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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION RESIDENTIAL REVENUE BONDS

JUNE 30, 2011 AND 2010

Community Development Administration
Residential Revenue Bonds

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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, 2011 and 2010, 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, 2011 and 2010, 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Reznick Group, P.C.

Baltimore, Maryland
September 29, 2011

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2011 and 2010

	2011	2010
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 301,405	$ 251,263
Investments	-	69,280
Mortgage-backed securities	566	-
Single family mortgage loans	35,883	22,516
Multi-family mortgage loans	1,392	1,818
Accrued interest and other receivables	20,139	18,151
Claims receivable on foreclosed and other loans, net of allowance	92,742	78,454
Real estate owned	19,226	6,585
Due from other Funds	-	39
Total restricted current assets	471,353	448,106
Restricted long-term assets		
Investments, net of current portion	26,499	34,530
Mortgage-backed securities, net of current portion	53,878	-
Single family mortgage loans, net of current portion and allowance	2,031,222	2,008,583
Multi-family mortgage loans, net of current portion	30,901	41,149
Accrued interest receivable, net of current portion	9	-
Deferred bond issuance costs	15,296	15,287
Deferred outflow on interest rate swap agreements	26,475	32,630
Total restricted long-term assets	2,184,280	2,132,179
Total restricted assets	$ 2,655,633	$ 2,580,285
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued interest payable	$ 33,022	$ 33,385
Accounts payable	695	397
Rebate liability	637	725
Bonds payable	79,350	49,485
Deposits by borrowers	2,102	2,286
Total current liabilities	115,806	86,278
Long-term liabilities		
Rebate liability, net of current portion	6,571	934
Bonds payable, net of current portion	2,127,025	2,170,123
Deposits by borrowers, net of current portion	2,151	2,882
Interest rate swap agreements	26,475	32,630
Total long-term liabilities	2,162,222	2,206,569
Total liabilities	2,278,028	2,292,847
NET ASSETS		
Restricted	377,605	287,438
Total liabilities and net assets	$ 2,655,633	$ 2,580,285

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, 2011 and 2010

	2011	2010
Operating revenue		
Interest on mortgage loans	$ 125,772	$ 124,540
Interest on mortgage-backed securities	131	-
Interest income on investments, net of rebate	1,384	3,294
(Decrease) increase in fair value of investments, net of rebate	(2,186)	2,709
Increase on interest rate swap agreement termination	-	15,305
Fee income	632	642
Gain on early retirement of debt	1,584	2,220
Gain on sale of mortgage loans	513	-
Other operating revenue	250	195
	128,080	148,905
Operating expenses		
Interest expense on bonds	99,384	102,544
Professional fees and other operating expenses	4,362	2,665
Provision for loan losses	5,169	8,058
Origination expenses	2,762	2,962
Losses and expenses on real estate owned	5,780	1,427
Loss on foreclosure claims, net	547	274
Amortization of bond issuance costs	561	504
	118,565	118,434
Operating income	9,515	30,471
Nonoperating expenses		
Decrease in fair value of mortgage-backed securities	(585)	-
Total nonoperating expenses	(585)	-
Transfers of funds, net, as permitted by the various bond indentures	81,237	80,020
Changes in net assets	90,167	110,491
Net assets - restricted at beginning of year	287,438	192,252
Adjustment - interest rate exchange agreements (see Note 9)	-	(15,305)
Net assets - restricted at end of year	$ 377,605	$ 287,438

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 212,553	$ 202,241
Principal and interest received on mortgage-backed securities	39	-
Escrow funds received on multi-family loans	2,121	2,101
Escrow funds transferred on multi-family loans	-	5,566
Escrow funds paid on multi-family loans	(3,036)	(2,499)
Mortgage insurance claims received	63,115	38,242
Foreclosure expenses paid	(8,182)	(4,682)
Transfer claims receivable on foreclosed and other loans	(775)	-
Loan fees received	152	282
Loan fees disbursed	(1,374)	(1,226)
Purchase of mortgage loans	(116,173)	(110,300)
Purchase of mortgage-backed securities	(55,106)	-
Transfer of single family loans, net of deferred fees	(106,114)	(12,643)
Transfer of multi-family loans, net of deferred fees	-	(50,425)
Professional fees and other operating expenses	(4,241)	(2,566)
Funds received from sale of mortgage loans	15,488	-
Other income received	250	195
Other reimbursements	(332)	(158)
Net cash (used in) provided by operating activities	(1,615)	64,128
Cash flows from investing activities		
Proceeds from maturities or sales of investments	72,128	93,995
Purchases of investments	(2,777)	(164,420)
Transfer of investments	5,562	(5,564)
Transfer arbitrage rebate liability	5,993	-
Arbitrage rebates paid	(815)	-
Interest received on investments	2,395	2,607
Net cash provided by (used in) investing activities	82,486	(73,382)
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	132,193	129,450
Payments on bond principal	(142,365)	(143,355)
Bond issuance costs	(1,362)	(1,894)
Transfer refunded bond issuance costs	(352)	-
Interest on bonds	(100,080)	(105,920)
Transfers among Funds	81,237	80,020
Net cash used in noncapital financing activities	(30,729)	(41,699)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	50,142	(50,953)
Cash and cash equivalents on deposit with trustee at beginning of year	251,263	302,216
Cash and cash equivalents on deposit with trustee at end of year	$ 301,405	$ 251,263

(continued)

