

CONNECTICUT HOUSING FINANCE AUTHORITY

DECEMBER 31, 2006

CONNECTICUT HOUSING FINANCE AUTHORITY

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Report of Independent Accountants

To the Board of Directors
Connecticut Housing Finance Authority
Rocky Hill, Connecticut

We have audited the accompanying balance sheet of the Connecticut Housing Finance Authority (the Authority) (a component unit of the State of Connecticut) as of December 31, 2006 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. 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 2005 comparative amounts have been derived from the Authority's 2005 financial statements, and, in our report dated April 7, 2006, we expressed an unqualified opinion on those financial statements.

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. 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 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 audit provides 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 the Connecticut Housing Finance Authority as of December 31, 2006 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information contained in Exhibits I and II is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 16, 2007 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Blum, Shapiro & Company, P.C.

April 16, 2007

**CONNECTICUT HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006**

This section of the Connecticut Housing Finance Authority's (the Authority) annual financial report presents our discussion and analysis of the Authority's financial performance for the year ended December 31, 2006. Please read this section in conjunction with the financial statements and accompanying notes.

Financial Highlights

- Total net assets increased \$28.1 million (or 3.9%). Operating income was \$36.3 million, an increase of \$1.3 million (or 3.7%) over the prior year.
 - The net nonoperating loss is attributable to the \$15.5 million market value write down of the Authority's investment portfolio pursuant to GASB Statement No. 31, which requires that investments be presented at fair value. Of this total market value write down, \$14.9 million is attributable to the Authority's GNMA Program Assets discussed below and in Notes 3 and 4 of the audited financial statements.
 - Nonoperating revenues include \$2 million in non-recurring income received as a result of the sale of one of the Authority's multifamily real estate owned properties, \$5.1 million received from the State of Connecticut pursuant to Public Act 05-228 for the purpose of supplementing new or existing affordable housing, and \$0.2 million in assistance related to the PRIME program discussed in Note 12 of the audited financial statements.
- Operating revenues increased \$17.9 million (or 8.2%).
 - This increase is substantially attributable to the increase in interest on investments, which is a result of higher short-term investment rates during calendar year 2006, and the increase in interest on mortgage loans as a result of the growth in the mortgage loan portfolio.
- Operating expenses increased \$16.6 million (or 9.1%).
 - This increase is largely attributable to the increase in bond interest expense as a result of the increase in the Authority's outstanding bonds and the increase in administrative expenses including those associated with the Authority's real estate owned properties.
- Investments in mortgage loans increased \$231.4 million (or 9.4%).
 - During 2006, the Authority's home mortgage and special needs housing portfolios experienced overall net growth. The Authority also supports its home mortgage program by purchasing GNMA securities that are collateralized with Authority eligible home mortgage loans. Overall, the loan portfolio backing these securities increased by \$117.8 million. These GNMA mortgage-backed securities (GNMA Program Assets) are categorized as "investments in securities." See below and Notes 3 and 4 of the audited financial statements.
- Cash and investments in securities decreased \$116.0 million (or 7.0%).
 - An \$82.3 million increase in funds available for the Authority's on-going investment in GNMA Program Assets in support of its home mortgage program (see Note 3 of the audited financial statements).
 - A \$13.8 million increase which is attributable to the increase in escrow deposits held by the Authority. The majority of these escrow deposits relate to the Authority's multifamily and special needs housing programs.
 - A net decrease of \$148.2 million in bond proceeds held, including amounts held under the Draw Down Indenture, that was used for the financing of mortgage loans.
 - A \$53.1 million decrease in home mortgage loan payoff proceeds held which is substantially attributable to the use of these funds for the financing of new mortgage loans.
 - A \$15.5 million decrease which is attributable to the effect of GASB Statement No. 31, which requires the Authority to present its investments at fair value (see Note 2 of the audited financial statements).
- Bonds payable increased \$109.1 million (or 3.3%).
 - To support the Authority's home mortgage and multifamily rental housing programs.

Overview of the Financial Statements

This annual financial report consists of three parts: *Management's Discussion and Analysis* (this section), the *Basic Financial Statements* and *Supplementary Information*. The Authority is a self-supporting quasi-public agency established for the purpose of alleviating the shortage of affordable housing for low and moderate income households in Connecticut. The financial statements are presented using the accrual basis of accounting. The Authority operates in a manner similar to a private business that includes activities such as the financing of home mortgage loans and multifamily and special needs housing real estate development.

**CONNECTICUT HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006 — (Continued)**

Financial Analysis of the Authority

The following table summarizes the changes in Net Assets between December 31, 2006 and 2005:

	(in millions)		% Increase/ (Decrease)
	2006	2005	
Current assets	\$ 810.7	\$ 736.2	10.1%
Capital assets	3.2	3.3	(3.0)
Noncurrent assets	3,575.9	3,494.7	2.3
Total assets	<u>4,389.8</u>	<u>4,234.2</u>	3.7
Long-term debt	3,334.5	3,216.5	3.7
Other liabilities	299.1	289.6	3.3
Total liabilities	<u>3,633.6</u>	<u>3,506.1</u>	3.6
Net Assets			
Invested in capital assets	3.2	3.3	(3.0)
Restricted	753.0	724.8	3.9
Total net assets	<u>\$ 756.2</u>	<u>\$ 728.1</u>	3.9

The home mortgage, rental housing and special needs housing loan portfolios are the Authority's primary assets.

