Reznick Group

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS

JUNE 30, 2008 AND 2007

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, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements present only the Community Development Administration 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, 2008 and 2007, 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, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Reznick Group, P.C.

Baltimore, Maryland
September 26, 2008

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2008 and 2007

	2008	2007
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 309,188	$ 543,151
Investments	112,748	353,808
Single family mortgage loans	20,153	16,511
Real estate owned	804	-
Accrued interest and other receivables	19,173	20,965
Due from other Funds	250	-
Total restricted current assets	462,316	934,435
Restricted long-term assets		
Investments, net of current portion	25,515	27,681
Single family mortgage loans, net of current portion and allowance for loan losses	1,862,438	1,364,514
Deferred bond issuance costs	14,054	12,826
Total restricted long-term assets	1,902,007	1,405,021
Total restricted assets	$ 2,364,323	$ 2,339,456
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued interest payable	$ 34,082	$ 27,890
Accounts payable	201	187
Bonds payable and short-term debt	85,040	338,665
Due to other Funds	-	195
Total current liabilities	119,323	366,937
Long-term liabilities		
Rebate liability	4,041	3,501
Bonds payable, net of current portion	2,102,640	1,847,821
Total long-term liabilities	2,106,681	1,851,322
Total liabilities	2,226,004	2,218,259
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Restricted	138,319	121,197
Total liabilities and net assets	$ 2,364,323	$ 2,339,456

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, 2008 and 2007

	2008	2007
Operating revenue		
Interest on mortgage loans	$ 97,834	$ 56,475
Interest income on investments, net of rebate	25,685	34,549
Increase in fair value of investments, net of rebate	738	1,062
Fee income	405	503
Gain (loss) on foreclosure claims	44	(168)
Gain (loss) on early retirement of debt	1,192	(18)
Other operating revenue	28	-
	125,926	92,403
Operating expenses		
Interest expense on bonds and short-term debt	104,370	73,918
Professional fees and other operating expenses	1,742	1,409
Provision for loan losses	3,333	731
Origination expenses	1,224	880
Real estate owned expenses	21	-
Amortization of bond issuance costs	861	1,913
	111,551	78,851
Operating income	14,375	13,552
Transfers of funds, net, as permitted by the various bond indentures	2,747	8,905
Changes in net assets	17,122	22,457
Net assets - restricted at beginning of year	121,197	98,740
Net assets - restricted at end of year	$ 138,319	$ 121,197

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 173,596	$ 156,682
Mortgage insurance claims received	4,752	2,357
Foreclosure expenses paid	(189)	(456)
Loan fees received	1,385	2,926
Loan fees disbursed	(12,682)	(7,314)
Purchase of mortgage loans	(584,633)	(767,055)
Professional fees and other operating expenses	(1,728)	(1,294)
Other income received	28	-
Net cash used in operating activities	(419,471)	(614,154)
Cash flows from investing activities		
Proceeds from maturities or sales of investments	437,417	1,271,510
Purchases of investments	(191,083)	(1,218,618)
Interest received on investments	34,308	25,730
Net cash provided by investing activities	280,642	78,622
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	400,000	1,463,147
Payments on bond principal	(396,580)	(416,155)
Advance deposit on bonds applied	-	(2,200)
Bond issuance costs	(2,723)	(8,916)
Interest on bonds and short-term debt	(98,578)	(61,366)
Transfers among Funds	2,747	8,905
Net cash (used in) provided by noncapital financing activities	(95,134)	983,415
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(233,963)	447,883
Cash and cash equivalents on deposit with trustee at beginning of year	543,151	95,268
Cash and cash equivalents on deposit with trustee at end of year	$ 309,188	$ 543,151

(continued)

