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East Baton Rouge Mortgage Finance Authority

Management's Discussion and Analysis, Financial Statements of Individual Programs and Unrestricted Fund for the Year Ended December 31, 2008, and Independent Auditors' Report

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
East Baton Rouge Mortgage Finance Authority:

We have audited the accompanying individual programs and unrestricted fund financial statements of East Baton Rouge Mortgage Finance Authority (the "Authority") as of December 31, 2008 and for the year then ended, as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2007 financial statements, and, in our report dated June 19, 2008, we expressed an unqualified opinion in those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each of the individual programs and the unrestricted fund of the Authority at December 31, 2008, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 10, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

June 10, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Management's Discussion and Analysis ("MD&A") of the East Baton Rouge Mortgage Finance Authority's (the "Authority") financial performance presents a narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2008 as well as commentary of general market trends and market conditions and the Authority's mortgage loan origination and mortgage loan payoff history since 2002. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this MD&A in conjunction with the Authority's financial statements, which begin on page 12.

The basic financial statements include the totals of the similar accounts of each of the Authority's bond programs and the Authority's Unrestricted Fund. Since the assets of each individual bond series are restricted by the bond resolution and trust indenture which authorized each respective bond series, the totaling of the accounts, including the assets therein, is for convenience purposes only and does not indicate that the combined assets are available in any manner other than is provided for in the resolutions and indentures relating to each separate bond issue. However, for the purpose of this analysis, we will refer to the combined totals in order to assist the reader in understanding the overall financial condition of the Authority.

GENERAL ECONOMIC TRENDS, INTEREST RATE MARKET CONDITIONS AND THE AUTHORITY'S 2007B MORTGAGE LENDING PROGRAM

- Conventional mortgage loan interest rates have remained at the low 6% (or below) for approximately the last five (5) year period from July, 2003 through July, 2008. From January 1, 2003 through December 31, 2008 interest rates on the Authority's six (6) mortgage lending programs originated during this time period ranged from a low of 5.375% to a high of 6.375% - a range of only 1.00%. Conventional mortgage interest rates since the beginning of 2008 gradually have fallen to just above the 5.00% range as of June 1, 2009.

- From June, 2006 until September, 2007 (a 15 month time period) the Federal Reserve Bank (the "Fed") kept its fed funds target rate constant at 5.25%. Beginning in mid-September, 2007 the Fed began, in response to the turmoil in the "sub-prime" mortgage market, to reduce the fed funds target rate with a cut in the fed funds target rate to 4.75% followed with three (3) more cuts at its subsequent meetings in 2007 and seven (7) more cuts in 2008 to a level of only 0.25%, an all time historical low on December 16, 2008. The fed funds rate remains at its all time historical low of 0.25% as of June 1, 2009.

  The Fed reduced its federal funds target rate from 3.50% in January, 2008 to 2.25% in December, 2008 during which time the financial markets faced crisis after crisis beginning in early March, 2008 when the fifth (5^{th})(largest investment banking firm of Bear Stearns & Co. was bailed out from insolvency and almost certain bankruptcy through a Fed assisted buyout by JP Morgan Chase & Co.

  Financial markets continued to deteriorate into summer 2008 and reached a crisis point the week of September 15, 2008. Lehman Brothers & Co., the fourth (4^{th}) largest investment banking firm filed for bankruptcy the morning of Monday, September 15, 2008 followed by a Fed led bailout of American International Group ("AIG"), the world's largest insurance company, along with the takeover by the federal government of both the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corp. ("Freddie Mac") by placing both government sponsored enterprises ("GSEs") into conservatorship.

The last quarter of 2008 saw unprecedented declines in the equity markets not experienced since the Great Depression during which time the Fed pumped billions of dollars in the US banking system in order to provide the financial markets with liquidity while at the same time decreasing the federal funds rate from 2.00% in April, 2008 to 0.25% in December, 2008.

During 2008 what had started in mid-2007 as a subprime mortgage crisis turned into a panic as most all mortgage related assets not guaranteed by the GSEs suffered massive mark to market losses while at the same time the credit markets became frozen and a severe banking crisis ensued.

Investment and commercial banks, domestically as well as worldwide, suffered very significant unrealized losses during a period where the bid side of the credit markets for all practical purposes disappeared. As a result of mark to market accounting rules, many commercial and investment banks teetered on the verge of insolvency from the severe losses in quarter after quarter earnings repots caused by unrealized losses.

The Fed in October 2008 made substantial purchases of preferred stock of up to $250 billion to nine (9) of the largest national banks as well as many regional banks in an effort to strengthen the capital position of the US banking system.

The economy which had officially been declared a recession back to late 2007 continued to deteriorate throughout 2008 and remains in a very fragile state at the present time with unemployment hitting a 9.4% level as reported in the May unemployment report.

- The Authority issued $20 million bond issue in late December, 2007 of which approximately $10 million in mortgage loans was originated during the first six (6) months of 2008. The Authority redeemed $10 million in bonds in June, 2008 as a result of a federal tax requirement.

- The Authority did not issue any bonds in 2008 as a result of the financial markets turmoil as previously discussed.

FINANCIAL HIGHLIGHTS

2008 Mortgage Loan Payoffs

- Federal tax law prohibits the Authority from providing mortgage loan refinancings. During 2008 relatively low mortgage loan interest rates continued, which contributed to a substantial amount of mortgage loan payoffs of $21.565 million in 2008 since even moderate decreases in conventional mortgage loan interest rates often results in refinancings of the Authority's mortgage related assets.

- There has been a considerable slowdown in the aggregate amount of mortgage loan payoffs in the last three (3) years from its peak of $74.23 million in 2003 to a low of $21.565 million in 2008.

Year Ended December 31	Total Mortgage Payoffs[*2] (millions)	New Mortgage Loan Originations (millions)	Net Mortgage Related Assets Increase or (Decrease)
2002	$ 57.784	$ 18.878	$ (38.906)
2003	74.230	12.463	(61.767)
2004	53.985	22.636	(31.349)
2005	40.069	26.826	(13.243)
2006	25.679	38.946	13.267
2007	24.097	45.749	21.652
2008	21.565	15.192	(6.373)
Totals	$ 297.409	$ 180.690	$ (116.719)

[*2] Prepayments of mortgage loans whether from whole mortgage loans or from GNMA, FNMA or FHLMC mortgage backed securities ("MBS") (which MBS serve as collateral for the Authority's bonds) are required to be used to retire the same approximate amount of Authority's bonds prior to their respective stated maturities.

2008 New Mortgage Loan Originations

- The Authority originated $15.192 million of new mortgage loans during 2008 as compared with $45.749 million in 2007. This level of mortgage loan origination activity in 2008 resulted in a **net decrease** of the Authority's mortgage related assets by $6.373 million (before the effect of any unrealized gains) as compared with a $21.652 million **net increase** in 2007. (See above chart for the history of new mortgage loan originations for the last seven (7) year period.)

2008 Adjusted Net Asset Fund Balance

- The Authority's assets exceeded its liabilities at the close of fiscal year 2008 by $50.899 million, which represents a $4.156 million increase from the 2007 amount of $46.743 million. The Authority had a net cumulative increase of $5.388 million in fair market value of its investments as of December 31, 2007.
- Without giving effect to the adjustments for unrealized gains in the fair value of investments on a cumulative net basis, the Authority's assets exceeded its liabilities by $45.511 million in 2008 which represents a decrease of $595,000 from the 2007 adjusted amount of $46.106 million.

2008 Adjusted Operating Revenues

- The Authority's adjusted revenues of $15.792 million in 2008 (exclusive of the increase of $4.751 million in the fair value of investments which represented an unrealized gain in 2008) decreased by $1.203 million as compared to adjusted revenues of $16.995 million generated in 2007 (exclusive of the net increase in the fair value of investments of $2.085 million for 2007 which represented an unrealized gain in 2007 and further adjusted for $410,000 in 'Other Income', a non-cash revenue adjustment for 2007) due to the following factors:
    - The Authority generated income earned on mortgage loans receivable/mortgage backed securities of $8.973 million in 2008 as compared with $10.071 million in 2007 – a decrease of $1.098 million.

- A $114,000 decrease in income earned on other investments from $6.552 million in 2007 to $6.438 million in 2008.

- A small increase of $9,000 in Authority fee income from $372,000 in 2007 to $381,000 in 2008. The small increase is due to the addition of two (2) mortgage lending programs commencing in 2007 for which the origination periods continued into 2008.

2008 Operating Expenses

- The Authority's 2008 Expenses decreased by $1.144 million from 2007. Interest Expense (due to a net reduction in Bonds Payable of $106.901 million from $299.840 million on December 31, 2007 to $192.939 million on December 31, 2008) declined by $1.309 million.

- There was a slight decrease in the amortization of deferred financing cost of $44,000 in 2008 as compared with 2007. In addition, there was a decrease of $352,000 in the amortization expense of the DAP/AAP in 2008 as compared with 2007, as a result of the DAP/AAP expense of the programs prior to the 1998D program being fully amortized prior to 2008.

