205	-
2006 Series C	95,120	-	95,120	-
2006 Series D	24,880	-	24,880	-
2006 Series M	-	76,795	-	76,795
2006 Series N	-	103,205	-	103,205
2006 Series Q	-	95,120	-	95,120
2006 Series R	-	24,880	-	24,880
Total	$ 315,000	$ 300,000	$ 315,000	$ 300,000

The outstanding short-term debt of $300,000 plus the principal payments due within one year of $38,665 equal the current portion of bonds payable and short-term debt of $338,665 on the Statements of Net Assets at June 30, 2007.

Short-term debt activity for the year ended June 30, 2006 was as follows:

	Balance at June 30, 2005	Bond Activity: Issued	Bond Activity: Matured/ redeemed	Balance at June 30, 2006
Residential Revenue Bonds				
2004 Series J	$ 91,795	$ -	$ 91,795	$ -
2004 Series K	78,260	-	78,260	-
2005 Series F	-	91,795	-	91,795
2005 Series G	-	103,205	-	103,205
2006 Series C	-	95,120	-	95,120
2006 Series D	-	24,880	-	24,880
Total	$ 170,055	$ 315,000	$ 170,055	$ 315,000

NOTE 6 - SHORT-TERM DEBT (Continued)

The outstanding short-term debt of $315,000 plus the principal payments due within one year of $30,570 equal the current portion of bonds payable and short-term debt of $345,570 on the Statements of Net Assets at June 30, 2006.

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 Resolution. 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 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 1.5% of the principal amount.

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

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

The rate is set weekly by a remarketing agent so that the market value of the bonds is as close as possible to 100% of the principal amount of the bonds. In no event will the bonds bear interest at a rate in excess of 12%, except for 2007 Series F which has a maximum interest rate of 15%.

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

2006 Series S and 2007 Series B, E and F

(in thousands)