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2008 and 2007

	2008	2007
Reconciliation of operating income to net cash from operating activities		
Operating income	$ 14,375	$ 13,552
Adjustments to reconcile operating income to net cash used in operating activities		
(Increase) decrease in assets		
Mortgage loans	(494,442)	(661,061)
Real estate owned	(804)	-
Accrued interest and other receivables	1,792	(7,380)
Due from other Funds	(250)	-
Increase (decrease) in liabilities		
Accrued interest payable	6,192	12,832
Accounts payable	14	(2,088)
Rebate liability	540	3,461
Due to other Funds	(195)	(92)
Amortizations		
Deferred income and expense on loans	819	377
Investment discounts and premiums	(2,323)	(8,523)
Bond original issue discounts and premiums	(400)	(280)
Deferred bond issuance costs	861	1,913
Loan fees and expenses deferred	(11,276)	(4,388)
Provision for loan losses	3,333	731
Increase in fair value of investments	(785)	(1,062)
Advance deposit on bonds applied	-	2,200
(Gain) loss on early retirement of debt	(1,192)	18
Interest received on investments	(34,308)	(25,730)
Interest on bonds and short-term debt	98,578	61,366
Net cash used in operating activities	$ (419,471)	$ (614,154)

See notes to 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 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

In June of 2008, GASB published Statement No. 53 *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 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 Statement No. 53, which will become effective for financial statements for periods beginning after June 15, 2009. CDA may elect to implement this Statement earlier. The 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 Statement of Revenue, Expenses and Changes in Net Assets. For the years ended June 30, 2008 and 2007, CDA swaps are reported in accordance with GASB Technical Bulletin No. 2003-1 and are more fully described in Note 9.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents on Deposit with Trustee

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

Real Estate Owned

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

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2008 and 2007, all mortgage loan yields were 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, 2008 and 2007, are evaluated in accordance with GASB Statement No. 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2008	2007
Cash and Cash Equivalents:		
Federated Treasury Obligations Fund	$ 135,796	$ 292,963
The Reserve U.S. Government Fund	173,392	-
Obligations of U.S. Government Agencies	-	250,188
Investments:		
Obligations of U.S. Government Agencies	120,618	361,344
Repurchase and Investment Agreements	17,645	20,145
Total	$ 447,451	$ 924,640

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

			Maturities (in years)				
Asset	Amortized Cost	Fair Value	Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	$ 135,796	$ 135,796	$ 135,796	$ -	$ -	$ -	$ -
The Reserve U.S. Government Fund	173,392	173,392	173,392	-	-	-	-
Obligations of U.S. Government Agencies	119,644	120,618	112,748	-	-	2,200	5,670
Repurchase agreements/ Investment agreements	17,645	17,645	-	-	-	-	17,645
Total	$ 446,477	$ 447,451	$ 421,936	$ -	$ -	$ 2,200	$ 23,315

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

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

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

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, 2008, all counterparty ratings were at least equal to the ratings on the Fund’s bonds except for one counterparty whose credit rating of Aa3 has not affected the Aa2 rating on the bonds. As of June 30, 2007, 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, 2008 and 2007 were Aa2 by Moody’s Investors Service and AA by Fitch Ratings. The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5 percent or more of total investments in accordance with GASB Statement No. 40.

(in thousands)

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

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

Asset		Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	$	135,796	30.35%	Aaa		Moody's
The Reserve U.S. Government Fund		173,392	38.75%	Aaa		Moody's
Obligations of U.S. Government Agencies:						
Federal Home Loan Banks		112,748	25.20%		Aaa	Moody's
Other government agencies		7,870	1.76%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:					Underlying securities credit rating	
Counterparty rated Aa1 by Moody's		16,171	3.61%		Aaa	Moody's
Counterparty rated Aa3 by Moody's		1,474	0.33%		Aaa	Moody's
Total	$	447,451	100.00%			

As of June 30, 2007, credit ratings and allocation by type of investments for the following assets were:

Asset		Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	$	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%			

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (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.

Custodial Credit Risk

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

NOTE 4 - MORTGAGE LOANS

All 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. As of June 30, 2008 and 2007, interest rates on such loans ranged from 4.0% to 7.75% and 4.0% to 7.5%, respectively. Remaining loan terms ranged from approximately 19 to 40 years and 20 to 40 years, respectively. For the years ended June 30, 2008 and 2007, CDA has established an allowance for loan losses in the amounts of $4,597 and $1,264, respectively, on the uninsured portions of mortgage loans with private mortgage insurance.