- There was an increase of $145,000 in administrative expenses for 2008 as compared with 2007 and an increase of $407,000 in operating expenses in 2008 as compared to 2007.

2008 Adjusted Net Operating Income

- The Authority experienced a net loss of ($595,000) in 2008 compared with ($536,000) net loss in 2007 (excluding the effects of the unrealized gains in the fair value of investments for 2008 and 2007 as well as a $410,000 non-cash 'Other Income' adjustment for 2007) before further adjusting for the non-cash expense item categories of the amortization of deferred financing costs and the amortization of downpayment assistance program costs and the Authority assistance program costs.

- The Authority's net operating income (after adjusting for the non-cash expense items of (a) and (b) above and further adjusted for unrealized gains (losses) on the fair value of investments and further adjusted for $410,000 in 'Other Income' a non-cash revenue adjustment for 2007) was $867,000 in 2008 as compared with net income of $1.322 million in 2007 – a decrease of $455,000 in 2008 as compared with 2007.

Authority's Bond Credit Ratings

- The Authority has a "Aaa" rating from Moody's Investor Service on substantially all of its separately secured series of bonds. In addition, in May 2002, the Authority applied for an issuer rating from Moody's Investor Services ("Moody's"). Moody's awarded the Authority an 'A3' issuer general obligation rating which is the current rating.

- In 2008 and in the first quarter of 2009, Moody's Investors Service downgraded the credit ratings of American International Group ("AIG") several times to its current level of A3. The Authority had four (4) Guaranteed Investment Contracts ("GICs") with a subsidiary of AIG which obligations are guaranteed by AIG. The funds on deposit in these GICs are pledged to the Authority's bond issues. The Authority did terminate one (1) of the AIG GICs in the last quarter of 2008, but left three (3) of the AIG GICs outstanding as of December 31, 2008.

As a result of the downgrade of AIG as the guarantor of AIG subsidiary's obligations and since the AIG GICs are pledged to the three (3) of the Authority's bond issues, Moody's Investors Service also downgraded three (3) bond issues of the Authority (which still had AIG GICs) from AAA to A2. The Authority is not required pursuant to its trust indentures with bondholders to maintain the rating on any of its bonds.

In April, 2009, the Authority did terminate all its GIC's with the AIG subsidiary. At the present time the Authority is investing its funds pledged to these four (4) bond issues in alternative authorized investments.

- Moody's affirmed the Authority's 'A3' issuer general obligation rating on October, 2003 (which "A3" rating remains the current credit rating) and included certain operating and debt ratios in its rating report. These same operating ratios and debt ratios as defined in the footnotes below, are calculated based upon the financial results (as adjusted) for the years ended December 31, 2006, 2007 and 2008, are presented below:

Authority's Operating and Debt Ratios (millions)

	12/31/2006	12/31/2007	12/31/08
Moody's Rating	A3	A3	A3
Profitability *1	9.05%	7.78%	5.49%
General Fund/Unrestricted Net Asset Fund Balance (millions) *2	$27.222	$24.822	$26.153
***Outstanding* Long Term Bonds (including accrued interest)**	$178,639	$214,522	$180,698
General Fund/Unrestricted Net Asset Fund Balance (as a % of Outstanding Bonds including accrued interest and excluding convertible program notes) *2	15.24%	11.57%	14.47%
Combined Net Asset (unrestricted and restricted) Fund Balance (millions) *2	$38.651	$38.242	$38.950
Outstanding Long and Short Term Bonds (including accrued interest)	$261.825	302.524	$194.827
Combined Net Asset Fund Balance (unrestricted and restricted) (as a % of Outstanding Bonds including accrued Interest) *2	14.76%	13.30%	19.99%

(*1 defined as Adjusted Net Income as a % of Adjusted Operating Revenues (both adjusted for all non-cash items, such as unrealized gains/(losses) on investments, current year amortization of deferred financing costs and amortization of downpayment and Authority assistance program costs.)

(*2 as adjusted for all non-cash asset categories, such as unrealized cumulative gains/(losses) on investments, remaining unamortized amount of deferred financing costs and downpayment and Authority assistance program costs.)

OVERVIEW OF THE FINANCIAL STATEMENTS

These basic financial statements consist of three sections – Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements) and the supplemental information.

Basic Financial Statements

The basic financial statements include information on a combined basis for the Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements include the balance sheets; the statements of revenues, expenses, and changes in net assets; and the statements of cash flows.

The balance sheets (pages 13 & 14) present the assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating on an adjusted basis.

The statements of revenues, expenses, and changes in net assets (pages 15 & 16) present information showing how the Authority's net assets changed as a result of the current year's operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The statements of cash flows (pages 17 - 20) present information showing how the Authority's cash changed as a result of the current year's operations. The combining cash flow statements are prepared using the direct method and include the reconciliation of net income (loss) to net cash provided by (used in) operating activities (indirect method) as required by Statement 34 of the Governmental Accounting Standards Board.

COMBINED STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2008 AND 2007
(In thousands)

	2008	2007	Change from Prior Year
Mortgage backed securities & mortgage loan receivable	$ 186,937	$ 189,299	$ (2,362)
Guaranteed investment contracts and investments including cash & cash equivalents	31,190	132,409	(101,219)
U.S. Government and Agency Securities	20,174	17,973	2,201
Other non-cash assets	7,582	9,693	(2,111)
Total assets	$ 245,883	$ 349,374	$ (103,491)
Other liabilities	$ 2,045	$ 2,791	$ (746)
Short-term debt outstanding	14,107	73,092	(58,985)
Long-term debt outstanding	178,832	226,748	(47,916)
Total liabilities	$ 194,984	$ 302,631	$ (107,647)
Net assets:			
Restricted	$ 24,995	$ 22,517	$ 2,478
Unrestricted	25,904	24,226	1,678
Total net assets	$ 50,899	$ 46,743	$ 4,156
TOTAL LIABILITIES AND NET ASSETS	$ 245,883	$ 349,374	$ (103,491)

FINANCIAL ANALYSIS OF THE AUTHORITY

Restricted net assets represent those net assets that are restricted and as a result are not available for general use due to the terms of the various bond trust indentures under which certain specified assets are held and pledged as security for the individual bonds of the Authority constituting its mortgage lending programs.

Conversely, unrestricted net assets are those assets for which there is not a specific limitation pledge of the unrestricted net assets to a specific bond issue of the Authority.

The Authority's assets exceeded its liabilities at the close of fiscal year 2008 by $50.899 million, which represents a $4.156 million increase from 2007. The Authority had a net cumulative increase in the fair value of its assets of $5.388 million since the Authority started adhering to GASB 31 (see page 23). Without giving effect to this net cumulative gain, the Authority's assets exceeded its liabilities by $45.511 million as of December 31, 2008.

2008 Revenues and Expenses

After adjusting revenues and expenses for unrealized gains in the fair value of investments and for non-cash expense items, the decreases in both total revenues and total expenses of all programs and services for 2008 as compared to 2007 were primarily a result of the following factors:

- A **decrease** in income earned on mortgage loans and/or MBS of $1.098 million;

- a decrease in income earned on other investments of $114,000 from 2007 to 2008;
- a **significant decrease** in bond interest expense of $1.309 million.

2008 NET INCOME/LOSS
(In millions)

	2008	2007	Change from Prior Year
Revenues	$ 20.543	$ 19.490	$ 1.053
Expenses	16.387	17.531	(1.144)
Net income/loss	$ 4.156	$ 1.959	$ 2.197

2008 Revenues

- The Authority's total revenues (exclusive of the net increase of $4.751 million in 2008 in the fair value of investments) decreased from $16.995 million in 2007 (exclusive of the net increase in the fair value of investments of $2.085 million which represented an unrealized gain and further adjusted for $410,000 in 'Other Income' a non-cash revenue adjustment for 2007) to $15.792 million in 2008 – a decrease of $1.203 million.
- Revenues from income earned on mortgage loans receivable/MBS decreased $1.098 million from $10.071 million in 2007 to $8.973 million in 2008.

2008 Adjusted Expenses

- **Bond interest expense** decreased by $1.309 million from $14.038 million in 2007 to $12.729 million in 2008 as a result of decreased interest expense on the Authority's convertible program notes, the redemption of approximately $53 million in convertible program notes in October, 2008 and also due to the decreased pace of the early retirement of bonds prior to the respective stated maturity dates resulting from a slowdown in the payoff of mortgages as a result of mortgage loan refinancings.
- **The total expenses of all programs and services** (net of bond interest expense) for 2008 of $3.658 million represented a increase of $165,000 from the comparable amount of $3.493 million in 2007.
- **Certain expense items for 2008 and 2007 represent the amortization of the non-cash items** such as amortization of deferred financing costs and amortization of DAP and AAP costs, which totaled $1.462 million for 2008 and $1.858 million for 2007 respectively, a decrease of $396,000 in 2008 from 2007.