New loans financed under the Authority's home mortgage programs (including GNMA Program Assets, excluding the acquired portfolio from the State) exceeded payoffs for the years ended December 31, 2006 and 2005, as follows:

	(in millions)	
	New Loans Financed	Payoffs
2006	\$ 704.1	\$ 267.6
2005	\$ 583.0	\$ 412.4

The change in the multifamily rental housing and special needs housing portfolios (excluding the acquired portfolio from the State) is summarized as follows:

	(in millions)		% Increase/ (Decrease)
	2006	2005	
Construction loan balances	\$ 123.4	\$ 128.5	(4.0)%
Permanent loan balances	561.5	569.5	(1.4)
Special needs housing construction loan balances	20.6	13.9	48.2
Special needs housing permanent loan balances	28.1	28.7	(2.1)
Total multifamily mortgage loans	<u>\$ 733.6</u>	<u>\$ 740.6</u>	(0.9)

Based on legislation that was passed during calendar year 2002, on April 9, 2003 the Authority acquired housing assets from the State's Department of Economic and Community Development from a reallocation of \$85 million of its available cash resources. The par value of this acquired portfolio at December 31, 2003 was \$213.3 million. After evaluation of the underlying loans by the Authority, the carrying value of this portfolio was written down to \$65.0 million. This acquisition is summarized as follows as of December 31, 2003:

	(in millions)		
	Par Value	Allowance for Losses	Carrying Amount
Home mortgage loans	\$ 34.2	\$ (26.0)	\$ 8.2
Multifamily mortgage loans	179.1	(122.3)	56.8
Total acquired portfolio	<u>\$ 213.3</u>	<u>\$ (148.3)</u>	<u>\$ 65.0</u>

Allowance for losses % to par value 69.5%

**CONNECTICUT HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006 — (Continued)**

The status of this portfolio as of December 31, 2006 and 2005, is summarized as follows (in 000's):

	December 31, 2006		
	Par Value	Allowance for Losses	Carrying Amount
Home mortgage loans	\$ 21.1	\$ (16.6)	\$ 4.5
Multifamily mortgage loans	<u>168.9</u>	<u>(128.5)</u>	<u>40.4</u>
Total acquired portfolio	<u>\$ 190.0</u>	<u>\$ (145.1)</u>	<u>\$ 44.9</u>

Allowance for losses % to par value 76.4%

	December 31, 2005		
	Par Value	Allowance for Losses	Carrying Amount
Home mortgage loans	\$ 22.7	\$ (18.5)	\$ 4.2
Multifamily mortgage loans	<u>171.1</u>	<u>(129.4)</u>	<u>41.7</u>
Total acquired portfolio	<u>\$ 193.8</u>	<u>\$ (147.9)</u>	<u>\$ 45.9</u>

Allowance for losses % to par value 76.3%

In addition to this acquisition, the State's Budget for biennial 2004-2005 included a transfer of \$2.5 million in each year from the Authority to the State's General Fund. The Authority's budgets for 2004 and 2005, as approved by its Board, included these transfers in exchange for housing assets. As of December 31, 2005, the Authority transferred \$5 million but did not receive the housing assets. This amount was included as a "statutory transfer" in the Authority's statements of revenues, expenses and changes in net assets for 2005.

**CONNECTICUT HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006 — (Continued)**

Mortgage loan earnings, including earnings on GNMA Program Assets, which are included in "interest on investments," represent the Authority's major source of operating revenue. The Authority also charges various program fees that may include an application fee, commitment fee, financing fee and sale of servicing fee. The following table summarizes the changes in operating income between December 31, 2006 and 2005. Please refer to the "Financial Highlights" section of this analysis for further explanation of these changes.

	(in millions)		% Increase/ (Decrease)
	2006	2005	
Operating Revenues:			
Interest on mortgage loans	\$ 150.8	\$ 147.3	2.4%
Interest on investments	73.2	60.6	20.8
Fees and other income	12.3	10.5	17.1
Total operating revenues	236.3	218.4	8.2
Operating Expenses:			
Interest	158.4	148.0	7.0
Amortization of deferred financing costs	3.0	3.6	(16.7)
Servicer fees	6.8	6.5	4.6
Administrative	27.7	21.6	28.2
Provision for losses	4.1	3.7	10.8
Total operating expenses	200.0	183.4	9.1
Operating income	36.3	35.0	3.7
Nonoperating Revenues (Expenses):			
Net decrease in the fair value of investments	(15.5)	(20.8)	(25.5)
Other	7.3	2.9	151.7
Total nonoperating loss	(8.2)	(17.9)	(54.2)
Income before transfers	28.1	17.1	64.3
Statutory transfer	-	(5.0)	(100.0)
Change in net assets	\$ 28.1	\$ 12.1	132.2

Debt Administration

At December 31, 2006, the Authority's outstanding bond principal was \$3,422.2 million, an increase of 3.3% over December 31, 2005 as shown below. More detailed information related to the Authority's outstanding bond debt obligations is presented in Note 7 of the audited financial statements.

The following table summarizes the changes in bonds payable between December 31, 2006 and 2005:

	(in millions)		% Increase
	2006	2005	
Bonds payable	\$ 3,422.2	\$ 3,313.1	3.3%

New Business

During the calendar year 2006, the Authority issued seven series of Housing Mortgage Finance Program Bonds totaling \$676.4 million to provide financing for its home mortgage and multifamily mortgage programs. Under various programs, the Authority has also made funds available from net assets. Subsequent to December 31, 2006 further draws were made on the two series of outstanding Housing Draw Down Bonds totaling \$20.5 million for the purpose of warehousing home mortgage loan payoffs for future bond issues at a reduced interest cost. Various series of Housing Mortgage Finance Program Bonds were partially called totaling \$20.5 million.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances. If you have questions about this report or need additional information, contact the Finance Department of the Connecticut Housing Finance Authority at 999 West Street, Rocky Hill, CT 06067.