(in thousands)

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

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

	2008	2007
Accrued mortgage loan interest	$ 11,128	$ 7,351
Accrued investment interest	1,905	12,385
Claims due from mortgage insurers	3,466	1,229
Foreclosed loans, net of claims due	2,647	-
Miscellaneous billings	27	-
	$ 19,173	$ 20,965

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, 2008 was as follows:

	Balance at June 30, 2007	Bond Activity: Issued	Bond Activity: Matured/ redeemed	Balance at June 30, 2008
Residential Revenue Bonds				
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	-
2007 Series L	-	30,000	-	30,000
Total	$ 300,000	$ 30,000	$ 300,000	$ 30,000

The outstanding short-term debt of $30,000 plus the principal payments due within one year of $55,040 equal the current portion of bonds payable and short-term debt of $85,040 on the Statements of Net Assets at June 30, 2008.

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.

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, J and M

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, J and M which have 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, F, I, J and M

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

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

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2007	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2008	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2008
Residential Revenue Bonds										
1998 Series A	01/01/98	4.70% - 5.05%	2010 - 2017	$ 4,640	$ -	$ -	$ -	$ 4,640	$ -	$ 4,640
1998 Series B	01/01/98	4.55% - 5.35%	2007 - 2030	32,750	-	(1,535)	(16,370)	14,845	6	14,851
1998 Series D	12/01/98	4.35% - 5.25%	2007 - 2029	35,005	-	(1,385)	(430)	33,190	-	33,190
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	05/01/99	4.45% - 5.40%	2007 - 2031	32,135	-	(1,050)	(665)	30,420	(8)	30,412
1999 Series E	08/01/99	4.90% - 5.45%	2007 - 2013	11,370	-	(1,465)	(9,905)	-	-	-
1999 Series H	12/01/99	6.15%	2025	9,855	-	-	(215)	9,640	-	9,640
2000 Series A	03/01/00	5.15%	2007	290	-	(290)	-	-	-	-
2000 Series F	08/01/00	4.60% - 5.00%	2007 - 2012	8,285	-	(1,285)	(810)	6,190	-	6,190
2001 Series A	03/01/01	4.05% - 5.00%	2007 - 2017	12,565	-	(880)	-	11,685	-	11,685
2001 Series B	03/01/01	4.65% - 5.45%	2011 - 2032	27,910	-	-	(2,125)	25,785	-	25,785
2001 Series E	06/01/01	4.05% - 4.65%	2007 - 2012	9,415	-	(1,405)	(215)	7,795	-	7,795
2001 Series F	06/01/01	5.30% - 5.50%	2016 - 2022	8,775	-	-	(8,775)	-	-	-
2001 Series G	08/15/01	3.65% - 4.20%	2007 - 2011	5,735	-	(940)	-	4,795	-	4,795
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	34,945	-	-	(885)	34,060	-	34,060
2002 Series A	02/01/02	4.05% - 5.45%	2007 - 2033	6,105	-	(135)	(5,970)	-	-	-
2003 Series A	11/01/03	2.15% - 4.05%	2007 - 2015	8,015	-	(790)	-	7,225	-	7,225
2003 Series B	11/01/03	4.75% - 5.00%	2019 - 2026	8,420	-	-	(2,055)	6,365	307	6,672
2003 Series C	12/09/03	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series A	05/13/04	2.10% - 4.20%	2007 - 2016	10,185	-	(885)	-	9,300	-	9,300
2004 Series B	05/13/04	5.00%	2023 - 2028	11,550	-	-	(2,065)	9,485	346	9,831
2004 Series C	05/13/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series D	08/12/04	2.65% - 4.40%	2007 - 2016	11,955	-	(1,030)	-	10,925	-	10,925
2004 Series E	08/12/04	5.15% - 5.25%	2023 - 2030	19,010	-	-	(2,240)	16,770	400	17,170
2004 Series F	08/12/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series G	11/10/04	1.95% - 3.65%	2007 - 2016	12,365	-	(1,095)	-	11,270	-	11,270
2004 Series H	11/10/04	4.55% - 5.00%	2023 - 2029	19,465	-	-	(3,385)	16,080	570	16,650
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	-	(1,100)	-	11,540	-	11,540
2005 Series B	03/30/05	4.55% - 5.25%	2023 - 2029	24,630	-	-	(2,705)	21,925	612	22,537
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	-	(1,030)	-	12,455	-	12,455
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	44,275	-	-	(2,650)	41,625	764	42,389
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	47,365	-	-	(2,400)	44,965	772	45,737
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	56,090	-	-	(3,455)	52,635	2,244	54,879

(continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2007	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2008	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2008
Residential Revenue Bonds (continued)										
2006 Series G	05/24/06	Variable rate	2040	$ 40,000	$ -	$ -	$ -	$ 40,000	$ -	$ 40,000
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	141,580	-	-	(5,735)	135,845	4,058	139,903
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	164,675	-	-	(3,010)	161,665	2,823	164,488
2006 Series M	09/14/06	3.67%	9/12/2007	76,795	-	(76,795)	-	-	-	-
2006 Series N	09/14/06	3.72%	9/12/2007	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	-	-	(1,285)	83,715	1,740	85,455
2006 Series Q	12/13/06	3.59%	12/14/2007	95,120	-	(95,120)	-	-	-	-
2006 Series R	12/13/06	3.64%	12/14/2007	24,880	-	(24,880)	-	-	-	-
2006 Series S	12/13/06	6.07%	2037	25,000	-	-	(530)	24,470	-	24,470
2007 Series A	03/28/07	3.70% - 5.75%	2008 - 2047	270,000	-	-	(540)	269,460	9,684	279,144
2007 Series B	03/28/07	6.00%	2037	30,000	-	-	(485)	29,515	-	29,515
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	-	-	(655)	174,345	3,562	177,907
2007 Series E	06/20/07	4.88% - 6.11%	2008 - 2042	49,375	-	(310)	-	49,065	-	49,065
2007 Series F	06/20/07	Variable rate	2031	50,625	-	-	(295)	50,330	-	50,330
2007 Series G	08/09/07	3.60% - 4.30%	2008 - 2017	-	61,605	-	-	61,605	-	61,605
2007 Series H	08/09/07	3.85% - 5.20%	2008 - 2048	-	63,395	-	-	63,395	-	63,395
2007 Series I	08/09/07	5.23% - 6.56%	2008 - 2043	-	62,800	-	-	62,800	-	62,800
2007 Series J	08/09/07	Variable rate	2031	-	62,200	-	(115)	62,085	-	62,085
2007 Series K	12/12/07	3.25% - 3.85%	2009 - 2017	-	30,000	-	-	30,000	-	30,000
2007 Series L	12/12/07	3.37%	12/15/2008	-	30,000	-	-	30,000	-	30,000
2007 Series M	12/12/07	Variable rate	2043	-	30,000	-	-	30,000	-	30,000
2008 Series A	06/19/08	2.20% - 4.00%	2009 - 2017	-	60,000	-	-	60,000	-	60,000
Total				$ 2,156,380	$ 400,000	$ (316,610)	$ (79,970)	$ 2,159,800	$ 27,880	$ 2,187,680

(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:

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2006	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2007	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2007
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)	-	-	-	-

(continued)

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008 and 2007

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 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
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 8 - DEBT SERVICE REQUIREMENTS

As of June 30, 2008, 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, 2008, 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, were as follows:

Years ended June 30,	Interest	Principal
2009	$ 94,590	$ 85,040
2010	91,860	44,575
2011	90,099	47,955
2012	88,158	52,535
2013	86,064	52,715
2014 - 2018	394,253	319,265
2019 - 2023	331,684	236,910
2024 - 2028	271,932	242,935
2029 - 2033	204,284	380,015
2034 - 2038	119,586	444,545
2039 - 2043	42,919	182,590
2044 - 2048	3,841	70,720
Totals	$ 1,819,270	$ 2,159,800

The interest calculations on outstanding variable rate bonds in the amount of $342,415 are based on the variable rates in effect on June 30, 2008, 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, 2007, 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, 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, were 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.