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2011 and 2010

	2011	2010
Reconciliation of operating income to net cash (used in) provided by operating activities		
Operating income	$ 9,515	$ 30,471
Adjustments to reconcile operating income to net cash (used in) provided by operating activities		
(Increase) decrease in assets		
Mortgage loans	(25,967)	3,124
Mortgage-backed securities	(55,029)	-
Accrued interest and other receivables	(1,997)	(1,296)
Claims receivable on foreclosed and other loans	(20,310)	(57,096)
Real estate owned	(12,641)	(6,219)
Due from other Funds	39	(39)
(Decrease) increase in liabilities		
Accrued interest payable	(363)	(3,040)
Accounts payable	298	225
Rebate liability	5,549	(1,205)
Deposits by borrowers	(915)	5,168
Due to other Funds	-	(74)
Amortizations		
Deferred income and expense on loans	2,130	2,320
Investment discounts and premiums	154	1,009
Bond original issue discounts and premiums	(333)	(336)
Deferred bond issuance costs	561	504
Loan fees and expenses deferred	(1,222)	(944)
Loan fees and expenses transferred and sold	580	457
Provision for loan losses	5,169	8,058
Decrease (increase) in fair value of investments	2,244	(2,747)
Arbitrage rebates paid	815	-
Transfer arbitrage rebate liability	(5,993)	-
Gain on early retirement of debt	(1,584)	(2,220)
Increase on interest rate swap agreement termination	-	(15,305)
Interest received on investments	(2,395)	(2,607)
Interest on bonds	100,080	105,920
Net cash (used in) provided by operating activities	$ (1,615)	$ 64,128

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2011 and 2010

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

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

The accompanying 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). 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)

In accordance with accounting guidance issued by GASB, net assets should be reported as restricted when constraints placed on net asset use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation. Accordingly, all net assets of the Fund are restricted as to their use as all net assets are pledged to bondholders.

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

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2011 and 2010, the Fund's 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage-Backed Securities

These guaranteed securities are issued in connection with mortgage loans on single family homes. They are stated at fair value, based on quoted market prices. Mortgage-backed securities are more fully described in Note 3.

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of allowance and unamortized loan fees and expenses. Loan fees and expenses are deferred and amortized over the life of the related loans using the effective interest method. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as claims receivables. See Notes 4 and 14 for additional information on mortgage loans and mortgage insurance, respectively.

Accrued Interest and Other Receivables

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

Claims Receivable on Foreclosed and Other Loans

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real Estate Owned

Real estate owned represents real estate acquired through foreclosure or deeds-in-lieu 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.

Allowance for Loan Losses

Substantially all of the single family 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, 2011 and 2010, CDA has established an allowance for loan losses on the uninsured portions of single family mortgage loans with private mortgage insurance. CDA has also established an allowance for loan losses on single family loans with private mortgage insurance that are in foreclosure. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD’s asset management group and a current assessment of probability and risk of loss due to default or deteriorating economic conditions. Multi-family mortgage loans of the Fund are insured or guaranteed; as such, no allowance for loans losses was necessary as of June 30, 2011 and 2010. See Note 4 for additional information on allowance for loan losses.

Deferred Bond Issuance Costs

Costs incurred in issuing bonds are capitalized and amortized using the effective interest method for each respective bond issue. When bonds are redeemed early with mortgage prepayments, a proportionate share of the remaining unamortized costs is recognized as a loss on the 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. However, in an economic refunding, CDA defers unamortized costs and redemption premiums as an offset to the new bonds as more fully described in Note 10.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from (to) Other Funds

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

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized deferred gain or loss for bonds refunded for economic purposes and original issue discounts or premiums. See Notes 6, 7, 8, 9, 10 and 12 for more information.

Deposits by Borrowers

This account consists of escrows and reserves held by CDA on behalf of multi-family housing developments. CDA invests these deposits and, for reserves, allows earnings to accrue to the benefit of the mortgagor. Escrows represent amounts held by CDA for mortgage insurance and hazard insurance premiums and real estate taxes, all of which are generally paid annually and which are classified as a current liability. Based on the current year's reserve disbursements, CDA has estimated the current reserve liability. The balance of the reserves is classified as long-term. See Note 12 for further information on changes in long-term obligations.

Rebate Liability on Investments

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Rate Exchange Agreements (Swaps)

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

Mortgage Yield Limitations

All mortgage loans are subject to yield limitations under the Internal Revenue Service Code (the Code) in order for the associated bonds to maintain their tax-exempt status. At the time of bond issuance and over the term of the bonds, CDA determines and maintains compliance with the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the Code. If at any time the composite yields on the transferred loans are out of compliance with the Code, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2011 and 2010, all mortgage loan yields were in compliance with the Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest on Mortgage Loans and Mortgage-Backed Securities

Interest on mortgage loans and mortgage-backed securities is calculated using the effective interest method.

Fee Income

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

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the State of Maryland. All of the Fund's activities are considered to be operating except for increases and decreases in the fair value of mortgage-backed securities.

Use of Estimates

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

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

Bond proceeds and revenues from mortgages, mortgage-backed securities and investments are invested in authorized investments as defined in the Residential Revenue Bond Resolution (the Resolution) and in CDA's Investment Policy until required for purchasing mortgage-backed securities or originating mortgage loans, funding reserves, paying bond debt service or redeeming outstanding bonds and 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.

(in thousands)

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

The following assets, reported at fair value and held by the Fund as of June 30, 2011 and 2010, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2011	2010
Cash and Cash Equivalents:		
Federated Treasury Obligations Fund	$ 301,405	$ 251,263
Investments:		
Obligations of the U.S. Treasury	-	7,629
Obligations of U.S. Government Agencies	8,590	78,031
Repurchase and Investment Agreements	17,909	18,150
GNMA Mortgage-backed Securities	54,444	-
Total	$ 382,348	$ 355,073

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses from rising interest rates, CDA’s Investment Policy requires that the maturities of the investment portfolio are scheduled to meet the cash requirements for bond debt service, projected loan originations and ongoing operations.