Authority Debt

- The Authority had $178.832 million in bonds outstanding and $14.107 million convertible program notes outstanding (excluding accrued interest) on December 31, 2008 as compared to $226.748 million and $73.092 million outstanding respectively at the end of 2007, as shown in the table below:

OUTSTANDING AUTHORITY DEBT AT YEAR-END
(In thousands)

	2008	2007	Change from Prior Year
Mortgage revenue bonds	$ 178,832	$ 226,748	$ (47,916)
Convertible program notes	14,107	73,092	(58,985)
Total outstanding debt (as of December 31) (millions)	$ 192,939	$ 299,840	$ (106,901)

- Mortgage Revenue Bond Debt outstanding decreased by almost $50 million and outstanding convertible program notes decreased by almost $60 million.

- **Accounts Payable and Accrued Interest Payable**

  The Authority had accounts payable and accrued interest payable of $2.045 million outstanding on December 31, 2008 compared with $2.791 million for 2007 (a decrease of $746,000).

CURRENT ECONOMIC FACTORS AND THE AUTHORITY'S 2009 YEAR'S BUDGET

The Authority's Board of Trustees considered the following factors and indicators when the Authority adopted its 2009 Operating Budget. These factors and indicators include:

- The potential for the continuation of relatively low conventional mortgage loan interest rates continuing into 2009 for the sixth (6^{th}) consecutive year still stimulating early mortgage loans payoffs (as a result of mortgage loan refinancings) could result in a net decrease in the Authority's mortgage related assets while also reducing income earned on mortgage related assets.

  Due to market conditions, the Authority gave no consideration when formulating the budgets to adding mortgage related assets during 2009.

  Should the Authority have a new bond issue/mortgage lending program in 2009, the Authority would incur additional costs associated with any new mortgage lending programs as a result of the Feds very rapid and significant decrease in short term interest rates of in excess of 500 basis points in only fifteen (15) months. This decrease in short term interest rates reduces interest income earned by the Authority on its bond proceeds during the acquisition period. NOTE: As of June 1, 2009, the Authority has not issued any new bonds.

  On both the Authority's 2007A and 2007B bonds, the bond proceeds were invested at rates in excess of the interest rates the Authority was paying on its bonds. However, in the current market environment the Authority will incur an additional annualized cost estimated in excess of 300 basis points per annum.

  As a result of this additional cost, the Authority (as it did once before in 2002) might consider utilizing the line of credit facility similar to what the Authority had previously established at the Federal Home Loan Bank of Dallas to assist in offsetting a substantial portion of this additional cost.

The Authority will face significant challenges in 2009 (as it has before) in structuring its mortgage lending programs.

The Authority has successfully in the past structured its mortgage lending programs utilizing its strong financial position including its unrestricted net asset fund balance.

CONTACTING THE EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

This Financial Report including the MD&A (which MD&A has been prepared by Financial Consulting Services, Inc. at the direction of the Authority as its Program Administrator is designed to provide East Baton Rouge citizens, as well as the Authority's customers and creditors (i.e. bondholders) with a general overview of the East Baton Rouge Mortgage Finance Authority's finances and to show the Authority's accountability for the money it receives from its bond issue proceeds and other sources, which includes income earned on mortgage loan receivables/mortgage backed securities and income earned on other investments and Authority fee income. If you have any questions about this report or need additional financial information, please contact:

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EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND BALANCE SHEETS
DECEMBER 31, 2008 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2007)
(In thousands)

	MRCMO Program	1992 C Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 (C1–C3) Program	1997 D Program	1998 B Program	1998 D Program	1999 A Program	2000 A&B Program	2000 CD&E Program
ASSETS														
CASH AND CASH EQUIVALENTS	$ -	$1,479	$ 21	$ 32	$ 122	$ 69	$ 17	$ 757	$ 20	$ 82	$ 33	$ 11	$ 228	$ 72
GUARANTEED INVESTMENT AGREEMENTS			748	429		584	502		595	390	1,067	250	367	454
U S. GOVERNMENT AND AGENCY SECURITIES	3,017													
MORTGAGE-BACKED SECURITIES		529	3,451	1,184	2,285	4,017	2,832	2,104	4,596	6,590	9,582	3,659	3,034	5,663
MORTGAGE LOANS RECEIVABLE — Net				258				262						
ACCRUED INTEREST RECEIVABLE		1	23	10	7	27	21	12	30	36	55	23	25	37
DEFERRED FINANCING COSTS	1		28	5	26	42	29		53	64	92	45	117	271
DOWNPAYMENT AND AUTHORITY ASSISTANCE PROGRAMS													132	256
INTER-PROGRAM RECEIVABLE (PAYABLE)		(1)	(1)		(2)	(2)	(2)	(1)	(5)	(6)	(3)	(3)	(2)	(7)
PREPAID INSURANCE AND OTHER ASSETS									1	1	1			1
TOTAL	$3,018	$2,008	$4,270	$1,918	$2,438	$4,737	$3,399	$3,134	$5,290	$7,157	$10,827	$3,985	$3,901	$6,747
LIABILITIES AND NET ASSETS														
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ -	$ 1	$ 4	$ 2	$ 1	$ 1	$ 1	$ 2	$ 1	$ 1	$ 1	$ 1	$ 46	$ 16
ACCRUED INTEREST PAYABLE			43	10	35	61	41		63	70	117	45		32
BONDS AND LINES OF CREDIT PAYABLE — Net	2,067		3,225	875	2,100	3,885	2,680		4,315	5,300	8,970	3,235	3,259	5,941
Total liabilities	2,067	1	3,272	887	2,136	3,947	2,722	2	4,379	5,371	9,088	3,281	3,305	5,989
NET ASSETS:														
Restricted	951	2,007	998	1,031	302	790	677	3,132	911	1,786	1,739	704	596	758
Unrestricted														
Total net assets	951	2,007	998	1,031	302	790	677	3,132	911	1,786	1,739	704	596	758
TOTAL	$3,018	$2,008	$4,270	$1,918	$2,438	$4,737	$3,399	$3,134	$5,290	$7,157	$10,827	$3,985	$3,901	$6,747

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND BALANCE SHEETS
DECEMBER 31, 2008 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2007)
(In thousands)

	2002 A Program	2003 A Program	2004 A Program	2005 A Program	2006 A Program	2007 CPN Program	2007 A Program	2007 B Program	Unrestricted Fund	2008 Combined	2007 Combined
ASSETS											
CASH AND CASH EQUIVALENTS	$ 9	$ 282	$ 213	$ 396	$ 133	$ -	$ 249	$ 731	$ 2,567	$ 7,523	$ 7,128
GUARANTEED INVESTMENT AGREEMENTS	1,414			1,032	445	14,107	1,133	150		23,667	125,281
U S GOVERNMENT AND AGENCY SECURITIES									17,157	20,174	17,973
MORTGAGE-BACKED SECURITIES	9,552	14,332	15,922	24,071	18,685		38,547	9,667	5,212	185,514	187,029
MORTGAGE LOANS RECEIVABLE — Net									903	1,423	2,270
ACCRUED INTEREST RECEIVABLE	60	66	72	106	88	22	177	51	72	1,021	1,450
DEFERRED FINANCING COSTS	168	174	218	94	87		113	55		1,682	2,159
DOWNPAYMENT AND AUTHORITY ASSISTANCE PROGRAMS	275	422	643	831	761		1,399			4,719	5,705
INTER-PROGRAM RECEIVABLE (PAYABLE)	(3)	(13)	(8)		1		28	(12)	42		
PREPAID INSURANCE AND OTHER ASSETS	1			3	2		149		1	160	379
TOTAL	$11,476	$15,263	$17,060	$26,533	$20,202	$14,129	$ 41,795	$10,642	$25,954	$ 245,883	$349,374
LIABILITIES AND NET ASSETS											
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 2	$ -	$ 2	$ 3	$ 17	$ -	$ 5	$ -	$ 50	$ 157	$ 107
ACCRUED INTEREST PAYABLE	136	59	66	283	227	22	458	120		1,888	2,684
BONDS AND LINES OF CREDIT PAYABLE — Net	10,863	14,154	15,931	24,745	18,855	14,107	38,957	9,475		192,939	299,840
Total liabilities	11,001	14,213	15,999	25,031	19,099	14,129	39,420	9,595	50	194,984	302,631
NET ASSETS											
Restricted	475	1,050	1,061	1,502	1,103		2,375	1,047		24,995	22,517
Unrestricted									25,904	25,904	24,226
Total net assets	475	1,050	1,061	1,502	1,103	-	2,375	1,047	25,904	50,899	46,743
TOTAL	$11,476	$15,263	$17,060	$26,533	$20,202	$14,129	$ 41,795	$10,642	$25,954	$ 245,883	$349,374

See notes to financial statements

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2008 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2007)
(In thousands)