CONNECTICUT HOUSING FINANCE AUTHORITY
BALANCE SHEET
DECEMBER 31, 2006
(With Comparative Amounts for 2005)
(in 000's)

	2006	2005
Assets		
Restricted Current Assets		
Cash and cash equivalents	\$ 2,321	\$ 2,683
Investments in mortgage loans	94,998	83,271
Investments in securities	645,842	554,518
Accrued interest receivable on:		
Investments in mortgage loans	13,590	13,160
Investments in securities	3,998	3,907
Accounts receivable and other assets	16,033	14,015
Funds held under Special Needs Housing Renewal and Replacement Fund	1,987	1,606
Funds held under Capital Reserve Funds Requirements	31,933	63,024
Total current assets	810,702	736,184
Restricted Noncurrent Assets		
Investments in mortgage loans, net of current portion	2,606,357	2,386,684
Investments in securities, net of current portion	175,448	452,657
Accounts receivable and other assets	5,703	3,250
Capital assets, net of depreciation	3,154	3,282
Real estate owned – single family	961	613
Real estate owned – multifamily	40,353	9,822
Other real estate owned	42,756	40,471
Deferred financing costs	28,979	27,222
Funds held under Capital Reserve Funds Requirements	675,362	574,022
Total noncurrent assets	3,579,073	3,498,023
Total assets	\$ 4,389,775	\$ 4,234,207
Liabilities and Net Assets		
Current Liabilities		
Escrow deposits	\$ 48,140	\$ 40,383
Accrued interest payable	19,996	18,615
Accounts payable and accrued liabilities	8,651	6,175
Minority interests – other real estate owned	6,541	6,931
Loan payable – other real estate owned	21,817	20,717
Bonds payable	87,780	96,629
Total current liabilities	192,925	189,450
Noncurrent Liabilities		
Escrow deposits, net of current portion	106,206	100,192
Bonds payable	3,334,451	3,216,468
Total noncurrent liabilities	3,440,657	3,316,660
Total liabilities	3,633,582	3,506,110
Net Assets		
Invested in capital assets	3,154	3,282
Restricted	753,039	724,815
Total net assets	756,193	728,097
Total liabilities and net assets	\$ 4,389,775	\$ 4,234,207

The accompanying notes are an integral part of the financial statements

CONNECTICUT HOUSING FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006
(With Comparative Amounts for 2005)
(in 000's)

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Interest on mortgage loans	\$ 150,754	\$ 147,332
Interest on investments	73,204	60,556
Fees and other income	12,348	10,512
Total operating revenues	<u>236,306</u>	<u>218,400</u>
 Operating Expenses		
Interest	158,354	147,954
Amortization of deferred financing costs	3,064	3,598
Servicer fees	6,870	6,557
Administrative	27,686	21,593
Provision for losses	4,100	3,729
Total operating expenses	<u>200,074</u>	<u>183,431</u>
 Operating income	<u>36,232</u>	<u>34,969</u>
 Nonoperating Revenues (Expenses)		
Net decrease in the fair value of investments	(15,473)	(20,754)
Gain on sale of REO	2,000	-
Affordable housing program funding	5,102	-
PRIME program funding	235	2,909
Nonoperating loss	<u>(8,136)</u>	<u>(17,845)</u>
 Income before transfers	28,096	17,124
 Statutory transfer	<u>-</u>	<u>(5,000)</u>
 Change in net assets	28,096	12,124
Net assets, beginning of year	728,097	715,973
Net assets, end of year	<u>\$ 756,193</u>	<u>\$ 728,097</u>

The accompanying notes are an integral part of the financial statements

CONNECTICUT HOUSING FINANCE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006
(With Comparative Amounts for 2005)
(in 000's)

	2006	2005
Cash Flows from Operating Activities		
Cash received from interest on mortgage loans	\$ 150,663	\$ 149,056
Cash received from scheduled mortgage principal payments	69,331	69,474
Cash received from mortgage principal prepayments	193,768	319,242
Cash received from fees and other income	6,538	6,959
Cash received from State for affordable housing program	5,102	-
Cash received from gain on sale of REO	2,000	-
Cash payments to purchase mortgage loans	(534,843)	(437,297)
Cash payments to the State	-	(2,500)
Cash payments to employees	(13,796)	(11,761)
Cash payments to suppliers	(12,798)	(9,754)
Net cash provided by (used in) operating activities	(134,035)	83,419
Cash Flows from Non-Capital Financing Activities		
Increase in escrow deposits	13,771	15,992
Retirement of bonds payable	(567,216)	(392,607)
Proceeds from sales of bonds	676,350	580,851
Interest paid	(155,871)	(144,344)
Bond issuance costs	(6,261)	(4,904)
Capital Reserve Funds transfers	(82,323)	(94,864)
Net cash used in non-capital financing activities	(121,550)	(39,876)
Cash Flows from Investing Activities		
Proceeds from sales of and maturities of investment securities	373,196	197,895
Purchase of investment securities	(190,767)	(301,234)
Interest received on investments	72,794	59,120
Net cash provided by (used in) investing activities	255,223	(44,219)
Decrease in cash	(362)	(676)
Cash and cash equivalents, beginning of year	2,683	3,359
Cash and cash equivalents, end of year	\$ 2,321	\$ 2,683
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income	\$ 36,232	\$ 34,969
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Affordable housing program funding	5,102	-
PRIME program funding	235	2,909
Statutory transfer	-	(2,500)
Gain on sale of REO	2,000	-
Amortization of deferred financing costs	3,064	3,598
Depreciation	128	128
Provision for losses	4,100	3,729
Interest on investments	(73,204)	(60,556)
Interest expense	158,354	147,954
(Increase) decrease in accrued interest on mortgage loans	(430)	1,701
Increase in accounts receivable and other assets	(4,471)	(596)
Increase in accounts payable and other accrued liabilities	2,476	1,307
Increase in mortgage loan and other receivables	(267,621)	(49,224)
Net cash provided by (used in) operating activities	\$ (134,035)	\$ 83,419