(in thousands)

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

As of June 30, 2011, 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	$ 301,405	$ 301,405	$ 301,405	$ -	$ -	$ -	$ -
Obligations of U.S. Government Agencies	7,067	8,590	-	-	2,493	-	6,097
Repurchase agreements/ Investment agreements	17,909	17,909	-	-	-	-	17,909
GNMA mortgage-backed securities	55,029	54,444	-	-	-	-	54,444
Total	$ 381,410	$ 382,348	$ 301,405	$ -	$ 2,493	$ -	$ 78,450

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

			Maturities (in years)				
Asset	Amortized Cost	Fair Value	Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	$ 251,263	$ 251,263	$ 251,263	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	5,562	7,629	-	547	4,274	2,808	-
Obligations of U.S. Government Agencies	76,331	78,031	69,280	-	2,484	-	6,267
Repurchase agreements/ Investment agreements	18,150	18,150	-	-	-	-	18,150
Total	$ 351,306	$ 355,073	$ 320,543	$ 547	$ 6,758	$ 2,808	$ 24,417

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

The Federated Treasury Obligations Fund invests primarily in repurchase agreements collateralized by Treasury securities and U.S. Treasuries. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2011 and 2010, the cost of the money market mutual fund 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, 2011 and 2010, 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, 2011 and 2010 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 accounting guidance issued by GASB.

(in thousands)

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

As of June 30, 2011, 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	$ 301,405	78.83%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed securities	54,444	14.24%		Direct U.S. Obligations	
Obligations of U.S. Government Agencies	8,590	2.25%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
WestLB rated Aa1 by Moody's*	17,909	4.68%		Aaa	Moody's
Total	$ 382,348	100.00%			

* WestLB AG is formerly known as "Westdeutsche Landesbank Gironzentrale." This investment agreement was entered into prior to July 19, 2001 and is therefore governed by guarantor liability in accordance with the agreement reached between the German Federal Government and the European Commission (Letter of Understanding I). The current rating of Aa1 by Moody's for this investment agreement is based on such guarantor liability. As of July 19, 2005, all contracts entered into with West LB AG between July 19, 2001 and July 18, 2005 which mature after December 31, 2015, and contracts entered into after July 18, 2005 are not covered by the guarantor liability, and therefore carry WestLB's current Moody's rating of A2.

(in thousands)

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

As of June 30, 2010, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	$ 251,263	70.76%	Aaa		Moody's
Obligations of the U.S. Treasury	7,629	2.15%		Direct U. S. Obligation	
Obligations of U.S. Government Agencies:					
Federal Home Loan Banks	40,022	11.27%		Aaa	Moody's
Federal Home Loan Mortgage Corporation	35,525	10.01%		Aaa	Moody's
Other government agencies	2,484	0.70%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
WestLB rated Aa1 by Moody's*	18,150	5.11%		Aaa	Moody's
Total	$ 355,073	100.00%			

* WestLB AG is formerly known as "Westdeutsche Landesbank Gironzentrale." This investment agreement was entered into prior to July 19, 2001 and is therefore governed by guarantor liability in accordance with the agreement reached between the German Federal Government and the European Commission (Letter of Understanding I). The current rating of Aa1 by Moody's for this investment agreement is based on such guarantor liability. As of July 19, 2005, all contracts entered into with West LB AG between July 19, 2001 and July 18, 2005 which mature after December 31, 2015, and contracts entered into after July 18, 2005 are not covered by the guarantor liability, and therefore carry WestLB's current Moody's rating of A2.

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

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2011 and 2010, the Fund’s investments were not subject to custodial credit risk under accounting guidance issued by GASB. CDA’s investments and collateralized securities are held in trust by the trustee or the trustee’s agent, kept separate from the assets of the bank and from other trust accounts and are held in CDA’s name.

NOTE 4 - MORTGAGE LOANS

All single family mortgage loans of the Fund are secured by first liens on the related property. Substantially all the single family 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, 2011 and 2010, interest rates on such loans range from 1.0% to 13.9% and 3.0% to 9.25%, respectively. Remaining loan terms range from approximately 1 to 40 years and 9 to 40 years, respectively.

All of the Fund’s multi-family mortgage loans are credit enhanced through FHA, FHLMC or MHF. Interest rates on such loans range from 5.25% to 12%. As of June 30, 2011 and 2010, remaining loan terms ranged from less than 3 to 22 years and 3 to 23 years, respectively.

(in thousands)

NOTE 4 - MORTGAGE LOANS (Continued)

For the years ended June 30, 2011 and 2010, the single family mortgage loan and claims receivable balances and changes in the allowance for loan losses on the uninsured portions of single family loans with private mortgage insurance, including loans in foreclosure and other loans with pending insurance claims, were as follows:

	2011	2010
Single family mortgage loans	$ 2,076,732	$ 2,041,579
Allowance for loan losses		
Beginning balance	10,480	9,569
Provision for loan losses	(853)	911
Ending balance	9,627	10,480
Single family mortgage loans, net	$ 2,067,105	$ 2,031,099
Claims receivable on foreclosed and other loans	$ 105,905	$ 87,995
Allowance for loan losses		
Beginning balance	9,541	2,872
Provision for loan losses	6,022	7,147
Charge offs	(2,400)	(478)
Ending balance	13,163	9,541
Claims receivable on foreclosed and other loans, net	$ 92,742	$ 78,454

(in thousands)

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2011 and 2010 were as follows:

	2011	2010
Accrued mortgage loan interest	$ 18,727	$ 17,199
Accrued investment interest	524	952
Accrued mortgage-backed securities interest	169	-
Funds due from mortgage insurers for loan modifications	366	-
Reimbursement due for state-funded loans	362	-
	$ 20,148	$ 18,151