	MRCMO Program	1992 C Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 (C1–C3) Program	1997 D Program	1998 B Program	1998 D Program	1999 A Program	2000 A&B Program	2000 CD&E Program
REVENUES:														
Income earned on mortgage loans receivable/ mortgage-backed securities	$ -	$ 47	$ 184	$ 74	$ 154	$ 270	$ 204	$ 170	$ 306	$ 403	$ 544	$ 230	$ 226	$ 416
Income earned on other investments		15	31	20	2	32	35	23	29	38	64	34	41	41
Net increase (decrease) in the fair value of investments	320	(12)	153	78	(37)	12	2	49	27	124	272	15	(38)	44
Other income														
Authority fee income														
Total	320	50	368	172	119	314	241	242	362	565	880	279	229	501
EXPENSES														
Interest	184		186	46	151	266	197	94	279	337	517	206	443	792
Amortization of deferred financing costs			8	2	5	8	10	30	14	27	28	15	18	28
Amortization of DAP & AAP											183	97	133	128
Authority fees		2	3	1	7	6	6	5	14	17	8	10	8	21
Servicing fees				1				2						
Insurance costs				2										
Administrative fees		1	10	5	6	9	9	11	9	11	15	9	11	9
Operating expenses		9	13	4	4	8	6	16	9	12	13	6	9	8
Total	184	12	220	61	173	297	228	158	325	404	764	343	622	986
NET INCOME (LOSS)	136	38	148	111	(54)	17	13	84	37	161	116	(64)	(393)	(485)
TRANSFERS AMONG PROGRAMS						(1)						(325)	(263)	(157)
NET ASSETS — Beginning of year	815	1,969	850	920	356	774	664	3,048	874	1,625	1,623	1,093	1,252	1,400
NET ASSETS — End of year	$ 951	$ 2,007	$ 998	$ 1,031	$ 302	$ 790	$ 677	$ 3,132	$ 911	$ 1,786	$ 1,739	$ 704	$ 596	$ 758

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2008 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2007)
(In thousands)

	2002 A Program	2003 A Program	2004 A Program	2005 A Program	2006 A Program	2007 CPN Program	2007 A Program	2007 B Program	Unrestricted Fund	2008 Combined	2007 Combined
REVENUES											
Income earned on mortgage loans receivable/ mortgage-backed securities	$602	$ 843	$ 989	$1,294	$ 601	$ -	$ 580	$ 178	$ 658	$ 8,973	$10,071
Income earned on other investments	79	2	2	27	425	2,536	1,617	595	750	6,438	6,552
Net increase (decrease) in the fair value of investments	156	347	468	1,228	587		882	(171)	245	4,751	2,085
Other income											410
Authority fee income									381	381	372
Total	837	1,192	1,459	2,549	1,613	2,536	3,079	602	2,034	20,543	19,490
EXPENSES:											
Interest	646	659	778	1,198	898	2,536	1,818	498		12,729	14,038
Amortization of deferred financing costs	51	35	92	17	8		12	68		476	520
Amortization of DAP & AAP	69	85	128	119	44					986	1,338
Authority fees	6	42	27		53		114	31		381	372
Servicing fees									7	10	10
Insurance costs									1	3	3
Administrative fees	16	23	26	38	28		62		311	619	474
Operating expenses	13	6	9	24	12		6	15	981	1,183	776
Total	801	850	1,060	1,396	1,043	2,536	2,012	612	1,300	16,387	17,531
NET INCOME (LOSS)	36	342	399	1,153	570	-	1,067	(10)	734	4,156	1,959
TRANSFERS AMONG PROGRAMS				(108)	(44)			(46)	944		
NET ASSETS — Beginning of year	439	708	662	457	577		1,308	1,103	24,226	46,743	44,784
NET ASSETS — *End of year*	$475	$1,050	$1,061	$1,502	$1,103	$ -	$2,375	$1,047	$25,904	$ 50,899	$46,743

See notes to financial statements

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2007)
(In thousands)

	MRCMO Program	1992 C Program	1993 A&B Program	1993 C Program	1994 A&B Program	1996 B Program	1996 B Program	1997 (C1–C3) Program	1997 D Program	1998 B Program	1998 D Program	1999 A Program	2000 A&B Program	2000 CD&E Program
CASH FLOWS FROM OPERATING ACTIVITIES														
Cash received.														
Mortgage loans and mortgage-backed securities income	$ -	$ 52	$ 182	$ 74	$ 162	$ 274	$ 205	$ 174	$ 309	$ 406	$ 546	$ 232	$ 229	$ 391
Collection of mortgage loans and mortgaged-backed securities		335	477	193	316	699	928	822	909	1,445	1,430	729	690	1,030
Cash paid														
Purchase of mortgage loans and mortgaged-backed securities														
Other items		(14)	(25)	(7)	(19)	(27)	(22)	(127)	(37)	(42)	(34)	(29)	(453)	(633)
Net cash provided by (used in) operating activities	-	373	634	260	459	946	1,111	869	1,181	1,809	1,942	932	466	788
CASH FLOWS FROM INVESTING ACTIVITIES														
Investment purchases — net			96	(96)	150	(142)	(138)	445	(42)	362	585	351	161	101
Income on other investments		18	40	20	10	31	35	31	29	42	69	38	41	42
Net cash provided by (used in) investing activities	-	18	136	(76)	160	(111)	(103)	476	(13)	404	654	389	202	143
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES														
Bond financing costs														
Proceeds from bond issues														
Retirement of notes and bonds payable			(630)	(155)	(350)	(570)	(810)	(1,060)	(880)	(1,860)	(2,130)	(835)	(375)	(638)
Interest paid			(195)	(52)	(157)	(270)	(208)		(285)	(354)	(544)	(214)	(27)	(189)
Interfund activities						(1)						(325)	(263)	(157)
Net cash (used in) provided by noncapital financing activities	-		(825)	(207)	(507)	(841)	(1,018)	(1,060)	(1,165)	(2,214)	(2,674)	(1,374)	(665)	(984)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		391	(55)	(23)	112	(6)	(10)	285	3	(1)	(78)	(53)	3	(53)
CASH AND CASH EQUIVALENTS — Beginning of year		1,088	76	55	10	75	27	472	17	83	111	64	225	125
CASH AND CASH EQUIVALENTS — End of year	$ -	$ 1,479	$ 21	$ 32	$ 122	$ 69	$ 17	$ 757	$ 20	$ 82	$ 33	$ 11	$ 228	$ 72

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2007)
(In thousands)

	2002 A Program	2003 A Program	2004 Program	2004 B Escrow Program	2005 A Program	2006 A Program	2007 CPN Program	2007 A Program	2007 B Program	Unrestricted Fund	2008 Combined	2007 Combined
CASH FLOWS FROM OPERATING ACTIVITIES												
Cash received												
Mortgage loans and mortgage-backed securities income	$ 590	$ 833	$ 919	$	$ 1,267	$ 606	$ -	$ 563	$ 148	$ 558	$ 8,720	$ 10,343
Collection of mortgage loans and mortgaged-backed securities	1,284	2,158	2,636		3,246	1,116		(5,146)	(9,838)	(1,663)	3,796	23,314
Cash paid												
Purchase of mortgage loans and mortgaged-backed securities												(45,025)
Other items	(88)	(70)	88		(23)	(152)		1,366	(39)	(510)	(897)	(3,195)
Net cash provided by (used in) operating activities	1,786	2,921	3,643	-	4,490	1,570	-	(3,217)	(9,729)	(1,615)	11,619	(14,563)
CASH FLOWS FROM INVESTING ACTIVITIES												
Investment purchases — net	845			14,578	(583)	23	58,985	4,846	21,087		101,614	(15,999)
Income on other investments	92	2	3		24	429	326	1,414	575	749	4,060	6,221
Net cash provided by (used in) investing activities	937	2	3	14,578	(559)	452	59,311	6,260	21,662	749	105,674	(9,778)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES												
Bond financing costs												(248)
Proceeds from bond issues												133,943
Retirement of notes and bonds payable	(2,100)	(2,184)	(2,974)	(14,578)	(2,720)	(1,164)	(58,985)	(1,562)	(10,525)		(107,085)	(94,362)
Interest paid	(618)	(754)	(860)	(53)	(1,230)	(946)	(326)	(1,900)	(631)		(9,813)	(12,634)
Interfund activities					(108)	44			(46)	856		
Net cash (used in) provided by noncapital financing activities	(2,718)	(2,938)	(3,834)	(14,631)	(4,058)	(2,066)	(59,311)	(3,462)	(11,202)	856	(116,898)	26,699
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5	(15)	(188)	(53)	(127)	(44)		(419)	731	(10)	395	2,358
CASH AND CASH EQUIVALENTS — Beginning of year	4	297	401	53	523	177		668		2,577	7,128	4,770
CASH AND CASH EQUIVALENTS — End of year	$ 9	$ 282	$ 213	$ -	$ 396	$ 133	$ -	$ 249	$ 731	$ 2,567	$ 7,523	$ 7,128

See notes to financial statements

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2007)
(In thousands)