The accompanying notes are an integral part of the financial statements

CONNECTICUT HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1—Authorizing Legislation

Connecticut Housing Finance Authority (the “Authority”) is a public instrumentality and political subdivision of the State of Connecticut. It was created in 1969 for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development and construction of housing for low and moderate-income families and persons throughout Connecticut. The Authority operates pursuant to Chapter 134 of the Connecticut General Statutes, as amended (the Act). As required by the Act, the Authority’s powers are exercised by a Board of Directors consisting of fifteen members, four of whom are State officials, seven of whom are appointed by the Governor and four of whom are appointed by leaders of the General Assembly.

The Authority is authorized to issue bonds, notes and other obligations to fund loans to qualified borrowers for single family homes and multifamily developments. Funding of loan programs on an on-going basis is derived principally from bond proceeds and interest earned on loans and investments.

The Authority is included as a component unit in the State of Connecticut’s Comprehensive Annual Financial Report.

Note 2—Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

The Funds of the Authority and similar component units are proprietary fund types. Proprietary funds are used to account for governmental activities that are similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. Accounting principles generally accepted in the United States of America (“GAAP”) used for proprietary funds are similar to those applicable to businesses in the private sector. They are reported using the economic resources of measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. GAAP applicable to state and local governmental entities is promulgated by the Governmental Accounting Standards Board (“GASB”). The Authority is following Paragraph No. 6 of GASB Statement No. 20 which states that proprietary funds should follow all GASB pronouncements as well as pronouncements, issued on or before November 30, 1989, of the Financial Accounting Standards Board (“FASB”), Accounting Principles Board (“APB”) and the Committee on Accounting Procedure (“ARB”) unless those pronouncements conflict with GASB pronouncements.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority’s on-going operations. The principal operating revenues of the Authority are interest income on loans and investment income. The Authority also recognizes revenues from rental operations and other revenues, which include the sale of loan servicing fees and other administrative fees, as operating revenues. Operating expenses include interest expense, administrative expenses, depreciation, and provision for losses. Revenues or expenses not meeting this definition are generally reported as nonoperating revenues and expenses.

Prior Year Comparative Amounts

The financial statements include comparative amounts and selected disclosures for the prior year. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority’s financial statements for the year ended December 31, 2005 from which the comparative information was derived.

Reporting Entity

As required by GAAP, these financial statements present the Authority and its component units, entities for which the Authority is considered financially accountable. The Authority is financially accountable for those units that make up its legal entity, as well as certain legally separate organizations because they have essentially the same board of directors and management personnel. Blended component units are, in substance, part of the Authority’s operations; therefore, data from these units are combined with data of the primary Authority. Interfund activity has been removed.

Connecticut Housing Finance Authority Funds

Under the Act and the Housing Mortgage Finance Program Bond Resolution of September 27, 1972 (the Bond Resolution), the Authority is authorized to maintain Housing Mortgage General and Capital Reserve Funds. In addition to the aforementioned funds, the Authority, as permitted by the Act, has established other funds. Included in other funds are the Investment Trust Fund, which may be used to account for assets which are determined to be “surplus funds” under the terms of the Bond Resolution, and the Housing Mortgage Insurance Fund, which provides mortgage insurance.

Also included in other funds are the:

- (a) Special Needs Housing Fund, Special Needs Housing Capital Reserve Fund, and the Special Needs Housing Renewal and Replacement Fund (the “Special Needs Housing Funds”) which the Authority is authorized to maintain under the Act and the Special Needs Housing Mortgage Finance Program Indenture (formerly known as the Group Home Mortgage Finance Program Indenture of Trust) (the “Special Needs Indenture”).

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

- (b) Bond Escrow Fund and the Rebate Fund (the “Housing Draw Down Funds”) which the Authority is authorized to maintain under the Act and the Housing Draw Down Bonds Trust Indenture of July 15, 2005 (the “Draw Down Indenture”).

Blended Component Units

State Housing Authority

The State Housing Authority (the “Corporation”) is a quasi-public agency of the State of Connecticut and a subsidiary of the Authority. It was created as the successor to the Connecticut Housing Authority (“CHA”) under Public Act No. 95-250, which transferred \$1,282,000 to establish the Corporation. The Corporation operates pursuant to Chapter 129 of the Connecticut General Statutes, as amended (the “CHA Act”). The Connecticut Housing Authority had issued mortgage revenue bonds. As of December 31, 2006, no mortgage revenue bonds were outstanding, and as of December 31, 2005, one series totaling \$10,705,000 of mortgage revenue bonds was outstanding. The issuance of these obligations did not create or imply any indebtedness on the part of the Corporation. Each issue requires that the funds related to such issue be held by a trustee for the bondholders; therefore, such funds are not under the control of the Authority, and, accordingly, the Authority’s financial statements do not reflect the balances or operating results of the various trust accounts.