NOTE 6 - SHORT-TERM DEBT

CDA issues short-term debt to preserve volume cap when prepayments and payments from mortgages exceed the demand for new mortgages. Proceeds of the short-term debt are used to refund and to pay at maturity prior series of bonds. At the time of the refunding, prepayments and repayments of mortgage loans financed by these prior bonds are transferred to accounts in the short-term series. CDA expects to make these funds available to purchase mortgage loans upon the maturity or earlier redemption of the short-term bonds with proceeds of additional long-term bonds. By issuing the short-term debt, CDA more closely matches the rates on the short-term debt with the rates on short-term investments. When there is sufficient mortgage demand, CDA issues long-term refunding bonds to redeem the short-term debt and the prepayments and repayments are used to fund new mortgages. For the years ended June 30, 2011 and 2010, CDA did not issue any short-term debt.

NOTE 7 - BONDS PAYABLE

The bonds and notes issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the 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, at a redemption price equal to the principal amount thereof to be redeemed.

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

<u>2003 Series C; 2004 Series F and I; 2006 Series G and J; 2007 Series F, J and M; and 2008 Series D</u>

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%.

<u>2011 Series B</u>

The rate is set weekly at an index rate equal to a SIFMA index, plus 0.95%. (SIFMA stands for the Securities Industry and Financial Markets Association) In no event will the bonds bear interest at a rate in excess of 12%.

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

2006 Series S and 2007 Series B, E and I

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2011, and the debt outstanding and bonds payable as of June 30, 2011:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2010	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2011	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2011
Residential Revenue Bonds										
1998 Series A	01/01/98	4.80% - 5.00%	2011 - 2014	$ 1,630	$ -	$ -	$ (1,145)	$ 485	$ -	$ 485
1998 Series D	12/01/98	5.15% - 5.25%	2018 - 2029	27,275	-	(800)	(710)	25,765	-	25,765
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	05/01/99	4.90% - 5.40%	2011 - 2031	25,270	-	-	(370)	24,900	(3)	24,897
2000 Series F	08/01/00	4.90%	2011	515	-	-	(515)	-	-	-
2001 Series A	03/01/01	4.50% - 5.00%	2011 - 2017	8,825	-	-	-	8,825	-	8,825
2001 Series B	03/01/01	4.65% - 5.375%	2011 - 2022	8,330	-	-	(1,235)	7,095	-	7,095
2001 Series E	06/01/01	4.55%	2011	780	-	-	(650)	130	-	130
2001 Series G	08/15/01	4.20%	2011	1,435	-	-	-	1,435	-	1,435
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	32,050	-	-	(550)	31,500	-	31,500
2003 Series A	11/01/03	3.25% - 4.05%	2010 - 2015	5,595	-	(850)	-	4,745	-	4,745
2003 Series B	11/01/03	4.75% - 5.00%	2019 - 2026	4,455	-	-	(1,015)	3,440	140	3,580
2003 Series C	12/09/03	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series A	05/13/04	3.20% - 4.20%	2010 - 2016	7,460	-	(960)	-	6,500	-	6,500
2004 Series B	05/13/04	5.00%	2023 - 2028	6,310	-	-	(1,510)	4,800	139	4,939
2004 Series C	05/13/04	Variable rate	2035	20,000	-	-	(20,000)	-	-	-
2004 Series D	08/12/04	3.50% - 4.40%	2010 - 2016	8,785	-	(1,120)	-	7,665	-	7,665
2004 Series E	08/12/04	5.15% - 5.25%	2023 - 2030	13,120	-	-	(2,160)	10,960	166	11,126
2004 Series F	08/12/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series G	11/10/04	2.80% - 3.65%	2010 - 2016	9,005	-	(1,170)	-	7,835	-	7,835
2004 Series H	11/10/04	4.55% - 5.00%	2023 - 2029	11,805	-	-	(885)	10,920	296	11,216
2004 Series I	11/10/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series A	03/30/05	3.05% - 3.90%	2010 - 2016	9,255	-	(1,190)	-	8,065	-	8,065
2005 Series B	03/30/05	4.55% - 5.25%	2023 - 2029	18,625	-	-	(1,370)	17,255	332	17,587
2005 Series C	03/30/05	Variable rate	2035	20,000	-	-	(20,000)	-	-	-
2005 Series D	11/10/05	3.35% - 4.05%	2010 - 2017	10,290	-	(1,130)	-	9,160	-	9,160
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	38,745	-	-	(1,130)	37,615	483	38,098
2006 Series A	02/23/06	3.50% - 4.10%	2010 - 2017	9,930	-	(1,095)	-	8,835	-	8,835
2006 Series B	02/23/06	4.75% - 5.50%	2025 - 2037	41,610	-	-	(710)	40,900	500	41,400
2006 Series E	05/24/06	3.70% - 4.35%	2010 - 2017	19,495	-	(2,130)	-	17,365	-	17,365
2006 Series F	05/24/06	4.80% - 6.00%	2021 - 2039	45,925	-	-	(2,795)	43,130	1,453	44,583
2006 Series G	05/24/06	Variable rate	2040	40,000	-	-	-	40,000	-	40,000
2006 Series H	07/13/06	3.75% - 4.15%	2010 - 2017	14,645	-	(1,590)	-	13,055	-	13,055
2006 Series I	07/13/06	3.95% - 6.00%	2010 - 2041	119,050	-	(885)	(4,175)	113,990	2,657	116,647
2006 Series J	07/13/06	Variable rate	2040	60,000	-	-	-	60,000	-	60,000
2006 Series K	09/14/06	3.70% - 4.15%	2010 - 2017	12,455	-	(1,345)	-	11,110	-	11,110
2006 Series L	09/14/06	4.10% - 5.75%	2011 - 2041	148,445	-	-	(4,045)	144,400	1,878	146,278
2006 Series O	12/13/06	3.50% - 3.85%	2010 - 2017	8,285	-	(905)	-	7,380	-	7,380
2006 Series P	12/13/06	3.90% - 5.75%	2010 - 2037	76,995	-	(1,500)	(1,500)	73,995	1,276	75,271
2006 Series S	12/13/06	6.07%	2037	22,175	-	-	(635)	21,540	-	21,540