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, 2008 and 2007, are provided on the following pages. The counterparty credit ratings for all outstanding swaps as of June 30, 2008 and 2007 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, 2008, 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%	$25	9/1/2035(2)(7)
UBS AG	2006 Series G	$40,000	$40,000	5/24/2006	4.403%	64% of LIBOR plus 0.29%	($2,365)	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%	($2,235)	9/1/2040(3)(7)
Bear Stearns Financial Products (BSFP)	2006 Series J	$20,000	$20,000	7/13/2006	4.455%	64% of LIBOR plus 0.29%	($1,205)	9/1/2040(3)(7)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	$50,625	$50,330	6/20/2007	5.2425%	LIBOR	($1,530)	3/1/2026(4)(6)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	$62,200	$62,085	8/9/2007	5.7020%	LIBOR	($3,385)	9/1/2025(4)(6)
UBS AG	2007 Series M	$30,000	$30,000	12/12/2007	5.2150%	LIBOR	($460)	9/1/2043(5)

Notes to Table (continued on page 31):

(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.

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

Notes to Table (continued from page 30):

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

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

(5) CDA has the option to terminate this interest rate swap transaction without any termination payment up to the Maximum Optional Early Termination Amounts on September 1, 2008 and on each March 1 and September 1 thereafter. CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2017 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(6) The outstanding notional amount reflects the amount that amortized as of March 1, 2008.

(7) On May 30, 2008, JP Morgan & Co. acquired The Bear Stearns Companies Inc. Notwithstanding this acquisition, Bear Stearns Financial Products remains in existence and continues as a swap provider on this swap agreement.

(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]

<u>Notes to Table:</u>

(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.

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

Basis Risk

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

Credit Risk

Credit risk is the risk that a swap counterparty will not fulfill its obligations. The fair value of the swaps represented CDA's credit exposure to each counterparty as of June 30, 2008 and 2007. As of June 30, 2008, CDA was not exposed to credit risk under the swap agreements with BSFP, UBS AG or MLDP since the fair value of each counterparty's swap portfolio was negative. However, should the valuation of any of the individual swaps change, and the fair values turn positive, CDA may become exposed to credit risk in the amount of the swaps' fair values. To mitigate the potential for credit risk, the fair value of the swaps will be fully collateralized by the counterparties if a counterparty's credit quality falls below the designated credit rating thresholds. As of June 30, 2007, CDA had credit risk exposure to BSFP and MLDP in the amounts of $347 and $1,190, respectively. As of June 30, 2007, CDA was not exposed to credit risk under the swap agreement with UBS AG since the swap had a negative fair value.

(in thousands)

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

The credit rating details for each swap counterparty, including credit rating thresholds, and the total fair value amounts as of June 30, 2008 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	($3,415)
UBS AG	$70,000	Aa1 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	($2,825)
Merrill Lynch Derivative Products AG (MLDP)	$112,415	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	($4,915)

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)

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.

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.

(in thousands)

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

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.

Swap Payments and Associated Debt

As of June 30, 2008, 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, 2008, 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
2009	$ 1,445	$ 6,198	$ 6,836	$ 14,479
2010	-	5,697	6,909	12,606
2011	-	5,697	6,613	12,310
2012	-	5,710	6,255	11,965
2013	-	5,684	5,947	11,631
2014 - 2018	-	28,486	25,477	53,963
2019 - 2023	-	28,486	18,997	47,483
2024 - 2028	2,825	28,477	15,485	46,787
2029 - 2033	139,570	23,021	12,523	175,114
2034 - 2038	60,735	9,097	6,710	76,542
2039 - 2043	27,965	4,644	1,134	33,743
2044 - 2048	29,875	390	-	30,265
Totals	$ 262,415	$ 151,587	$ 112,886	$ 526,888

(in thousands)

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

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

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. If unamortized original issue premiums exceed unamortized deferred issuance costs and original issue discounts, CDA records a gain.