NOTE 7 - 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:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2006	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2007	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2007
Residential Revenue Bonds										
1997 Series A	08/01/97	5.60%	2017	$ 4,925	$ -	$ -	$ (4,925)	$ -	$ -	$ -
1998 Series A	01/01/98	4.70% - 5.05%	2010 - 2017	4,640	-	-	-	4,640	-	4,640
1998 Series B	01/01/98	4.50% - 5.35%	2006 - 2030	35,700	-	(1,465)	(1,485)	32,750	15	32,765
1998 Series D	12/01/98	4.30% - 5.25%	2006 - 2029	37,950	-	(1,330)	(1,615)	35,005	-	35,005
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	05/01/99	4.35% - 5.40%	2006 - 2031	34,360	-	(1,000)	(1,225)	32,135	(11)	32,124
1999 Series E	08/01/99	4.80% - 5.70%	2006 - 2017	14,725	-	(1,400)	(1,955)	11,370	-	11,370
1999 Series H	12/01/99	6.15%	2025	10,190	-	-	(335)	9,855	-	9,855
2000 Series A	03/01/00	5.15% - 5.20%	2007 - 2008	1,035	-	-	(745)	290	-	290
2000 Series F	08/01/00	4.50% - 5.10%	2006 - 2013	10,795	-	(1,225)	(1,285)	8,285	-	8,285
2001 Series A	03/01/01	4.00% - 5.00%	2006 - 2017	13,430	-	(845)	(20)	12,565	-	12,565
2001 Series B	03/01/01	4.65% - 5.45%	2011 - 2032	30,450	-	-	(2,540)	27,910	-	27,910
2001 Series E	06/01/01	3.85% - 4.65%	2006 - 2012	10,765	-	(1,350)	-	9,415	-	9,415
2001 Series F	06/01/01	5.30% - 5.60%	2016 - 2032	58,690	-	-	(49,915)	8,775	-	8,775
2001 Series G	08/15/01	3.45% - 4.20%	2006 - 2011	6,645	-	(910)	-	5,735	-	5,735
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	36,440	-	-	(1,495)	34,945	-	34,945
2002 Series A	02/01/02	3.70% - 5.45%	2006 - 2033	6,720	-	(130)	(485)	6,105	-	6,105
2003 Series A	11/01/03	1.70% - 4.05%	2006 - 2015	8,790	-	(775)	-	8,015	-	8,015
2003 Series B	11/01/03	4.75% - 5.00%	2019 - 2026	11,075	-	-	(2,655)	8,420	435	8,855
2003 Series C	12/09/03	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series A	05/13/04	1.80% - 4.20%	2006 - 2016	10,710	-	(525)	-	10,185	-	10,185
2004 Series B	05/13/04	2.20% - 5.00%	2006 - 2028	15,025	-	(350)	(3,125)	11,550	445	11,995
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	-	(1,005)	-	11,955	-	11,955
2004 Series E	08/12/04	2.45% - 5.25%	2006 - 2030	23,010	-	(365)	(3,635)	19,010	482	19,492
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	-	(1,080)	-	12,365	-	12,365
2004 Series H	11/10/04	1.95% - 5.00%	2006 - 2029	23,500	-	(360)	(3,675)	19,465	693	20,158
2004 Series I	11/10/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
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	26,465	-	-	(1,835)	24,630	764	25,394
2005 Series C	03/30/05	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series D	11/10/05	2.95% - 4.05%	2007 - 2017	13,485	-	-	-	13,485	-	13,485
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	46,305	-	-	(2,030)	44,275	918	45,193
2005 Series F	11/10/05	3.12%	11/24/2006	91,795	-	(91,795)	-	-	-	-
2005 Series G	11/10/05	3.20%	11/24/2006	103,205	-	(103,205)	-	-	-	-
2006 Series A	02/23/06	3.30% - 4.10%	2008 - 2017	12,020	-	-	-	12,020	-	12,020
2006 Series B	02/23/06	4.75% - 5.50%	2025 - 2037	47,980	-	-	(615)	47,365	889	48,254
2006 Series C	02/23/06	3.375%	3/7/2007	95,120	-	(95,120)	-	-	-	-
2006 Series D	02/23/06	3.40%	3/7/2007	24,880	-	(24,880)	-	-	-	-
2006 Series E	05/24/06	3.55% - 4.35%	2008 - 2017	23,540	-	-	-	23,540	-	23,540
2006 Series F	05/24/06	4.80% - 6.00%	2021 - 2039	56,460	-	-	(370)	56,090	2,539	58,629
2006 Series G	05/24/06	Variable rate	2040	40,000	-	-	-	40,000	-	40,000

(continued)

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2007 and 2006

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2006	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2007	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2007
Residential Revenue Bonds (continued)										
2006 Series H	07/13/06	3.60% - 4.15%	2008 - 2017	$ -	$ 17,670	$ -	$ -	$ 17,670	$ -	$ 17,670
2006 Series I	07/13/06	3.75% - 6.00%	2008 - 2041	-	142,330	-	(750)	141,580	4,547	146,127
2006 Series J	07/13/06	Variable rate	2040	-	60,000	-	-	60,000	-	60,000
2006 Series K	09/14/06	3.55% - 4.15%	2008 - 2017	-	15,000	-	-	15,000	-	15,000
2006 Series L	09/14/06	3.80% - 5.75%	2008 - 2041	-	165,000	-	(325)	164,675	3,040	167,715
2006 Series M	09/14/06	3.67%	9/12/2007	-	76,795	-	-	76,795	-	76,795
2006 Series N	09/14/06	3.72%	9/12/2007	-	103,205	-	-	103,205	-	103,205
2006 Series O	12/13/06	3.40% - 3.85%	2008 - 2017	-	10,000	-	-	10,000	-	10,000
2006 Series P	12/13/06	3.75% - 5.75%	2008 - 2037	-	85,000	-	-	85,000	1,851	86,851
2006 Series Q	12/13/06	3.59%	12/14/2007	-	95,120	-	-	95,120	-	95,120
2006 Series R	12/13/06	3.64%	12/14/2007	-	24,880	-	-	24,880	-	24,880
2006 Series S	12/13/06	6.07%	2037	-	25,000	-	-	25,000	-	25,000
2007 Series A	03/28/07	3.70% - 5.75%	2008 - 2047	-	270,000	-	-	270,000	9,851	279,851
2007 Series B	03/28/07	6.00%	2037	-	30,000	-	-	30,000	-	30,000
2007 Series C	06/20/07	3.60% - 3.95%	2009 - 2017	-	45,000	-	-	45,000	-	45,000
2007 Series D	06/20/07	3.80% - 5.50%	2008 - 2048	-	175,000	-	-	175,000	3,648	178,648
2007 Series E	06/20/07	4.88% - 6.11%	2008 - 2042	-	49,375	-	-	49,375	-	49,375
2007 Series F	06/20/07	Variable rate	2031	-	50,625	-	-	50,625	-	50,625
Total				$ 1,132,535	$1,440,000	$ (329,115)	$ (87,040)	$ 2,156,380	$ 30,106	$ 2,186,486