(continued)

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2010	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2011	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2011
Residential Revenue Bonds (continued)										
2007 Series A	03/28/07	3.80% - 5.75%	2010 - 2047	$ 250,090	$ -	$ (1,630)	$ (5,900)	$ 242,560	$ 7,518	$ 250,078
2007 Series B	03/28/07	6.00%	2037	27,415	-	-	(115)	27,300	-	27,300
2007 Series C	06/20/07	3.65% - 3.95%	2010 - 2017	41,415	-	(4,695)	-	36,720	-	36,720
2007 Series D	06/20/07	4.65% - 5.50%	2022 - 2048	161,500	-	-	(4,155)	157,345	2,579	159,924
2007 Series E	06/20/07	4.97% - 6.11%	2010 - 2042	46,955	-	(1,385)	-	45,570	-	45,570
2007 Series F	06/20/07	Variable rate	2031	44,305	-	-	-	44,305	-	44,305
2007 Series G	08/09/07	3.80% - 4.30%	2010 - 2017	50,880	-	(5,245)	-	45,635	-	45,635
2007 Series H	08/09/07	4.95% - 5.20%	2022 - 2048	62,265	-	-	(775)	61,490	-	61,490
2007 Series I	08/09/07	5.35% - 6.56%	2010 - 2043	60,585	-	(1,710)	-	58,875	-	58,875
2007 Series J	08/09/07	Variable rate	2031	56,390	-	-	(685)	55,705	-	55,705
2007 Series K	12/12/07	3.30% - 3.85%	2010 - 2017	26,150	-	(2,805)	(190)	23,155	-	23,155
2007 Series M	12/12/07	Variable rate	2043	29,050	-	-	-	29,050	-	29,050
2008 Series A	06/19/08	2.60% - 4.00%	2010 - 2017	55,710	-	(2,000)	(750)	52,960	-	52,960
2008 Series B	09/04/08	2.45% - 4.20%	2010 - 2017	17,280	-	(1,420)	-	15,860	-	15,860
2008 Series C	09/04/08	4.45% - 5.65%	2019 - 2048	77,150	-	-	(10,815)	66,335	-	66,335
2008 Series D	09/04/08	Variable rate	2038	50,000	-	(110)	-	49,890	-	49,890
2008 Series E	12/17/08	2.95% - 4.55%	2010 - 2017	21,500	-	(1,000)	-	20,500	-	20,500
2008 Series F	12/17/08	4.75% - 5.90%	2018 - 2038	18,500	-	-	(10,705)	7,795	-	7,795
2009 Series A	09/24/09	0.65% - 5.05%	2010 - 2039	40,000	-	(770)	-	39,230	-	39,230
2009 Series B	10/08/09	0.65% - 4.75%	2010 - 2039	45,000	-	(900)	-	44,100	-	44,100
2009 Series C	10/27/09	0.45% - 4.55%	2010 - 2039	15,985	-	(320)	-	15,665	-	15,665
2010 Series A	06/09/10	3.95% - 4.45%	2018 - 2021	28,465	-	-	(500)	27,965	(320)	27,645
2010 Series B	12/16/10	5.125% - 5.25%	2030 - 2035	-	40,000	-	(10)	39,990	(361)	39,629
2011 Series A	05/05/11	0.375% - 5.375%	2012 - 2041	-	70,825	-	-	70,825	1,456	72,281
2011 Series B	05/05/11	Indexed Rate	2036	-	20,000	-	-	20,000	(99)	19,901
Total				$ 2,197,825	$ 130,825	$ (40,660)	$ (101,705)	$ 2,186,285	$ 20,090	$ 2,206,375

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

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

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

(continued)

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2011 and 2010

NOTE 7 - BONDS PAYABLE (Continued)

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

(in thousands)

NOTE 8 - DEBT SERVICE REQUIREMENTS

As of June 30, 2011, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2011 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
2012	$ 87,299	$ 79,350
2013	85,137	59,250
2014	82,803	64,550
2015	80,206	68,165
2016	77,356	72,050
2017 - 2021	342,434	339,365
2022 - 2026	276,077	264,740
2027 - 2031	214,731	278,830
2032 - 2036	146,736	506,820
2037 - 2041	64,449	317,575
2042 - 2046	14,570	126,680
2047 - 2051	512	8,910
Totals	$ 1,472,310	$ 2,186,285

The interest calculations on outstanding variable rate bonds in the amount of $358,950 are based on the variable rates in effect on June 30, 2011, 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, 2010, the required principal payments for bonds (including mandatory sinking fund payments and special and option redemptions that occurred subsequent to June 30, 2010 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 7) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Years ended June 30,	Interest	Principal
2011	$ 88,469	$ 49,485
2012	86,880	55,330
2013	84,770	57,620
2014	82,428	62,995
2015	79,848	65,995
2016 - 2020	355,861	345,670
2021 - 2025	287,657	269,370
2026 - 2030	227,064	262,850
2031 - 2035	162,825	400,710
2036 - 2040	82,860	436,515
2041 - 2045	24,124	171,755
2046 - 2050	1,779	19,530
Totals	$ 1,564,565	$ 2,197,825

The interest calculations on outstanding variable rate bonds in the amount of $379,745 are based on the variable rates in effect on June 30, 2010, and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary. See Note 9 for additional information on interest rate exchange agreements (swaps) associated with the variable rate debt in 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, 2011 and 2010, are provided in the tables on the following pages. The counterparty credit ratings for all outstanding swaps as of June 30, 2011 and 2010 are listed under the Credit Risk section. For each of the outstanding swap agreements the variable rates are reset monthly, and it is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds. The fair values are based on the market values and are affirmed by an independent advisor who used valuation methods and assumptions in accordance with accounting guidance issued by GASB.