(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, 2008 and 2007 was as follows:

	2008	2007
Beginning rebate liability	$ 3,501	$ 40
Change in estimated liability due to excess investment earnings	466	3,461
Change in estimated liability due to change in fair value of investments	47	-
Plus - refund due	27	-
Ending rebate liability	$ 4,041	$ 3,501

Total rebate liability is allocated as follows:

	2008	2007
Estimated liability due to excess investment earnings	$ 3,994	$ 3,501
Estimated liability due to change in fair value of investments	47	-
Ending rebate liability	$ 4,041	$ 3,501

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS

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

	2008	2007
Rebate liability		
Beginning balance	$ 3,501	$ 40
Additions	540	3,461
Reductions	-	-
Ending balance	4,041	3,501
Less due within one year	-	-
Total long-term rebate liability	4,041	3,501
Bonds payable		
Beginning balance	2,186,486	1,140,406
Additions	400,000	1,463,147
Reductions	(396,580)	(416,155)
Change in deferred amounts for issuance discounts/premiums	(2,226)	(912)
Ending balance	2,187,680	2,186,486
Less due within one year	(85,040)	(338,665)
Total long-term bonds payable	2,102,640	1,847,821
Total long-term liabilities	$ 2,106,681	$ 1,851,322

(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, 2008 and 2007, the Fund transferred the following amounts, as permitted, among Funds:

	2008	2007
Cost of issuance on bonds transferred from Single Family Program Bonds	$ 2,747	$ 8,905

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

	2008	2007
Mortgage loan receipts for participation loans due to Single Family Program Bonds	$ (132)	$ (195)
Mortgage loan purchase funds due from Single Family Program Bonds	382	-
	$ 250	$ (195)

NOTE 14 - MORTGAGE INSURANCE

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

About 37% 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 62% of total loans are insured by private mortgage insurers or MHF at 35% of the loan amount. In the opinion of management, these coverage levels are sufficient so that no pool insurance or reserves are required. An allowance for loan losses has been established for loans insured by private mortgage insurers. Premiums are paid by single family mortgagors or CDA.

NOTE 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, 2008, CDA had approximately $207,985 in reservations for single family mortgages at interest rates ranging from 5.50% to 7.25%. CDA plans to purchase these loans with proceeds from the Fund.

(in thousands)

NOTE 17 - SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2008, the following bond activity took place:

On September 2, 2008, CDA redeemed the following bonds:

1998 Series B	$8,250
1999 Series H	$105
2001 Series H	$90
2004 Series B	$350
2004 Series E	$685
2004 Series H	$510
2005 Series B	$595
2005 Series E	$290
2006 Series B	$750
2006 Series F	$620
2006 Series I	$1,195
2006 Series L	$815
2006 Series P	$540
2006 Series S	$580
2007 Series A	$1,070
2007 Series D	$395
2007 Series F	$795
2007 Series J	$525
2007 Series M	$125

On September 4, 2008, CDA issued the following bonds:

2008 Series B	$19,770
2008 Series C	$80,230
2008 Series D	$50,000

Effective September 4, 2008, CDA entered into an interest rate exchange agreement (swap) for a notional amount of $50,000 on August 14, 2008. This agreement, a synthetic fixed rate contract, will hedge $50,000 in variable rate debt in Residential Revenue Bonds, 2008 Series D issued on September 4, 2008.

Community Development Administration
Residential Revenue Bonds

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

June 30, 2008 and 2007

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, 2008, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal year ended June 30,	Annual increases /decreases	Cumulative total
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
2008	$ 785	$ 974

Reconciliation to the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2008:

Increase in fair value of investments held at June 30, 2008	$ 785
Adjustment due to rebate liability (see Note 11)	(47)
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, 2008	$ 738

Community Development Administration
Residential Revenue Bonds

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

June 30, 2008 and 2007

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