Real Estate Owned - Multifamily

CHFA – Small Properties, Inc., CPS Properties Inc., Diamond Court – CHFA, Inc., Henry Place – CHFA, Inc., Mitchell School – CHFA, Inc., Newbury Commons – CHFA, Inc., and St. Mary’s Residence – CHFA, Inc., are tax exempt organizations and subsidiaries of the Authority. These organizations operate pursuant to Section 8-244(c)(1) of the Connecticut General Statutes and were created to provide distinct accountability for real estate awaiting sale.

Other Real Estate Owned

Trumbull Centre – CHFA, Inc., is also a tax exempt subsidiary of the Authority operating pursuant to Section 8-244(c)(1) of the Connecticut General Statutes. It was created to acquire a ninety percent interest in a Hartford, Connecticut, real estate development project known as Trumbull on the Park. Trumbull Centre – CHFA, Inc., also acquired a ninety percent interest in real estate located at 111 Pearl Street, Hartford, Connecticut, an adjacent property to the Trumbull on the Park development.

Information regarding the above component units is available at the following address:

Connecticut Housing Finance Authority
Finance Department
999 West Street
Rocky Hill, CT 06067

Cash and Cash Equivalents

Cash is comprised of accounts on deposit with financial institutions. For purposes of reporting cash flows, highly liquid instruments with an original maturity of less than 90 days are generally considered to be cash equivalents, exclusive of the State of Connecticut Short Term Investment Fund and overnight sweeps which are considered to be investments in securities.

Investments in Mortgage Loans

Mortgage loans are carried at their principal balance net of allowance for losses and are generally secured by first liens on real property. Interest on loans is accrued and credited to operations based on the principal amount outstanding. The accrual of interest income is discontinued when a loan becomes 90 days past due and in management’s opinion is deemed uncollectible as to principal or interest. When interest accruals are discontinued, unpaid interest previously credited to income is reversed and subsequently recognized as income only when received.

Allowance for Losses

The allowance for losses on the loan and real estate owned portfolios is provided through charges against current operations based on management’s periodic review of the loan and real estate owned portfolios. This review considers such factors as the payment history of the loans, the current and projected cash flows of the borrowers, estimated value of the collateral, subsidies, historical loss experience for each type of insurance or guarantee and economic conditions.

CONNECTICUT HOUSING FINANCE AUTHORITY NOTES TO FINANCIAL STATEMENTS — (Continued)

Investments in Securities

The Authority is limited under the Act to investment obligations issued or guaranteed by the United States Government or the State of Connecticut and to participation certificates for the combined investment pool administered by the State Treasurer and to other obligations which are legal investments for savings banks in Connecticut and to time deposits or certificates of deposit or other similar arrangements secured in such a manner as the Authority determines.

Investments are carried at fair value with the exception of those investments maturing within one year, which are carried at amortized cost, excluding accrued interest.

Accounts Receivable

The Authority redeemed and refunded certain outstanding bonds under the Bond Resolution which resulted in cash flow savings, and concurrently entered into an agreement with the United States Department of Housing and Urban Development (“HUD”) pursuant to which an effective reduction in the Section 8 subsidy payments on certain HUD assisted developments was made. This savings in Section 8 subsidy is divided equally between the Authority and HUD. The Authority must use its share of the savings to provide housing for very low-income persons and families. The savings are held in trust until disbursed by the Authority, at which time they are requisitioned from the trustee.

Capital Assets

Individual capital asset acquisitions and subsequent improvements exceeding \$100 are capitalized at cost. Maintenance and repair expenses are charged to operations when incurred. Depreciation is computed using the straight-line method over the estimated useful life of the building of 31.5 years.

Compensated Absences

Full-time employees accrue vacation or annual leave at the rate of ten to twenty-five days per year, depending on length of service. Employees may accumulate leave time, subject to certain limitations, and upon retirement, termination, or death may be compensated for certain accumulated amounts at their then current rates of pay. The Authority records an expense for all accumulated leave that the Authority would be required to pay if all employees terminated their employment.

Deferred Financing Costs

Issuance costs on bonds are deferred and amortized, on a level yield method, over the term of the related issue. Differences between the reacquisition price and the net carrying amount of refunded debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old or the new debt.

Real Estate Owned

Real estate acquired in satisfaction of a loan and in-substance foreclosures are reported separately in real estate owned. In-substance foreclosures are properties in which the borrower has little or no equity in the collateral, where repayment of the loan is expected only from the operation or sale of the collateral, and the borrower either effectively abandons control of the property or the borrower has retained control of the property, but his ability to rebuild equity based on current financial conditions is considered doubtful. Properties acquired by foreclosure or deed in lieu of foreclosure and properties classified as in-substance foreclosures are transferred to real estate owned and recorded at the lower of cost or fair market value. Loan losses arising from the acquisition of such property are charged against the allowance for losses. An allowance for losses on real estate owned is maintained for subsequent valuation adjustments on a specific property basis.

Interest Rate Swap Agreements

The interest differentials to be paid or received under interest rate swaps are recognized as increases or decreases in interest expense of the related bond liability. The fair value of the Authority’s position at year end in swap agreements is disclosed in Note 7. No gains or losses will result under the agreements unless an agreement is terminated prior to maturity or the counterparty defaults.

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Net Assets

Net assets are classified in the following two categories:

Invested in Capital Assets – This component of net assets consists of capital assets, net of accumulated depreciation.
Restricted – All funds and component units of the Authority that are not related to capital assets are restricted by the Bond Resolution, Special Needs Indenture, Draw Down Indenture and/or the Act.

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 that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Reclassifications

Certain 2005 amounts have been reclassified to conform to 2006 financial statement presentation.