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2006, and the debt outstanding and bonds payable as of June 30, 2006:

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2005	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2006	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2006
Residential Revenue Bonds										
1997 Series A	08/01/97	5.60%	2017	$ 16,235	$ -	$ -	$ (11,310)	$ 4,925	$ -	$ 4,925
1997 Series B	08/01/97	4.95% - 5.875%	2005 - 2029	35,440	-	(965)	(34,475)	-	-	-
1998 Series A	01/01/98	4.70% - 5.05%	2010 - 2017	4,640	-	-	-	4,640	-	4,640
1998 Series B	01/01/98	4.45% - 5.35%	2005 - 2030	42,385	-	(1,395)	(5,290)	35,700	24	35,724
1998 Series D	12/01/98	4.25% - 5.25%	2005 - 2029	40,110	-	(1,270)	(890)	37,950	-	37,950
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	05/01/99	4.25% - 5.40%	2005 - 2031	38,270	-	(955)	(2,955)	34,360	(13)	34,347
1999 Series E	08/01/99	4.60% - 5.70%	2005 - 2017	21,965	-	(1,335)	(5,905)	14,725	-	14,725
1999 Series F	08/01/99	5.375% - 5.95%	2019 - 2029	14,480	-	-	(14,480)	-	-	-
1999 Series H	12/01/99	6.15%	2025	11,630	-	-	(1,440)	10,190	-	10,190
2000 Series A	03/01/00	5.15% - 5.25%	2007 - 2009	2,760	-	-	(1,725)	1,035	-	1,035
2000 Series F	08/01/00	4.45% - 5.20%	2005 - 2014	14,360	-	(1,170)	(2,395)	10,795	-	10,795
2000 Series H	12/01/00	4.75% - 5.80%	2005 - 2032	43,385	-	(825)	(42,560)	-	-	-
2001 Series A	03/01/01	3.875% - 5.00%	2005 - 2017	14,290	-	(815)	(45)	13,430	-	13,430
2001 Series B	03/01/01	4.65% - 5.45%	2011 - 2032	32,805	-	-	(2,355)	30,450	-	30,450
2001 Series E	06/01/01	3.70% - 4.65%	2005 - 2012	12,065	-	(1,300)	-	10,765	-	10,765
2001 Series F	06/01/01	5.30% - 5.60%	2016 - 2032	60,590	-	-	(1,900)	58,690	-	58,690
2001 Series G	08/15/01	3.30% - 4.20%	2005 - 2011	7,530	-	(885)	-	6,645	-	6,645
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	38,475	-	-	(2,035)	36,440	-	36,440
2002 Series A	02/01/02	3.35% - 5.45%	2005 - 2033	7,515	-	(125)	(670)	6,720	-	6,720
2003 Series A	11/01/03	1.35% - 4.05%	2005 - 2015	9,550	-	(760)	-	8,790	-	8,790
2003 Series B	11/01/03	1.65% - 5.00%	2005 - 2026	14,390	-	(40)	(3,275)	11,075	527	11,602
2003 Series C	12/09/03	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
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	18,535	-	-	(3,510)	15,025	534	15,559
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	26,880	-	-	(3,870)	23,010	585	23,595
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	26,495	-	-	(2,995)	23,500	831	24,331
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)	-	-	-	-
2004 Series K	11/10/04	2.10%	12/5/05	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	-	-	(895)	26,465	850	27,315
2005 Series C	03/30/05	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series D	11/10/05	2.95% - 4.05%	2007 - 2017	-	13,485	-	-	13,485	-	13,485
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	-	46,515	-	(210)	46,305	1,011	47,316
2005 Series F	11/10/05	3.12%	11/24/06	-	91,795	-	-	91,795	-	91,795
2005 Series G	11/10/05	3.20%	11/24/06	-	103,205	-	-	103,205	-	103,205
2006 Series A	02/23/06	3.30% - 4.10%	2008 - 2017	-	12,020	-	-	12,020	-	12,020
2006 Series B	02/23/06	4.75% - 5.50%	2025 - 2037	-	47,980	-	-	47,980	931	48,911
2006 Series C	02/23/06	3.375%	3/7/07	-	95,120	-	-	95,120	-	95,120
2006 Series D	02/23/06	3.40%	3/7/07	-	24,880	-	-	24,880	-	24,880
2006 Series E	05/24/06	3.55% - 4.35%	2008 - 2017	-	23,540	-	-	23,540	-	23,540
2006 Series F	05/24/06	4.80% - 6.00%	2021 - 2039	-	56,460	-	-	56,460	2,591	59,051
2006 Series G	05/24/06	Variable rate	2040	-	40,000	-	-	40,000	-	40,000
Total				$ 904,615	$ 555,000	$ (181,895)	$ (145,185)	$ 1,132,535	$ 7,871	$ 1,140,406