	MRCMO Program	1992 C Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 (C1–C3) Program	1997 D Program	1998 B Program	1998 D Program	1999 A Program	2000 A&B Program	2000 CD&E Program
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES														
Net (loss) income	$ 136	$ 38	$ 148	$ 111	$ (54)	$ 17	$ 13	$ 84	$ 37	$ 161	$ 116	$ (64)	$ (393)	$ (485)
Adjustments to reconcile net (loss) income to net cash *provided by (used in) operating activities:*														
Unrealized (gain) loss on investments	(320)	12	(153)	(78)	37	(12)	(2)	(49)	(27)	(124)	(272)	(15)	38	(44)
Amortization of deferred financing costs			8	2	5	8	10	30	14	27	28	15	18	28
Amortization of downpayment and Authority assistance programs											183	97	133	128
Interest expense	184		186	46	151	266	197	94	279	337	517	206	443	792
Accretion of discount on loans														
Income on other investments		(15)	(31)	(20)	(2)	(32)	(35)	(23)	(29)	(38)	(64)	(34)	(41)	(41)
Purchases of mortgage-backed securities														
Collections of loans and mortgage-backed securities		335	477	193	316	699	928	822	909	1,445	1,430	729	690	1,030
Other — net		3	(1)	6	6			(89)	(2)	1	4	(2)	(422)	(620)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ -	$ 373	$ 634	$ 260	$ 459	$ 946	$ 1,111	$ 869	$ 1,181	$ 1,809	$ 1,942	$ 932	$ 466	$ 788

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2007)
(In thousands)

	2002A Program	2003 A Program	2004 Program	2004 B Escrow Program	2005 A Program	2006 A Program	2007 CPN Program	2007 A Program	2007 B Program	Unrestricted Fund	2008 Combined	2007 Combined
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) *OPERATING ACTIVITIES*												
Net income (loss)	$ 36	$ 342	$ 399	$ -	$ 1,153	$ 570	$ -	$ 1,067	$ (10)	$ 734	$ 4,156	$ 1,959
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities												
Unrealized (gain) loss on investments	(156)	(347)	(468)		(1,228)	(587)		(882)	171	(245)	(4,751)	(2,085)
Amortization of deferred financing costs	51	35	92		17	8		12	68		476	520
Amortization of downpayment and Authority assistance programs	69	85	128		119	44					986	1,338
Interest expense	646	659	778		1,198	898	2,536	1,818	498		12,729	13,458
Accretion of discount on loans												581
Income on other investments	(79)	(2)	(2)		(27)	(425)	(2,536)	(1,617)	(595)	(750)	(6,438)	(6,552)
Purchases of mortgage-backed securities												(45,025)
Collections of loans and mortgage-backed securities	1,284	2,158	2,636		3,246	1,116		(5,146)	(9,838)	(1,663)	3,796	23,314
Other — net	(65)	(9)	80		12	(54)		1,531	(23)	309	665	(2,071)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 1,786	$ 2,921	$ 3,643	$ -	$ 4,490	$ 1,570	$ -	$ (3,217)	$ (9,729)	$(1,615)	$ 11,619	$ (14,563)

See notes to financial statements

(Concluded)

1. ORGANIZATION

The East Baton Rouge Mortgage Finance Authority (the "Authority") was created through a Trust Indenture dated August 14, 1974, pursuant to provisions of the Louisiana Revised Statutes of 1950, as amended. The initial legislation and subsequent amendments grant the Authority the power to obtain funds and to use the proceeds to promote the financing and development of any essential program conducted in the public interest within the boundaries of East Baton Rouge Parish, Louisiana.

The Authority's operations consist primarily of single family mortgage purchase bond programs under which the Authority promotes residential home ownership through the acquisition of mortgage loans secured by first mortgage liens on single family residential housing. Under the 1987, 1992 A&B, 1992 C, 1993 A&B, 1993 C, 1994 A&B, 1995 B, 1996 B, 1997 C1–C3, 1997 D, 1998 B, 1998 D, 1999 A, 2000 A&B, 2000 C, D, & E, 2002 A, 2003 A, 2004 A, 2005 A, 2006 A, 2007 A and 2007B Programs, these loans are pooled and sold to the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) in exchange for mortgage-backed securities (MBS) on which GNMA, FNMA, or FHLMC guarantees payment of principal and interest when due. These securities are collateralized by the related loans. The Authority also issues short-term convertible program notes, which are securitized by government agency securities during the interim in preparation of long-term issues. The funds for the Authority's programs were obtained through the issuance of bonds in the following face value amounts (in thousands):

1987 Program, dated July 1, 1987	$ 15,450
1988 C&D Program, dated August 1, 1988	26,975
1988 E&F Program, dated June 22, 1989	40,000
Municipal Refunding Collateralized Mortgage Obligations (MRCMO) Program, dated January 25, 1989	67,905
1990 Program, dated August 1, 1990	56,000
1992 A&B Program, dated April 1, 1992	25,000
1992 C Program, dated April 1, 1992	38,310
1992 D Program, dated April 1, 1992	8,975
1993 A&B Program, dated October 27, 1993	36,720
1993 C Program, dated October 27, 1993	15,270
1994 A&B Program, dated August 15, 1994	31,210
1994 C Program, dated December 29, 1994 (remarketed)	13,250
1995 A Program, dated February 23, 1995 (remarketed)	8,840
1995 B Program, dated October 5, 1995	12,500
1995 C Program, dated September 28, 1995 (remarketed)	5,820
1996 A Program, dated February 29, 1996 (remarketed)	9,765
1996 B program, dated October 24, 1996	12,500
1996 C Program, dated September 27, 1996 (remarketed)	6,390
1997 B Program, dated March 27, 1997 (remarketed)	10,755
1997 C1–C3 Program, dated December 31, 1997	101,400

(Continued)

1997 D Program, dated June 1, 1997	$ 18,600
1997 F Program, dated September 25, 1997 (remarketed)	5,135
1998 A Program, dated June 1, 1998	12,920
1998 B Program, dated June 1, 1998	23,595
1998 C Program, dated December 1, 1998	41,180
1998 D Program, dated December 1, 1998	6,000
1999 A Program, dated July 15, 1999	12,000
1999 B Program, dated July 15, 1999	16,485
2000 A&B Program, dated May 31, 2000	57,208
2000 C Program, dated November 9, 2000 (remarketed from 2000 A&B Program)	10,000
2000 D Program, dated November 9, 2000 (remarketed from 2000 A&B Program)	6,294
2000 E Program, dated November 9, 2000	14,787
2000 CR Program, dated August 14, 2001 (remarketed from 2000 C Program)	5,200
2000 DR Program, dated August 14, 2001 (remarketed from 2000 D Program)	3,330
2000 ER Program, dated August 14, 2001 (remarketed from 2000 E Program)	7,710
2002 A Program, dated June 18, 2002	30,925
2003 A Program, dated September 16, 2003	21,940
2004 A Program, dated October 5, 2004	24,451
2005 A Program, dated December 20, 2005	30,000
2006 A Program dated July 25, 2006	20,000
2007 A Program, dated February 23, 2007	40,000
2007 B Program, dated December 28, 2007	20,000

(Concluded)

The bonds issued by the Authority are general obligations of the Authority and are not obligations of the State of Louisiana or any other political subdivision thereof.

The Authority's Board of Trustees is empowered under the bond trust indentures and the bond program agreements to contract with outside parties to conduct the day-to-day operations of the Authority and the programs it initiates. The Authority employs Financial Consulting Services, Inc. as its Program Administrator to provide administrative staff support for the Board of Trustees and its committees, general office administration for the Authority and program administration and supervision for each of its mortgage purchase bond programs. Under each of its single family mortgage purchase bond programs, the Authority utilizes area financial institutions to originate and service the mortgage loans acquired. In addition, a bank has been designated as the Trustee of the separate bond programs and has the fiduciary responsibility for the custody and investment of funds.

The Program Administrator is responsible for the development of each new bond issue and loan program. Once the bond issue is closed, the Program Administrator supervises the origination of the mortgage loans, underwrites (reviews and approves) the new mortgage loans for purchase under each program, maintains computerized current records on all loans, and supervises the servicing and trustee functions for each program.

2. SUMMARY OF SIGNIFICANT REPORTING AND ACCOUNTING POLICIES

Basis of Presentation — Fund Accounting — The proprietary funds are used to account for the Authority's ongoing operations and activities which are similar to those in the private sector. Proprietary funds are accounted for using a flow of economic resource measurement focus under which all assets and all liabilities associated with the operation of these funds are included in the balance sheet. The operating statements present increases (revenues) and decreases (expenses) in total net assets. The Authority maintains various proprietary fund types as detailed in the combining financial statements. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting for Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), excluding those issued after November 30, 1989.

Basis of Accounting — The Authority prepares financial statements in accordance with accounting principles generally accepted in the United States of America. Such principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Basis of Reporting — Effective January 1, 2003, the Authority adopted GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, and also adopted the required portions of GASB Statements No. 37 and 38, which modified the disclosure requirements of GASB No. 34. GASB No. 34 establishes standards for external financial reporting for all state and local governmental entities. It requires the classification of net assets into three components — invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in Capital Assets, Net of Related Debt* — This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- *Restricted* — This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted* — This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The net assets of the Unrestricted Fund are unrestricted. The net assets of all other programs are substantially restricted under the terms of the various bond indentures.