Note 3—Cash and Cash Equivalents and Investments in Securities

(a) Deposits (in 000's)

At December 31, 2006 and 2005, the carrying amount reported as cash and cash equivalents on the balance sheets of the Authority represents deposits (including checking accounts and escrow accounts) of \$2,321 and \$2,683, respectively. All of this amount is on deposit in independent financial institutions with a financial institution balance of \$2,821 and \$3,183 at December 31, 2006 and 2005, respectively. Included in the carrying amount reported as cash and cash equivalents, \$2,100 represents deposits held in escrow by the Authority.

Custodial Credit Risk – Of the \$2,821 and \$3,183 financial institution balance at December 31, 2006 and 2005, respectively, \$2,140 was uninsured and collateralized with securities by the financial institution, but not in the Authority's name.

(b) Investments in Securities (in 000's)

Since 1999, the Authority directed certain of its participating lenders to assign government insured Authority qualified home mortgage loans and sold a portion of its existing home mortgage loan portfolio for assembly into pools guaranteed by the Government National Mortgage Association ("GNMA"). GNMA securities were issued backed by these home mortgage loans, and the Authority purchased the securities ("GNMA Program Assets") with funds held in the Housing Mortgage Capital Reserve Fund. GNMA Program Assets are carried at fair value pursuant to GASB 31. In 2000, the Authority expanded this program to allow the purchase of GNMA Program Assets with funds held in the Housing Mortgage General Fund. As a result of this program expansion and in order to assure compliance with Bond Resolution requirements, the Authority transferred the \$331,081 net assets held in the Investment Trust Fund to the Housing Mortgage General Fund.

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

At December 31, 2006, the Authority held the following investments with the listed maturities bearing interest at annual rates ranging from 2.35% to 8.38% (which includes escrows with a carrying amount of \$152,246). For those investments where no rating is indicated, the investments are direct obligations issued by the United States Government or its agencies or fully collateralized by such obligations. Ratings are displayed with the Standard & Poor's rating listed first, the Moody's Investors Service second (if available) and the Fitch Rating last (if available).

	Investment Maturities (in Years)				
	Carrying Amount	Less Than 1	1 - 5	6 - 10	More Than 10
CMO's-rated AAA/Aaa	\$ 436	\$ -	\$ -	\$ -	\$ 436
CMO's-rated AA+ (Fitch Rating)	2,512	-	-	-	2,512
Certificates of Deposit	3,000	3,000	-	-	-
Corporate Finance Bonds-rated A+/A1/A+	2,196	-	2,196	-	-
Corporate Finance Bonds-rated BBB- /Baa3/BBB-	5,459	-	-	5,459	-
Corporate Notes-rated AA-/Aa3/AA-	2,255	2,255	-	-	-
Corporate Notes-rated A/A2/A	2,802	-	2,802	-	-
Corporate Notes-rated BBB/Baa2/BBB	1,539	-	1,539	-	-
Corporate Notes-rated A-/Baa	1,373	-	-	-	1,373
Federated Funds	14,672	14,672	-	-	-
Fidelity Tax Exempt Fund-not rated	7,884	7,884	-	-	-
GNMA Program Assets	815,576	-	-	-	815,576
Guaranteed Investment Contracts-rated AAA/Aaa	3,253	-	3,253	-	-
Investment Agreements	1,368	-	-	1,368	-
MBS's-rated AAA/Aaa	424	-	-	-	424
MBS's	3,523	25	-	1,326	2,172
Municipal Bond-rated AAA/Aaa	1,859	-	-	-	1,859
Repurchase Agreements	7,197	-	-	-	7,197
STIF-rated AAAM	648,941	648,941	-	-	-
Structured Securities-rated CCC-/C/C	553	-	-	-	553
U.S. Government Securities	765	-	-	-	765
Total investments held by all funds and component units	\$ 1,527,587	\$ 676,777	\$ 9,790	\$ 8,153	\$ 832,867
Restricted Current Assets					
Capital Reserve Funds	\$ 28,957				
Renewal and Replacement Fund	1,978				
All other funds and component units	645,842				
Total Restricted Current Assets	676,777				
Restricted Noncurrent Assets					
Capital Reserve Funds	675,362				
All other funds and component units	175,448				
Total Restricted Noncurrent Assets	850,810				
Total investments held by all funds and component units	\$ 1,527,587				

Interest Rate Risk – Exposure to declines in fair value is substantially limited to the Authority's investment in GNMA Program Assets, discussed above. The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets in a specific maturity. This policy also requires the Authority to attempt to match its investments with anticipated cash flow requirements and to seek diversification by staggering maturities in such a way that avoids undue concentration of assets in a specific maturity sector.

CONNECTICUT HOUSING FINANCE AUTHORITY NOTES TO FINANCIAL STATEMENTS — (Continued)

Credit Risk – The Authority’s investments are limited under the Act to (i) United States Government obligations, including its agencies or instrumentalities, (ii) investments guaranteed by the State of Connecticut, (iii) participation certificates for the combined investment pool administered by the State Treasurer or (iv) other obligations which are legal investments for savings banks in Connecticut. Repurchase agreements, investment agreements, certificates of deposit and the Federated Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities (“MBSs”) and Collateralized Mortgage Obligations (“CMOs”) are fully collateralized by the Federal National Mortgage Association (“FNMA”) or the United States Department of Housing and Urban Development (“HUD”) mortgage pools. Structured Securities are fully collateralized by Home Improvement Contracts, Home Equity Contracts and/or Manufactured Housing Sales Contracts and Installment Loan Agreements. At December 31, 2006 and 2005, one Structured Security with a carrying amount of \$553 and \$461, respectively, was below Investment Grade rating standards. Corporate Finance Bonds and Guaranteed Investment Contracts meet Investment Grade rating standards. The Fidelity Tax Exempt Fund is subject to Rule 2a-7 of the Investment Company Act of 1940.