(in thousands)

NOTE 8 - DEBT SERVICE REQUIREMENTS

As of June 30, 2007, the required principal payments for short-term debt and 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 7) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

Years ended June 30,	Interest	Principal
2008	$ 90,165	$ 338,665
2009	87,721	32,155
2010	86,490	33,680
2011	85,135	35,890
2012	83,679	38,120
2013 - 2017	394,099	198,555
2018 - 2022	344,945	250,385
2023 - 2027	282,326	254,445
2028 - 2032	215,531	319,900
2033 - 2037	126,728	387,790
2038 - 2042	31,971	228,555
2043 - 2047	3,749	36,365
2048 - 2052	49	1,875
Totals	$ 1,832,588	$ 2,156,380

The interest calculations on outstanding variable rate bonds in the amount of $250,625 are based on the variable rates in effect on June 30, 2007, and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary. See Note 9 for additional information on interest rate exchange agreements (swaps) associated with the variable rate debt in the Fund.

(in thousands)

NOTE 8 - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2006, the required principal payments for short-term debt and bonds (including mandatory sinking fund payments and special and option redemptions that occurred subsequent to June 30, 2006 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:

Years ended June 30,	Interest	Principal
2007	$ 45,405	$ 345,570
2008	37,132	16,455
2009	36,425	19,810
2010	35,658	20,390
2011	34,817	21,520
2012 - 2016	159,425	114,815
2017 - 2021	133,349	118,275
2022 - 2026	100,470	142,840
2027 - 2031	63,477	126,155
2032 - 2036	35,638	170,550
2037 - 2041	3,748	36,155
Totals	$ 685,544	$ 1,132,535

The interest calculations on outstanding variable rate bonds in the amount of $140,000 are based on the variable rates in effect on June 30, 2006, and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary. See Note 9 for additional information on interest rate exchange agreements (swaps) associated with the variable rate debt in the Fund.

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS)

Objective of the Swaps

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

Terms and Fair Value

The terms, including the fair values of the outstanding swaps as of June 30, 2007 and 2006, are provided on the following page. The counterparty credit ratings for all outstanding swaps as of June 30, 2007 and 2006 are listed under the Credit Risk section. For each of the outstanding swap agreements the variable rates are reset monthly, and the final maturity dates of the underlying bonds and the final termination dates of the corresponding swap agreements are the same. The fair values are based on the market values and are affirmed by an independent advisor who used valuation methods and assumptions in accordance with the GASB Technical Bulletin No. 2003-1.