Combined Totals — The combined financial statements include the totals of the similar accounts of each of the Authority's bond programs and the Authority's Unrestricted Fund. Because the assets of the bond programs are restricted by the related bond resolutions and indentures, the totaling of the accounts, including the assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the resolutions and indentures relating to the separate programs.

GASB Statement No. 31 — The GASB issued Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB Statement No. 31 became effective for the Authority for periods beginning after June 15, 1997 and was adopted by the Authority effective January 1, 1998. The statement requires that most investments be recorded at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties and has generally been based upon quoted values. This method of accounting causes fluctuations in reported investment values based on fluctuations in the investment market. Fluctuations in the fair value of investments are recorded as income or expense in the statements of revenues, expenses, and changes in net assets, and the amount is disclosed in the statements of cash flows as unrealized gain (loss) on investments. The Authority applies the provisions of the Statement to U.S. Government securities and mortgage-backed securities. Following is a summary of the unrealized gains (losses) as reflected in the accompanying financial statements (in thousands):

	Unrealized Gain (Loss)		
	Balance January 1, 2008	Change During the Year Ended December 31, 2008	Balance December 31, 2008
MRCMO Program	$ 796	$ 320	$ 1,116
1992 C Program	35	(12)	23
1993 A&B Program	(43)	153	110
1993 C Program	(13)	78	65
1994 A&B Program	78	(37)	41
1995 B Program	264	12	276
1996 B Program	172	2	174
1997 C1–C3 Program	298	49	347
1997 D Program	274	27	301
1998 B Program	186	124	310
1998 D Program	119	272	391
1999 A Program	166	15	181
2000 A&B Program	28	(38)	(10)
2000 C, D, & E Program	53	44	97
2002 A Program	193	156	349
2003 A Program	(54)	347	293
2004 A Program	(84)	468	384
2005 A Program	(841)	1,228	387
2006 A Program	(136)	587	451
2007 A Program	(258)	882	624
2007 B Program		(171)	(171)
Unrestricted	(596)	245	(351)
	$ 637	$ 4,751	$ 5,388

	Unrealized Gain (Loss)		
	Balance January 1, 2007	Change During the Year Ended December 31, 2007	Balance December 31, 2007
MRCMO Program	$ 517	$ 279	$ 796
1992 C Program	41	(6)	35
1993 A&B Program	(131)	88	(43)
1993 C Program	(53)	40	(13)
1994 A&B Program	19	59	78
1995 B Program	233	31	264
1996 B Program	136	36	172
1997 C1–C3 Program	68	230	298
1997 D Program	224	50	274
1998 B Program	114	72	186
1998 D Program	1	118	119
1999 A Program	120	46	166
2000 A&B Program	(27)	55	28
2000 C, D, & E Program	(3)	56	53
2002 A Program	103	90	193
2003 A Program	(217)	163	(54)
2004 A Program	(318)	234	(84)
2005 A Program	(1,167)	326	(841)
2006 A Program	(207)	71	(136)
2007 A Program	-	(258)	(258)
Unrestricted	(901)	305	(596)
	$(1,448)	$2,085	$ 637

The sale of these investments by the Authority is generally subject to certain restrictions as described in the individual bond indentures.

Amortization — Bond issuance costs, including underwriters' discount on bonds sold, are being amortized ratably over the lives of the bonds based upon the principal amounts outstanding. The remaining unamortized balances of these costs are reflected on the accompanying balance sheets as "Deferred Financing Costs."

Commitment Fees and Loan Origination Costs — Nonrefundable commitment fees received subsequent to January 1, 1988 from originating financial institutions and certain direct loan origination costs are deferred and amortized over the lives of the related assets as a yield adjustment. Prior to 1988, such fees were recognized in current operations as received.

Statement of Cash Flows — For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

3. CASH AND INVESTMENTS

In compliance with State laws, those deposits not covered by depository insurance are secured by bank owned securities specifically pledged to the Authority and held in joint custody by an independent custodian bank. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As a result of the pledging of additional securities by custodial banks in the Authority's name, the Authority does not have any custodial credit risk at December 31, 2008. The Authority recognizes all purchases of investments with a maturity of three months or less, except for short term repurchases agreements, as cash equivalents.

Credit Risk — Statutes authorize the Authority to invest in the following types of investment securities:

(1) Fully-collateralized certificates of deposit issued by qualified commercial banks, federal credit unions and savings and loan associations located within the State of Louisiana.

(2) Direct obligations of the U.S. Government, including such instruments as treasury bills, treasury notes and treasury bonds and obligations of U.S. Government agencies that are deliverable on the Federal Reserve Systems.

(3) Repurchase agreements in government securities in (2) above made with the 36 primary dealers that report to and are regulated by the Federal Reserve Bank of New York.

(4) Guaranteed Investment Contracts with companies with good credit ratings.

The Authority has no investment policy that would further limit its investment choices beyond the restrictions imposed by the State. At December 31, 2008, the Authority's investments in MBS with GNMA, FNMA, and FHLMC are rated AAA by Standard and Poor's and Aaa by Moody's Investors Services. The Authority has no limit on the amount it may invest in any one issuer so long as the State's restrictions are followed.

The Authority has a portion of its assets as of December 31, 2008, invested in GNMA, FNMA, and FHLMC obligations including MBS totaling approximately $180.825 million. GNMA is an instrumentality of the Federal government. Its obligations carry the full faith and credit of the United States of America. Neither FNMA nor FHLMC are instrumentalities of the federal government and as such do not carry the full faith and credit of the United States of America. FNMA is a federally chartered and stockholder-owned corporation. FNMA was originally established in 1938 as a United States government agency and was transformed into a stockholder-owned and privately managed corporation in 1968. FHLMC is a stockholder-owned government sponsored corporation created in 1970. The Authority's total investment in FNMA and FHLMC obligations (including MBS) as of December 31, 2008, was approximately $66.925 million. Any potential downgrade in the credit rating of either FNMA and/or FHMLC could have an adverse impact on the market value of the obligations of FNMA and/or FHLMC (including MBS) owned by the Authority. In connection with the approximately $60.057 million of FNMA and FHLMC MBS, which the Authority has pledged to bondholders pursuant to separate trust indentures authorizing various bond issues, the asset portion of these various balance sheets could be adversely affected while the liabilities are not since the liabilities are not marked to market. However, any financial risk to the Authority is entirely mitigated since the bond indentures authorizing the Authority's bonds do not provide any acceleration of the Authority's bonded debt as a result of potential downgrade of either FNMA and/or FHLMC credit rating.

Interest Rate Risk — As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's Interest Rate Risk Program generally restricts investments to those whose terms are no longer than the terms of the related bonds.

The Authority's programs have investments in guaranteed investment contracts, mortgage backed securities and other investments which have maturities which approximate the terms of the related debt. Therefore the Authority balances its interest rate risk against the related debt. By using this method, the Authority believes that it will mitigate its interest rate risk.

The Authority's unrestricted fund has investments in U.S. Government and agency securities with a weighted average maturity of 5 years and in MBS with a weighted average maturity of approximately 15 years.

Custodial Risk — For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2008, the Authority is not exposed to custodial credit risk with respect to its investments because all investments are either insured by federal depository insurance, registered in the name of the Authority or collateralized by other investments pledged in the name of the Authority.

4. MORTGAGE LOANS RECEIVABLE AND MORTGAGE-BACKED SECURITIES

Mortgage Loans Receivable — Mortgage notes acquired by the Authority from participating mortgage lenders and held by the following bond programs have original scheduled maturities of thirty years and are secured by first mortgages on the related real property. The mortgages have stated interest rates as follows:

1993 C Program	7.125 %
1997 C1–C3 Program	8.5

In addition to the customary insurance required of the mortgagors, the mortgage loans are insured under special hazard policies, and supplemental mortgage trust policies for mortgagor defaults. Premiums for these policies are paid through the applicable Program's funds.

All of the single family mortgage loans are originated by participating mortgage lenders through conventional, FHA or VA programs sponsored by the mortgage lenders and are sold to the Authority without recourse. The participating mortgage lenders service the mortgage loans for the Authority and receive monthly compensation based upon the unpaid principal balance of the mortgage loans serviced.

Mortgage-Backed Securities — As discussed in Note 1, the mortgage loans originated under certain Authority programs are pooled and sold to GNMA, FNMA, or FHLMC in exchange for mortgage-backed securities on which GNMA, FNMA, or FHLMC guarantees payment of principal and interest when due. These securities bear the following terms and interest rates:

	Term	Pass Through Interest Rate
1992 C Program	30 Years	7.75%
1993 A&B Program	30 Years	4.75%–6.50 %
1993 C Program	30 Years	4.50%
1994 A&B Program	30 Years	6.65%–7.10%
1995 B Program	30 Years	6.35%–7.00%
1996 B Program	30 Years	6.125%–6.875%
1997 C1–C3 Program	30 Years	5.0%–6.625%
1997 D Program	30 Years	5.875%–6.625%
1998 B Program	30 Years	5.125%–8.35%
1998 D Program	30 Years	4.25%–6.125%
1999 A Program	30 Years	5.625%–6.625%
2000 A&B Program	30 Years	6.375%–7.35%
2000 C, D, & E Program	30 Years	5.625%–7.125%
2002 A Program (1992 A&B)	30 Years	7.00%
2003 A Program	33 Years	4.76%–5.25%
2004 A Program	32 Years	4.90%–5.20%
2005 A Program	30 Years	4.875%
2006 A Program	30 Years	5.375%
2007 A Program	32 Years	3.6%–5.4%
2007 B Program	32 Years	3.3%–5.45%

The change to the mortgage-backed securities type of program was prompted by various factors including the unavailability of mortgage pool and related insurance coverage required for conventional mortgage loan programs. The guarantees by GNMA, FNMA, and/or FHLMC, which the Authority receives under this type of program, replaces the pool and related insurance coverage of the previous programs. Development of the new programs, origination of the mortgage loans and supervision of the servicing of the mortgage loans for compliance with federal mortgage bond tax laws by the Authority remain essentially the same.