Concentration of Credit Risk – The Authority’s investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets with a specific issuer. As of December 31, 2006, the Authority had no investments in any one issuer that represents 5% or more of total investments, other than investments guaranteed by the U.S. Government (GNMA Program Assets) and other pooled investments (STIF). As of December 31, 2005, the Guaranteed Investment Contract with Rabobank International (“Rabobank”) represents 16.4% of the Authority’s investment portfolio (Carrying Amount – \$269,010-rated AAA/Aaa). If Rabobank’s ratings fall below AA from Standard & Poor’s or Aa2 from Moody’s Investors Service, this Agreement requires Rabobank to collateralize it with direct obligations issued by the United States Government or its agencies, or assign it to an entity that has the required ratings. This investment is directly related to the Authority’s Housing Draw Down Bonds, more fully described in Note 7.

Custodial Credit Risk – All investments exist in book entry form and are held by the Trustee or other financial institution in the Authority’s name or insured (Carrying Amount – \$877,808 in 2006 and \$1,094,301 in 2005) with the exception of the Berkshire Hathaway Guaranteed Investment Contract which is an Investment Grade unsecured senior debt obligation of Berkshire Hathaway Inc. (Carrying Amount – \$838 in 2006 and \$1,137 in 2005-rated AAA/Aaa) and the State of Connecticut Short Term Investment Fund (“STIF”) (Carrying Amount – \$648,941 in 2006 and \$547,790 in 2005-rated AAAM) which is a participation certificate for the combined investment pool administered by the State Treasurer. The underlying value of the investment in the pool is the same as the value of the pool’s shares. Regulatory oversight for the STIF is provided by an investment advisory council and the Treasurer’s Cash Management Board.

Bond Resolution Capital Reserve Fund (in 000’s)

The Bond Resolution Capital Reserve Fund is established pursuant to the Act and the Bond Resolution and is required to be maintained at an amount at least equal to the amount of principal, sinking fund installments and interest maturing and becoming due in the next succeeding calendar year (\$243,954 at December 31, 2006 and \$234,032 at December 31, 2005) on all bonds of the Authority then outstanding under the Bond Resolution. Further, the Authority may not issue additional bonds under the Bond Resolution unless the amount in the Bond Resolution Capital Reserve Fund is at least equal to the maximum amount of principal, sinking fund installments and interest maturing and becoming due in any succeeding calendar year (\$253,973 at December 31, 2006 and \$234,032 at December 31, 2005) on all bonds of the Authority then outstanding under the Bond Resolution. For purposes of satisfying these requirements, the Act and the Bond Resolution require that investments of the Bond Resolution Capital Reserve Fund be valued at the lowest of par, actual cost or market value. To satisfy this calculation, variable rate unswapped interest on bonds is assumed to be remarketed to long-term rates of interest at the then current market rate and variable rate swapped interest on bonds is included at the fixed rate on the swap on each calculation date.

Special Needs Indenture Capital Reserve Fund (in 000’s)

The Special Needs Indenture Capital Reserve Fund is established pursuant to the Act and the Special Needs Indenture and is required to be maintained at an amount at least equal to the amount of principal, sinking fund installments and interest maturing and becoming due in the next succeeding calendar year (\$3,854 at December 31, 2006 and \$3,845 at December 31, 2005) on all bonds of the Authority then outstanding under the Special Needs Indenture. Further, the Authority may not issue additional bonds under the Special Needs Indenture unless the amount in the Special Needs Indenture Capital Reserve Fund is at least equal to the maximum amount of principal, sinking fund installments and interest maturing and becoming due in any succeeding calendar year (\$3,939 at December 31, 2006 and 2005) on all bonds of the Authority then outstanding under the Special Needs Indenture. For purposes of satisfying these requirements, the Act and the Special Needs Indenture require that investments of the Special Needs Indenture Capital Reserve Fund be valued at amortized cost or such other method as determined by the Authority to be reasonable and in the best interest of the bondholders, provided such other method is approved by the trustee and any applicable bond insurer.

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Restricted funds of the Bond Resolution and Special Needs Indenture Capital Reserve Funds consisted of the following:

	December 31,					
	2006			2005		
	Bond Resolution	Special Needs Indenture	Total	Bond Resolution	Special Needs Indenture	Total
Investments in securities	\$ 700,224	\$ 4,095	\$ 704,319	\$ 630,335	\$ 4,118	\$ 634,453
Accrued interest receivable	2,957	19	2,976	2,577	16	2,593
Total Capital Reserve Funds	\$ 703,181	\$ 4,114	\$ 707,295	\$ 632,912	\$ 4,134	\$ 637,046
Restricted Current Assets						
Investments in securities	\$ 27,311	\$ 1,646	\$ 28,957	\$ 59,266	\$ 1,165	\$ 60,431
Accrued interest receivable	2,957	19	2,976	2,577	16	2,593
Total Restricted Current Assets	30,268	1,665	31,933	61,843	1,181	63,024
Restricted Noncurrent Assets						
Investments in securities	672,913	2,449	675,362	571,069	2,953	574,022
Total Restricted Noncurrent Assets	672,913	2,449	675,362	571,069	2,953	574,022
Total Capital Reserve Funds	\$ 703,181	\$ 4,114	\$ 707,295	\$ 632,912	\$ 4,134	\$ 637,046