(in thousands)

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

As of June 30, 2011, 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
JPMorgan Chase Bank, N.A. (JPM)	2004 Series I	$20,000	$20,000	9/1/2005	3.8525%	64% of LIBOR plus .29%	($850)	9/1/2035 (2)(7)
UBS AG	2006 Series G	$40,000	$40,000	5/24/2006	4.4030%	64% of LIBOR plus .29%	($3,800)	9/1/2040 (3)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$40,000	$40,000	7/13/2006	4.4030%	64% of LIBOR plus .29%	($3,770)	9/1/2040 (3)(7)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$20,000	$20,000	7/13/2006	4.4550%	64% of LIBOR plus .29%	($2,080)	9/1/2040 (3)(7)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	$46,485 (amended)	$39,760	10/27/2009 (amended)	4.4300% (amended)	64% of LIBOR plus .22% (amended)	($4,450)	3/1/2026 (4)(6)(9)(12)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	$58,680 (amended)	$50,860	9/1/2009 (amended)	4.8350% (amended)	64% of LIBOR plus .22% (amended)	($6,600)	9/1/2025 (4)(6)(9)(10)
The Bank of New York Mellon (BNYM)	2007 Series M	$26,990 (amended)	$19,975	10/8/2009 (amended)	4.3350% (amended)	64% of LIBOR plus .22% (amended)	($1,505)	9/1/2043 (5)(6)(11) (13)
Merrill Lynch Derivative Products AG (MLDP)	2008 Series D	$50,000	$49,890	9/4/2008	3.6880%	64% of LIBOR plus .31%	($3,420)	9/1/2038 (8)(9)

Notes to 2011 Table on next page

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

Notes to 2011 Table

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

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

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

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

(5) CDA has the option to terminate a portion of this interest rate swap transaction without any termination payment up to the Maximum Optional Early Termination Amounts on each March 1 and September 1 until September 1, 2017. CDA has exercised its option to partially terminate the notional amount of this interest rate swap in the amount of $2,060 effective September 1, 2009, $1,515 effective March 1, 2010, $1,735 effective September 1, 2010 and $1,700 effective March 1, 2011. CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2017 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(6) The outstanding notional amount reflects the amount that has been amortized as of March 1, 2011.

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

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

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

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

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

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

(13) Subsequent to June 30, 2011, CDA exercised its option and partially terminated the interest rate swap in the amount of $1,425 effective September 1, 2011.

(in thousands)

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

As of June 30, 2010, 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
JPMorgan Chase Bank, N.A. (JPM)	2004 Series I	$20,000	$20,000	9/1/2005	3.8525%	64% of LIBOR plus .29%	($1,185)	9/1/2035 (2)(7)
UBS AG	2006 Series G	$40,000	$40,000	5/24/2006	4.4030%	64% of LIBOR plus .29%	($4,560)	9/1/2040 (3)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$40,000	$40,000	7/13/2006	4.4030%	64% of LIBOR plus .29%	($4,540)	9/1/2040 (3)(7)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$20,000	$20,000	7/13/2006	4.4550%	64% of LIBOR plus .29%	($2,480)	9/1/2040 (3)(7)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	$46,485 (amended)	$44,305	10/27/2009 (amended)	4.4300% (amended)	64% of LIBOR plus .22% (amended)	($5,285)	3/1/2026 (4)(6)(9)(12)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	$58,680 (amended)	$56,390	9/1/2009 (amended)	4.8350% (amended)	64% of LIBOR plus .22% (amended)	($7,840)	9/1/2025 (4)(6)(9)(10)
The Bank of New York Mellon (BNYM)	2007 Series M	$26,990 (amended)	$24,860	10/8/2009 (amended)	4.3350% (amended)	64% of LIBOR plus .22% (amended)	($2,240)	9/1/2043 (5)(6)(11) (13)
Merrill Lynch Derivative Products AG (MLDP)	2008 Series D	$50,000	$50,000	9/4/2008	3.6880%	64% of LIBOR plus .31%	($4,500)	9/1/2038 (8)(9)

Notes to 2010 Table on next page

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

Notes to 2010 Table

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Basis Risk

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

Credit Risk

Credit risk is the risk that a swap counterparty will not fulfill its obligations. The fair value of the swaps represented CDA's credit exposure to each counterparty as of June 30, 2011 and 2010. As of June 30, 2011, CDA was not exposed to credit risk under the swap agreements with JPM, UBS AG, MLDP or BNYM since the fair value of each counterparty's swap portfolio was negative. However, should the valuation of any of the individual swaps change, and the fair values turn positive, CDA may become exposed to credit risk in the amount of the swaps' fair values. To mitigate the potential for credit risk, the fair value of the swaps will be fully collateralized by the counterparties if a counterparty's credit quality falls below the designated credit rating thresholds. As of June 30, 2010, CDA was not exposed to credit risk under the swap agreements with JPM, UBS AG, MLDP or BNYM since the swaps had negative fair values.