As discussed in Note 2, nonrefundable commitment fees received from originating financial institutions and certain direct loan origination costs are amortized over the lives of the mortgage-backed securities owned by the 1993 A&B, 1994 A&B, 1995 B, 1996 B, 1997 D, 1998 B, 1998 D, 1999 A, 2000 A&B, 2000 C, D, & E, 2002 A, 2003 A, 2004 A, 2005 A and 2006 A Programs as a yield adjustment. The 2007 A and 2007 B Programs also will have nonrefundable commitment fees. However, as the acquisition period for these programs ended at the end of 2008, nonrefundable commitment fees for these programs will not be amortized until 2009.

The net unamortized balances of the deferred net fees for such programs have been deducted from the balances of mortgage-backed securities in the accompanying balance sheets. The following is a summary of the balances of deferred net fees at December 31, 2008 and 2007 (in thousands):

	Unamortized Deferred Net Fees	
	2008	**2007**
1993 A&B Program	$ 1	$ 1
1995 B Program	4	4
1996 B Program	2	3
1997 D Program	5	6
1998 B Program	7	10
1998 D Program	13	17
1999 A Program	3	5
2000 A&B Program	10	11
2000 C, D, & E Program	277	306
2002 A Program	6	8
2003 A Program	98	118
2004 A Program	193	275
2005 A Program	207	-
2006 A Program	23	-

5. BONDS AND LINES OF CREDIT PAYABLE

The net proceeds obtained from the bond issues are used to establish funds authorized by the Bond Trust Indentures to purchase eligible mortgage loans, secured by first mortgage liens on single family owner-occupied residences, or to purchase GNMA, FNMA, and/or FHLMC mortgage-backed securities from qualified mortgage lenders accepted for participation in the programs by the Authority.

The Bond Trust Indentures provide that bond principal and interest are secured by pledges of all mortgage loans and mortgage-backed securities acquired, all revenues and collections with respect to such loans and securities and all funds established by the Indenture, together with all of the proceeds generated therefrom.

Outstanding bonds and lines of credit payable consist of the following at December 31, 2008 and 2007 (in thousands):

	2008
MRCMO Program:	
Zero coupon bonds due 2014, priced to yield 9.33% at maturity	$ 3,500
Less unamortized bond discount	(1,433)
Total — MRCMO Program	2,067
1993 A&B Program due serially and term from 2007 through 2025, bearing interest at 4.45% to 5.50% payable semiannually	3,225
1993 C Program due serially and term from 2007 through 2025, bearing interest at 4.55% to 5.50% payable semiannually	875
1994 A&B Program due serially and term from 2007 through 2028, bearing interest at 5.45% to 6.80% payable semiannually	2,100
1995 B Program due serially and term from 2007 through 2028, bearing interest at 4.70% to 6.35% payable semiannually	3,885
1996 B Program due serially and term from 2007 through 2029, bearing interest at 4.75% to 6.20% payable semiannually	2,680
1997 D Program due serially and term from 2007 through 2030, bearing interest at 4.60% to 5.90% payable semiannually	4,315
1998 B Program due serially and term from 2007 through 2030, bearing interest at 4.15% to 5.45% payable semiannually	5,300
1998 D Program due serially and term from 2007 through 2033, bearing interest at 3.90% to 5.25% payable semiannually	8,970
1999 A Program due serially and term from 2007 through 2033, bearing interest at 4.00% to 5.70% payable semiannually	3,235
2000 A&B Program:	
Capital appreciation bonds due serially and term from 2013 to 2032, priced to yield 6.10% to 6.83% at maturity	16,070
Less unamortized bond discount	(12,811)
Total — 2000 A&B Program	3,259
2000 C, D, & E Program:	
Capital appreciation bonds due serially and term from 2014 to 2034, *priced to yield 5.80% to 6.50% at maturity*	16,035
Serial and term bonds due from 2007 through 2027, bearing interest at 4.50% to 5.95% payable semiannually	2,250
Less unamortized bond discount	(12,344)
Total — 2000 C, D, & E Program	5,941

(Continued)

	2008
2002 A Program:	
Serial and term bonds due from 2007 through 2033, bearing interest at 2.30% to 5.60% payable semiannually	$ 11,025
Less unamortized bond discount	(162)
Total — 2002 A Program	10,863
2003 A Program due serially and term 2007 through 2036, bearing interest at 4.70% to 5.25% payable semiannually	14,154
2004 A Program due serially and term from 2007 through 2036, bearing interest at 4.90% to 5.20% payable semiannually	15,741
Plus unamortized bond premium	190
Total — 2004 A Program	15,931
2005 A Program, due serially and term from 2007 through 2038, bearing interest at 3.45% to 4.80% payable semiannually	24,745
2006 A Program, due serially and term 2007 through 2038 bearing interest at 4.9% payable semiannually	18,505
Plus unamortized bond premium	350
Total — 2006 A Program	18,855
2007 CPN Program (Convertible Program Notes) due in 2007 bearing interest at a variable interest rate (4.20% at February 1, 2011)	14,107
2007 A Program, due serially and term 2009 through 2038 bearing interest at 3.6% to 5.40% payable semiannually	38,203
Plus unamortized bond premium	754
Total — 2007 A Program	38,957
2007 B Program, due serially and term 2009 through 2038 bearing interest at 3.30% to 5.45% payable semiannually	9,475
	$192,939

(Concluded)

	2007
MRCMO Program:	
Zero coupon bonds due 2014, priced to yield 9.33% at maturity	$ 3,500
Less unamortized bond discount	(1,617)
Total — MRCMO Program	1,883
1993 A&B Program due serially and term from 2007 through 2025, bearing interest at 4.45% to 5.50% payable semiannually	3,855
1993 C Program due serially and term from 2007 through 2025, bearing interest at 4.55% to 5.50% payable semiannually	1,030
1994 A&B Program due serially and term from 2007 through 2028, bearing interest at 5.45% to 6.80% payable semiannually	2,450
1995 B Program due serially and term from 2007 through 2028, bearing interest at 4.70% to 6.35% payable semiannually	4,455
1996 B Program due serially and term from 2007 through 2029, bearing interest at 4.75% to 6.20% payable semiannually	3,490
1997 C1–C3 Program:	
Capital appreciation bonds due in 2030 priced to yield 5.85% at maturity	4,165
Less unamortized bond discount	(3,105)
Total — 1997 C1–C3 Program	1,060
1997 D Program due serially and term from 2007 through 2030, bearing interest at 4.60% to 5.90% payable semiannually	5,195
1998 B Program due serially and term from 2007 through 2030, bearing interest at 4.15% to 5.45% payable semiannually	7,160
1998 D Program due serially and term from 2007 through 2033, bearing interest at 3.90% to 5.25% payable semiannually	11,100
1999 A Program due serially and term from 2007 through 2033, bearing interest at 4.00% to 5.70% payable semiannually	4,070
2000 A&B Program:	
Capital appreciation bonds due serially and term from 2013 to 2032, priced to yield 6.10% to 6.83% at maturity	17,260
Serial and term bonds due from 2007 through 2026, bearing interest at 4.90% to 6.38% payable semiannually	570
Less unamortized bond discount	(14,196)
Total — 2000 A&B Program	3,634
2000 C, D, & E Program:	
Capital appreciation bonds due serially and term from 2014 to 2034, priced to yield 5.80% to 6.50% at maturity	16,035
Serial and term bonds due from 2007 through 2027, bearing interest at 4.50% to 5.95% payable semiannually	3,500
Less unamortized bond discount	(12,956)
Total — 2000 C, D, & E Program	6,579

(Continued)

	2007
2002 A Program:	
Capital appreciation bonds due serially and term from 2013 to 2016, priced to yield 5.00% to 5.30% at maturity	$ 675
Serial and term bonds due from 2007 through 2033, bearing interest at 2.30% to 5.60% payable semiannually	12,495
Less unamortized bond discount	(207)
Total — 2002 A Program	12,963
2003 A Program due serially and term 2007 through 2036, bearing interest at 4.70% to 5.25% payable semiannually	16,338
2004 A Program due serially and term from 2007 through 2036, bearing interest at 4.90% to 5.20% payable semiannually	18,635
Plus unamortized bond premium	270
Total — 2004 A Program	18,905
2004 B Escrow fund, due in 2007 bearing interest at a variable rate (4.10% at December 31, 2007) payable monthly	14,578
2005 A Program, due serially and term from 2007 through 2038, bearing interest at 3.45% to 4.80% payable semiannually	27,465
2006 A Program, due serially and term 2007 through 2038 bearing interest at 4.9% payable semiannually	19,635
Plus unamortized bond premium	384
Total — 2006 A Program	20,019
2007 CPN Program (Convertible Program Notes) due in 2007 bearing interest at a variable interest rate (4.20% at February 1, 2011)	73,092
2007 A Program, due serially and term 2009 through 2038 bearing interest at 3.6% to 5.40% payable semiannually	39,720
Plus unamortized bond premium	799
Total — 2007 A Program	40,519
2007 B Program, due serially and term 2009 through 2038 bearing interest at 3.30% to 5.45% payable semiannually	20,000
	$299,840

(Concluded)

The bonds are subject to early redemption provisions as described in the Bond Trust Indentures at redemption prices equal to the principal amounts of the bonds redeemed plus accrued interest to the applicable call dates. In connection with early bond redemptions, deferred financing costs related to the bonds called are charged to expense.