(in thousands)

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

As of June 30, 2007, the terms, including fair values of the outstanding swaps, were:

Swap Counter-party	Associated Bond Issue	Original Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received [1]	Fair Value	Swap Final Termination Date
Bear Stearns Financial Products (BSFP)	2004 Series I	$20,000	$20,000	9/1/2005	3.8525%	64% of LIBOR plus 0.29%	$965	9/1/2035[2]
UBS AG	2006 Series G	$40,000	$40,000	5/24/2006	4.403%	64% of LIBOR plus 0.29%	($355)	9/1/2040[3]
Bear Stearns Financial Products (BSFP)	2006 Series J	$40,000	$40,000	7/13/2006	4.403%	64% of LIBOR plus 0.29%	($345)	9/1/2040[3]
Bear Stearns Financial Products (BSFP)	2006 Series J	$20,000	$20,000	7/13/2006	4.455%	64% of LIBOR plus 0.29%	($273)	9/1/2040[3]
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	$50,625	$50,625	6/20/2007	5.2425%	LIBOR	$1,190	3/1/2026[4]

Notes:

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

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

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

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

(in thousands)

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

As of June 30, 2006, the terms, including fair values of the outstanding swaps, were:

Swap Counter-party	Associated Bond Issue	Original Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received [(1)]	Fair Value	Swap Final Termination Date
Bear Stearns Financial Products (BSFP)	2004 Series I	$20,000	$20,000	9/1/2005	3.8525%	64% of LIBOR plus 0.29%	$1,060	9/1/2035[(2)]
UBS AG	2006 Series G	$40,000	$40,000	5/24/2006	4.403%	64% of LIBOR plus 0.29%	($178)	9/1/2040[(3)]
Bear Stearns Financial Products (BSFP)	2006 Series J[(4)]	$40,000	$40,000	7/13/2006[(4)]	4.403%	64% of LIBOR plus 0.29%	($201)	9/1/2040[(3)]

Notes:

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

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

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

(4) CDA entered into this interest rate swap agreement on May 25, 2006 in connection with the 2006 Series J variable rate bonds issued on July 13, 2006.

Basis Risk

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

(in thousands)

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

Credit Risk

Credit risk is the risk that a swap counterparty will not fulfill its obligations. The fair value of the swaps represented CDA's credit exposure to each counterparty as of June 30, 2007 and 2006. Should BSFP fail to perform according to the terms of the swap contracts, CDA would face a maximum possible loss equivalent to the swaps' fair value of $347 at June 30, 2007. At June 30, 2006, this exposure was $859. In addition, should MLDP fail to perform according to the terms of the swap contract, CDA would face a maximum possible loss equivalent to the swap's fair value of $1,190 as of June 30, 2007. CDA did not have any swap agreements with MLDP as of June 30, 2006. CDA was not exposed to credit risk under the swap agreement with UBS AG as of June 30, 2007, since the swap had a negative fair value. However, should the valuation of the swap change, and the fair value turn positive, CDA would be exposed to credit risk in the amount of the swap's fair value. As of June 30, 2006, the fair value of the swap with UBS AG was also negative. To mitigate the potential for credit risk, the fair value of the swaps will be fully collateralized by the counterparties if a counterparty's credit quality falls below the designated credit rating thresholds.

The credit rating details for each swap counterparty, including credit rating thresholds, and the total fair value amounts as of June 30, 2007 are summarized below:

Swap Counterparty	**Outstanding Notional Amount**	**Current Credit Rating**	**Collateral Posting Credit Rating Threshold**	**Fair Value**
Bear Stearns Financial Products (BSFP)	$80,000	Aaa from Moody's AAA from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's	$347
UBS AG	$40,000	Aaa from Moody's AA+ from Standard and Poor's AA+ from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($355)
Merrill Lynch Derivative Products AG (MLDP)	$50,625	Aaa from Moody's AAA from Standard and Poor's AAA from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	$1,190

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

The credit rating details for each swap counterparty, including credit rating thresholds, and the total fair value amounts as of June 30, 2006 are summarized below:

Swap Counterparty	Outstanding Notional Amount	Current Credit Rating	Collateral Posting Credit Rating Threshold	Fair Value
Bear Stearns Financial Products (BSFP)	$60,000	Aaa from Moody's AAA from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's	$859
UBS AG	$40,000	Aa2 from Moody's AA+ from Fitch	A1 or below from Moody's or A+ or below from Fitch	($178)

Termination Risk

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

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

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

Rollover Risk

CDA is exposed to rollover risk on the swap agreements if one terminates prior to the maturity of the associated debt. Each of CDA's swap agreements has the same final termination date as the final maturity date of the underlying bonds.

Amortization Risk

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

Tax Risk

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

Counterparty Risk

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

(in thousands)

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

Swap Payments and Associated Debt

As of June 30, 2007, the following table provides a summary of debt service requirements for hedged variable rate bonds and net swap payments for the next five years and in 5-year increments thereafter. The interest calculations are based on the variable rates in effect on June 30, 2007, and may not be indicative of the actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year ending June 30,	Hedged Variable Rate Bonds Principal	Hedged Variable Rate Bonds Interest	Interest Rate Swaps, Net	Total
2008	$ -	$ 6,405	$ 417	$ 6,822
2009	-	7,209	426	7,635
2010	-	7,226	426	7,652
2011	-	7,226	426	7,652
2012	-	7,243	418	7,661
2013 - 2017	-	36,113	2,121	38,234
2018 - 2022	-	36,129	2,121	38,250
2023 - 2027	920	36,129	2,121	39,170
2028 - 2032	74,005	33,149	1,887	109,041
2033 - 2037	58,760	13,641	1,197	73,598
2038 - 2042	36,940	2,987	333	40,260
Totals	$ 170,625	$ 193,457	$ 11,893	$ 375,975

(in thousands)

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

As of June 30, 2006, the following table provides a summary of debt service requirements for hedged variable rate bonds and net swap payments for the next five years and in 5-year increments thereafter. The interest calculations are based on the variable rates in effect on June 30, 2006, and may not be indicative of the actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year ending June 30,	Hedged Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2007	$ -	$ 1,983	$ 302	$ 2,285
2008	-	2,408	360	2,768
2009	-	2,396	366	2,762
2010	-	2,402	366	2,768
2011	-	2,402	366	2,768
2012 - 2016	-	12,016	1,819	13,835
2017 - 2021	-	12,004	1,825	13,829
2022 - 2026	-	12,010	1,825	13,835
2027 - 2031	9,130	11,310	1,679	22,119
2032 - 2036	32,820	8,688	1,094	42,602
2037 - 2041	18,050	2,097	414	20,561
	$ 60,000	$ 69,716	$ 10,416	$ 140,132

NOTE 10 - BOND REFUNDINGS

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

(in thousands)

NOTE 11 - REBATE LIABILITY

In accordance with the Internal Revenue Service Code (the Code), the Fund has recorded a rebate liability for excess investment earnings in tax-exempt bond and note issues. The excess investment earnings arise due to actual investment yields earned by the Fund being greater than yields permitted to be retained by the Fund 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 Statements 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 Statements 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.

Rebate liability activity for the years ended June 30, 2007 and 2006 was as follows:

	2007	2006
Beginning rebate liability	$ 40	$ 1,294
Change in estimated liability due to excess investment earnings	3,461	125
Change in estimated liability due to change in fair value of investments	-	(934)
Less - payments made	-	(445)
Ending rebate liability	$ 3,501	$ 40

Total rebate liability is allocated as follows:

	2007	2006
Estimated liability due to excess investment earnings	$ 3,501	$ 40
Estimated liability due to change in fair value of investments	-	-
Ending rebate liability	$ 3,501	$ 40

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2007 and 2006 were as follows:

	2007	2006
Rebate liability		
Beginning balance	$ 40	$ 1,294
Additions	3,461	125
Reductions	-	(1,379)
Ending balance	3,501	40
Less due within one year	-	-
Total long-term rebate liability	3,501	40
Bonds payable		
Beginning balance	1,140,406	908,409
Additions	1,463,147	559,557
Reductions	(416,155)	(327,080)
Change in deferred amounts for issuance discounts/premiums	(912)	(480)
Ending balance	2,186,486	1,140,406
Less due within one year	(338,665)	(345,570)
Total long-term bonds payable	1,847,821	794,836
Total long-term liabilities	$ 1,851,322	$ 794,876

(in thousands)

NOTE 13 - INTERFUND ACTIVITY

In accordance with the Resolution, net assets in Residential 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, 2007 and 2006, the Fund transferred the following amounts, as permitted, among Funds:

	2007	2006
Single family commitment fees transferred to the General Bond Reserve Fund	$ -	$ (39)
Cost of issuance on bonds transferred from Single Family Program Bonds	8,905	2,415
	$ 8,905	$ 2,376

As of June 30, 2007 and 2006, due to other Funds consisted of the following:

	2007	2006
Mortgage loan receipts for participation loans due to Single Family Program Bonds	$ 195	$ 287

NOTE 14 - MORTGAGE INSURANCE

All mortgage loans in the Fund have mortgage insurance as described in Note 4.

About 49% of all loans in the Fund are insured by agencies of the U.S. Government in an amount substantially equal to the unpaid principal amount of the loan. Approximately 50% of total loans are insured by private mortgage insurers or MHF at 35% of the loan amount. In the opinion of management, these coverage levels are sufficient so that no pool insurance or reserves are required. An allowance for loan losses has been established for loans insured by private mortgage insurers. Premiums are paid by single family mortgagors or CDA.

(in thousands)

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 (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 16 - COMMITMENTS

As of June 30, 2007, CDA had approximately $371,608 in reservations for single family mortgages at interest rates ranging from 4.875% to 7.5%. CDA plans to purchase these loans with proceeds from the Fund.

NOTE 17 - SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2007, the following bond activity took place:

On August 9, 2007, CDA issued the following bonds:

2007 Series G	$61,605
2007 Series H	$63,395
2007 Series I	$62,800
2007 Series J	$62,200

(in thousands)

NOTE 17 - SUBSEQUENT EVENTS (Continued)

On September 4, 2007, CDA redeemed the following bonds:

1998 Series B	$85
1998 Series D	$155
1999 Series E	$7,855
1999 Series H	$60
2001 Series B	$280
2001 Series F	$8,775
2001 Series H	$75
2002 Series A	$75
2003 Series B	$420
2004 Series B	$380
2004 Series E	$135
2004 Series H	$300
2005 Series B	$625
2005 Series E	$395
2006 Series B	$625
2006 Series F	$730
2006 Series I	$440
2006 Series L	$490
2006 Series P	$135
2007 Series A	$20

Effective August 9, 2007, CDA entered into an interest rate exchange agreement (swap) for a notional amount of $62,200 on July 17, 2007. This agreement, a synthetic fixed rate contract, will hedge $62,200 in variable rate debt in Residential Revenue Bonds, 2007 Series J issued on August 9, 2007.

Community Development Administration
Residential Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS
(in thousands)
(unaudited)

June 30, 2007 and 2006

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 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 U.S. Government Agencies) held by the Fund as of June 30, 2007, 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	
2000	$	(227)	$	(227)
2001	$	551	$	324
2002	$	97	$	421
2003	$	544	$	965
2004	$	(674)	$	291
2005	$	403	$	694
2006	$	(1,567)	$	(873)
2007	$	1,062	$	189

Reconciliation to the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2007:

Increase in fair value of investments held at June 30, 2007	$	1,062
Adjustment due to rebate liability (see Note 11)		-
Increase in fair value of investments, net of rebate, as reported on the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2007	$	1,062

Community Development Administration
Residential Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS - CONTINUED
(in thousands)
(unaudited)

June 30, 2007 and 2006

Reconciliation to the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2006:

Decrease in fair value of investments held at June 30, 2006	$	(1,567)
Adjustment due to rebate liability (see Note 11)		934
Decrease in fair value of investments, net of rebate, as reported on the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2006	$	(633)