(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, 2011 are summarized below:

Swap Counterparty	Outstanding Notional Amount	Current Credit Rating	Collateral Posting Credit Rating Threshold	Fair Value
JPMorgan Chase Bank, N.A. (JPM)	$80,000	Aa1 from Moody's AA- from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's	($6,700)
UBS AG	$40,000	Aa3 from Moody's A+ from Standard and Poor's A+ from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($3.800)
Merrill Lynch Derivative Products AG (MLDP)	$140,510	Aa3 from Moody's AAA from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($14,470)
The Bank of New York Mellon (BNYM)	$19,975	Aaa from Moody's AA- from Fitch	A1 or below from Moody's or A+ or below from Fitch	($1,505)

(in thousands)

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

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

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

Termination Risk

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

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

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

Rollover Risk

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

Amortization Risk

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

(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, 2011, 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, 2011, 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
2012	$ 2,335	$ 417	$ 10,869	$ 13,621
2013	-	279	10,447	10,726
2014	-	279	10,040	10,319
2015	-	279	9,673	9,952
2016	-	280	9,332	9,612
2017 - 2021	8,275	1,378	39,884	49,537
2022 - 2026	9,860	1,321	32,209	43,390
2027 - 2031	28,345	1,233	27,727	57,305
2032 - 2036	158,440	641	17,651	176,732
2037 - 2041	53,255	231	5,515	59,001
2042 - 2046	19,975	45	48	20,068
Totals	$ 280,485	$ 6,383	$ 173,395	$ 460,263

(in thousands)

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

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

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

(in thousands)

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

Fair Values

The table below summarizes the total fair values for CDA's interest rate exchange agreements at June 30, 2010 and June 30, 2011, and the changes in fair values for the period ending June 30, 2011.

	Total Fair Value at June 30, 2010	Total Fair Value at June 30, 2011	Change in Fair Value for the Period
Interest Rate Exchange Agreements:			
Cash Flow Hedges	$ (32,630)	$ (26,475)	$ 6,155
Investment Derivatives	-	-	-
Total	$ (32,630)	$ (26,475)	$ 6,155

In accordance with accounting guidance issued by GASB, the fair value balances of derivative instruments (interest rate exchange agreements) outstanding at June 30, 2011, classified by type, and the changes in fair value of such derivative instruments as presented on the financial statements for the period ending June 30, 2011, are as follows:

	Change in Fair Value		Fair Value at June 30, 2011		Outstanding Notional Amounts
	Classification	Amount	Classification	Amount	
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	$ 6,155	Debt	$ (26,475)	$ 280,485
Investment Derivatives:					
Pay fixed interest rate swaps	Investment Revenue	$ -	Investment	$ -	$ -

At June 30, 2010, CDA had terminated the original swap agreements for the 2007 Series F, J and M swaps. The new agreements were restructured based on the remarketing of the underlying bonds from taxable to tax-exempt. As of June 30, 2011, all of CDA's swaps do meet the criteria for effectiveness and the swap fair values are classified as deferred outflow.

(in thousands)

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

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

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

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

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

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

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

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

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

NOTE 10 - BOND REFUNDINGS

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

NOTE 10 - BOND REFUNDINGS (Continued)

For current refundings of debt in an optional redemption, CDA replaces previously issued bonds with lower cost debt. This type of transaction is commonly known as an economic refunding. On June 9, 2010, CDA issued $28,465 of Residential Revenue Bonds 2010 Series A which refunded Single Family Program 1999 Third Series. The bonds were redeemed in full on July 9, 2010 in that amount. This refunding reduced total debt service payments over the next 11 years by $2,625 and resulted in an economic gain of $1,596.

In economic refundings, CDA defers the difference between the reacquisition price (i.e., the principal of the old debt, plus the call premium) and the net carrying amount of the old debt (i.e., the amount due at maturity, adjusted for any unamortized premium or discount and issuance costs related to the old debt) as an offset to the new bonds on the accompanying Statements of Net Assets in accordance with accounting guidance issued by GASB. This deferral is amortized, using the effective interest method, over the remaining life of the old debt or the life of the new debt, whichever is shorter. As a result of the refunding described above, CDA deferred $352 of unamortized costs of issuance and call premium. The period of amortization is 128 months.

For the year ended June 30, 2011, CDA issued $40,000 of Residential Revenue Bonds 2010 Series B on December 16, 2010 which refunded Residential Revenue Bonds 2004 Series C and 2005 Series C variable rate bonds, each with a balance of $20,000. The refunding allowed CDA to convert the variable rate debt to fixed rate debt while preserving the full permitted yield on the underlying mortgages. There was no economic gain on the transaction. As a result of this refunding, CDA deferred $364 of unamortized costs of issuance. The period of amortization is 296 months.

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.

(in thousands)

NOTE 11 - REBATE LIABILITY (Continued)

Rebate liability activity for the years ended June 30, 2011 and 2010 was as follows:

	2011	2010
Beginning rebate liability	$ 1,659	$ 2,864
Change in estimated liability due to excess investment earnings	429	(1,243)
Change in estimated liability due to change in fair value of investments	(58)	38
Transfer rebate liability	5,993	-
Less - payments made	(815)	-
Ending rebate liability	$ 7,208	$ 1,659

Total rebate liability is allocated as follows:

	2011	2010
Estimated liability due to excess investment earnings	$ 7,208	$ 1,601
Estimated liability due to change in fair value of investments	-	58
Ending rebate liability	$ 7,208	$ 1,659

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2011 and 2010 were as follows:

	2011	2010
Rebate liability		
Beginning balance	$ 1,659	$ 2,864
Additions	6,422	38
Reductions	(873)	(1,243)
Ending balance	7,208	1,659
Less due within one year	(637)	(725)
Total long-term rebate liability	6,571	934
Bonds payable		
Beginning balance	2,219,608	2,236,750
Additions	130,825	129,450
Reductions	(142,365)	(143,355)
Change in deferred amounts for issuance discounts/premiums	(1,012)	(3,237)
Change in deferred amounts on refundings	(681)	-
Ending balance	2,206,375	2,219,608
Less due within one year	(79,350)	(49,485)
Total long-term bonds payable	2,127,025	2,170,123
Deposits by borrowers		
Beginning balance	5,168	-
Additions	2,121	7,667
Reductions	(3,036)	(2,499)
Ending balance	4,253	5,168
Less due within one year	(2,102)	(2,286)
Total long-term deposits by borrowers	2,151	2,882
Interest rate exchange agreements		
Beginning balance	32,630	-
Additions	-	32,630
Reductions	(6,155)	-
Ending balance	26,475	32,630
Total long-term interest rate exchange agreements	26,475	32,630
Total long-term liabilities	$ 2,162,222	$ 2,206,569

(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, 2011 and 2010, the Fund transferred the following amounts, as permitted, among Funds:

	2011	2010
Excess revenue transferred from Single Family Program Bonds	$ 15,361	$ 7,221
Cost of issuance on bonds and other expenses transferred from Single Family Program Bonds	15	1,918
Transfer mortgage loans and mortgage loan-related activity from Single Family Program Bonds	101,297	12,765
Transfer funds for the refunding of bonds to the Single Family Program Bonds indenture	(28,113)	-
Excess revenue transferred to the General Bond Reserve Fund	(7,300)	-
Excess revenue transferred from Multi-Family Housing Revenue Bonds	-	7,655
Transfer mortgage loans and mortgage loan-related activity from Multi-Family Housing Revenue Bonds	-	50,504
Transfer to separate account in accordance with HUD agreement	(23)	(43)
	$ 81,237	$ 80,020

(in thousands)

NOTE 13 - INTERFUND ACTIVITY (Continued)

As of June 30, 2011 and 2010, due (to) from other Funds consisted of the following:

	2011	2010
Mortgage loan receipts for participation loans due to Single Family Program Bonds	$ -	$ (119)
Other mortgage loan receipts due from Single Family Program Bonds	-	158
	$ -	$ 39

NOTE 14 - MORTGAGE INSURANCE

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

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

About 43% of all single family 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 55% of total single family loans are insured by private mortgage insurers or MHF at 35% of the loan amount. Less than 2% of all first lien loans either did not have primary mortgage insurance due to their original loan-to-value ratios of less than 80% or have cancelled primary mortgage insurance due to their outstanding balance falling below 80% of the original loan amount. An allowance for loan losses has been established for single family loans insured by private mortgage insurers. Premiums are paid by single family mortgagors.

NOTE 14 - MORTGAGE INSURANCE (Continued)

CDA has entered into an agreement (the Reinsurance Agreement) with MHF effective January 1, 2011, in order to provide supplemental insurance coverage in the Fund for all private mortgage insured loans and post-2005 MHF primary insured loans residing in the active portfolio as of December 31, 2010. Insured loans in the private mortgage insurance portfolio have 35% coverage from the private mortgage insurer. Upon receipt of the primary mortgage insurance claim, MHF will pay 100% of the remaining claim amount for all private mortgage insured loans and post-2005 MHF primary insured loans that have foreclosure dates occurring after December 31, 2010. Once the claim is paid by MHF, the property is transferred to MHF for disposal and is no longer an asset of CDA. Upon sale of the property and if the sale results in a loss, CDA and MHF will share equally in any such loss incurred. The Reinsurance Agreement shall terminate when the total amount of MHF net losses (the amount calculated after all claims are paid and expenses are realized) reaches $12,500 or on December 31, 2020, whichever occurs first.

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.

(in thousands)

NOTE 16 - SUBSEQUENT EVENTS

Events that occur after the date of the statement of net assets but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net assets are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net assets require disclosure in the accompanying notes. Management evaluated the activity of CDA through September 29, 2011 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements, except for the following activity that occurred subsequent to June 30, 2011.

Subsequent to the year ended June 30, 2011, the following bond activity took place:

On July 22, 2011, CDA redeemed the following bonds:

1998 Series A	$135
2003 Series B	$110
2004 Series B	$300
2004 Series E	$210
2004 Series H	$235
2005 Series B	$745
2005 Series E	$350
2006 Series F	$5,105
2006 Series I	$6,105
2006 Series L	$1,375
2006 Series P	$345
2007 Series A	$1,400
2007 Series D	$3,105
2010 Series A	$210
2010 Series B	$130

(in thousands)

NOTE 16 - SUBSEQUENT EVENTS (Continued)

On September 1, 2011, CDA redeemed the following bonds:

2006 Series S	$335
2007 Series B	$1,320
2007 Series F	$600
2007 Series J	$1,735

Community Development Administration
Residential Revenue Bonds

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

June 30, 2011 and 2010

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

For investments (obligations of the U.S. Treasury and U.S. Government Agencies) held by the Fund as of June 30, 2011, 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
2009	$ 46	$ 1,020
2010	$ 2,747	$ 3,767
2011	$ (2,244)	$ 1,523

Community Development Administration
Residential Revenue Bonds

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

June 30, 2011 and 2010

For mortgage-backed securities held by the Fund as of June 30, 2011, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and cost:

Fiscal year ended June 30,	Annual increases /decreases	Cumulative total
2011	$ (585)	$ (585)

Reconciliation to the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2011:

Decrease in fair value of investments held at June 30, 2011	$ (2,244)
Adjustment due to rebate liability (see Note 11)	58
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, 2011	$ (2,186)

Reconciliation to the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2010:

Increase in fair value of investments held at June 30, 2010	$ 2,747
Adjustment due to rebate liability (see Note 11)	(38)
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, 2010	$ 2,709