A summary of changes in debt during the year ended December 31, 2008 and 2007, is as follows:

	2008	2007
Balance — January 1	$ 299,840	$259,965
Proceeds from new issuances		133,851
Repayments and other	(106,901)	(93,976)
Balance — December 31	$ 192,939	$299,840

Following is a schedule of the future principal and interest payments of the Authority's debt based on the stated maturity dates of the debt. Actual repayment dates will likely occur earlier since substantially all of the debt is subject to early redemption provisions. These early redemption provisions relate to payments received on the mortgage-backed securities and mortgage loans receivable and certain other factors. These early redemptions will also reduce future interest payments.

Scheduled principal payments for the years subsequent to December 31, 2008, are as follows (in thousands):

	2009	2010	2011	2012	2013	Thereafter	Total
MRCMO Program	$ -	$ -	$ -	$ -	$ -	$ 3,500	$ 3,500
1993 A&B Program		390				2,835	3,225
1993 C Program		125				750	875
1994 A&B Program		495				1,605	2,100
1995 B Program	100	100			220	3,465	3,885
1996 B Program						2,680	2,680
1997 D Program						4,315	4,315
1998 B Program						5,300	5,300
1998 D Program						8,970	8,970
1999 A Program						3,235	3,235
2000 A&B Program						16,070	16,070
2000 C, D, & E Program						18,285	18,285
2002 A Program	65	90	110	105	170	10,485	11,025
2003 A Program						14,154	14,154
2004 A Program						15,741	15,741
2005A	335	330	350	375	290	23,065	24,745
2006A						18,505	18,505
2007CPN			14,107				14,107
2007A	470	500	530	563	600	35,540	38,203
2007B	110	120	125	135	145	8,840	9,475
	$1,080	$2,150	$15,222	$1,178	$1,425	$197,340	218,395
Less unamortized bond discount							(26,750)
Plus unamortized premium							1,294
Total outstanding at December 31, 2008							$192,939

Scheduled interest payments for the years subsequent to December 31, 2008, are as follows (in thousands):

	2009	2010	2011	2012	2013	Thereafter	Total
MRCMO Program	$ 201	$ 221	$ 242	$ 266	$ 292	$ 210	$ 1,432
1993 A&B Program	171	171	151	151	151	1,606	2,401
1993 C Program	41	41	35	35	35	96	283
1994 A&B Program	141	141	109	109	109	1,635	2,244
1995 B Program	244	238	232	232	232	2,575	3,753
1996 B Program	163	163	163	163	163	1,857	2,672
1997 D Program	250	250	250	250	250	2,782	4,032
1998 B Program	282	282	282	282	282	3,950	5,360
1998 D Program	469	469	469	469	469	7,752	10,097
1999 A Program	182	182	182	182	182	2,538	3,448
2000 A&B Program	219	234	251	268	287	8,899	10,158
2000 C, D, & E Program	340	353	367	382	397	12,872	14,711
2002 A Program	567	566	564	561	558	8,120	10,936
2003 A Program	704	704	704	704	704	15,742	19,262
2004 A Program	786	786	786	786	786	17,572	21,502
2005A Program	1,133	1,121	1,109	1,096	1,081	22,070	27,610
2006A Program	907	907	907	907	907	22,457	26,992
2007A Program	1,834	1,817	1,799	1,779	1,758	36,616	45,603
2007B Program	481	478	474	469	465	9,216	11,583
	$9,115	$9,124	$9,076	$9,091	$9,108	$178,565	$224,079

6. OPERATING EXPENSES

The members of the Authority's Board of Trustees receive a per diem fee for all committee and board meetings attended. For the years ended December 31, 2008 and 2007, payments to the Authority's Board members were as follows:

Board Member	2008	2007
Randy Bonnecaze	$ 1,600	$ 2,600
Astrid Clements	7,200	7,600
Robert Gaston, III	5,000	5,600
William G. Gauthier	7,000	6,200
Sidney W. Longwell, Sr.	6,000	7,800
Jake L. Netterville	3,800	4,000
Sharon Perez	400	4,400
Helena Cunningham	2,600	800
Loretta Pourciau	6,400	4,800
Cheri Ausberry	1,600	
Total	$41,600	$43,800

These amounts are paid through the Unrestricted Fund and included in operating expenses in the accompanying statements of revenues, expenses, and changes in net assets.

7. AUTHORITY FEES

Beginning with the 1992 Programs, the Authority instituted an authority fee which is paid to the Unrestricted Fund by the individual programs. The Unrestricted Fund recognizes authority fee income related to the fees paid by the individual programs. The fee income received by the Unrestricted Fund is currently being used to provide the upfront funds required of the Authority's annual programs in order to finance such things as costs of issuance of bonds, subsidizing lower income mortgagor's with waivers of discount points and providing down payment assistance to mortgagors. The actual fees paid by each program vary in accordance with the provisions of the respective program's indenture agreement. Authority fee income recognized by the Unrestricted Fund, and Authority fee expense recognized by the individual programs are disclosed separately in the accompanying statements of revenues, expenses, and changes in net assets.

8. DOWNPAYMENT ASSISTANCE AND AUTHORITY ASSISTANCE PROGRAMS

During fiscal year 1996, the Authority began the Downpayment Assistance Program (DAP) which provides funds to borrowers that meet certain criteria in order to assist borrowers with closing costs or down payments. The amount of funds is based on a percentage of the loan amount (generally 3% to 4%). The interest rate charged on these loans is greater than the interest rate on loans that do not utilize this program. Also during 1996, the Authority initiated the Authority Assistance Program (AAP) which waives the discount points on loans made to households whose income is under $27,500.

Costs related to these programs are capitalized and are being amortized over the lives of the related assets as yield adjustments based upon the average lives of the underlying assets. The remaining unamortized balances are classified on the accompanying balance sheets in the same caption as the related assets. A summary of the activity with respect to these programs during the years ended December 31, 2008 and 2007, is as follows (in thousands):

	December 31, 2007	Paid in 2008	2008 Amortization	December 31, 2008
1998 D Program	$ 183	$ -	(183)	$ -
1999 A Program	97		(97)	
2000 A&B Program	265		(133)	132
2000 C, D, & E Program	384		(128)	256
2002 A Program	344		(69)	275
2003 A Program	507		(85)	422
2004 A Program	771		(128)	643
2005 A Program	950		(119)	831
2006 A program	805		(44)	761
2007 A program	1,399			1,399
	$5,705	$ -	$ (986)	$4,719

	December 31, 2006	Paid in 2007	2007 Amortization	December 31, 2007
1997 C1–C3 Program	$ 175	$ -	$ (175)	$ -
1997 D Program	50		(50)	
1998 B Program	128		(128)	
1998 D Program	366		(183)	183
1999 A Program	194		(97)	97
2000 A&B Program	398		(133)	265
2000 C, D, & E Program	480		(96)	384
2002 A Program	413		(69)	344
2003 A Program	579		(72)	507
2004 A Program	898		(127)	771
2005 A Program	1,069		(119)	950
2006 A program	400	494	(89)	805
2007 A program		1,399		1,399
	$ 5,150	$ 1,893	$ (1,338)	$ 5,705

9. TRANSFERS AMONG PROGRAMS

Transfers among programs generally consist of nonrecurring transfers associated with (1) the initial issuance of bonds, (2) transfers to the unrestricted fund of remaining fund assets of closed funds once bonds are redeemed, and (3) balances in the cost of issuance accounts.

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OTHER INFORMATION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
East Baton Rouge Mortgage Finance Authority:

We have audited the individual programs and unrestricted fund financial statements of East Baton Rouge Mortgage Finance Authority (the "Authority"), as of and for the year ended December 31, 2008, and have issued our report thereon dated June 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management, and the State of Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Deloitte & Touche LLP

June 10, 2009