Special Needs Housing Renewal and Replacement Fund

The Special Needs Housing Renewal and Replacement Fund is established pursuant to the Act and the Special Needs Indenture to provide funding for capital repairs and replacements exceeding \$2,500 for group homes financed with the proceeds of bonds issued under the Special Needs Indenture. At December 31, 2006 and 2005, the carrying amount of restricted funds of the Special Needs Housing Renewal and Replacement Fund consisted of the following (in 000's):

	December 31,	
	2006	2005
Investments in securities	\$ 1,978	\$ 1,600
Accrued interest receivable	9	6
Total Special Needs Housing Renewal and Replacement Fund	\$ 1,987	\$ 1,606

Note 4—Investments in Mortgage Loans

The Authority grants single family and multifamily loans to borrowers located in Connecticut. All such loans are collateralized by real estate located in Connecticut. The majority of the Authority's loan portfolio is comprised of residential mortgages.

Investments in mortgage loans consisted of the following (in 000's):

	December 31,	
	2006	2005
Home mortgage loans		
Insured by the Federal Housing Administration or guaranteed by the Veterans Administration	\$ 1,316,426	\$ 1,215,998
Insured by private mortgage insurance companies	254,073	198,031
Guaranteed by the State of Connecticut	92	149
Uninsured reverse annuity mortgage loans	8,885	9,692
Uninsured, not guaranteed	427,267	336,657
Total home mortgage loans	2,006,743	1,760,527

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Multifamily mortgage loans

Completed developments:

Insured by the Federal Housing Administration or guaranteed by private insurer	72,389	75,460
Partially insured by the Federal Housing Administration	19,084	19,515
Uninsured, federally subsidized	152,781	165,497
Uninsured, State of Connecticut subsidized special needs housing mortgage loans	28,155	28,663
Uninsured, unsubsidized, not guaranteed	<u>465,757</u>	<u>456,232</u>
Total completed developments	<u>738,166</u>	<u>745,367</u>

Construction mortgage loans:

Uninsured, State of Connecticut subsidized special needs housing mortgage loans	20,642	13,935
Uninsured, unsubsidized	<u>143,724</u>	<u>152,344</u>
Total construction mortgage loans	<u>164,366</u>	<u>166,279</u>
Total multifamily mortgage loans	<u>902,532</u>	<u>911,646</u>

Less allowance for losses	<u>(207,920)</u>	<u>(202,218)</u>
Total investments in mortgage loans	<u>\$ 2,701,355</u>	<u>\$ 2,469,955</u>

Restricted current assets	\$ 94,998	\$ 83,271
Restricted noncurrent assets	<u>2,606,357</u>	<u>2,386,684</u>
Total investments in mortgage loans	<u>\$ 2,701,355</u>	<u>\$ 2,469,955</u>

The Federal Housing Administration (FHA) home mortgage program insures the repayment of the unpaid principal amount of the mortgages. The insurance proceeds are usually paid in cash but, under certain programs, payments may be in the form of twenty-year debentures which may have an interest rate less than that of the insured mortgage. The Veterans Administration (VA) mortgage program guarantees from 25% to 50% of the original principal amount of the mortgage up to a maximum guaranty amount of \$60,000 for loans up to \$144,000. For certain loans in excess of \$144,000, the maximum is equal to 25 percent of the Freddie Mac conforming loan limit determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a single family residence, as adjusted for the year involved. For guarantees issued prior to February 1, 1988, the VA guarantees the lesser of up to 60% of the original principal amount of the mortgage or \$27,500 (\$25,000 in the case of guarantees issued prior to October 1, 1980, \$17,500 prior to October 1, 1978 and \$12,500 prior to December 31, 1974). The State of Connecticut has guaranteed the repayment of up to \$5,000,000 for the Authority's Residential Mortgage Guarantee Program.

The Authority has entered into a risk-sharing agreement with the U.S. Department of Housing and Urban Development (HUD) whereby HUD will provide partial mortgage insurance on affordable multifamily housing projects processed by the Authority. The risk of loss to the Authority varies from 10% to 50% or more depending on the level of participation by HUD.

The Authority has made mortgage loans to finance community based residential facilities for mentally retarded persons ("Group Homes") and special needs persons ("Assisted Living Facility") through the issuance of bonds under the Special Needs Indenture. The mortgage loans will be repaid by Group Home and Assisted Living Facility owners through tenant rent subsidies received from the State of Connecticut Department of Social Services.

Permanent loans earn interest at rates ranging from 0% to 13.5% and have initial terms of 2 to 50 years.

Construction loans earn interest at rates ranging from 0% to 6.875%. Upon completion of each development, the related permanent mortgage loan will generally be provided by the Authority and will generally be payable over 30 to 50 years at interest rates ranging from 0% to 6.375%.

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Nonperforming loans were 1.45% of total assets at December 31, 2006 compared to 1.55% of total assets at December 31, 2005. Information with respect to nonperforming loans is as follows (in 000's):

	December 31,	
	2006	2005
Nonaccrual single family loans	\$ 20,583	\$ 25,389
Nonaccrual multifamily loans	43,037	40,283
Total	\$ 63,620	\$ 65,672

Interest income that would have been recorded in the years ended December 31, 2006 and 2005, on nonaccrual loans under the original terms was approximately \$2,903,000 and \$1,698,000, respectively.

At December 31, 2006, the multifamily loan portfolio included 18 restructured loans with an aggregate outstanding principal balance of \$55,857,000. The gross interest income that would have been recorded in 2006 if these loans had been current in accordance with the original terms was \$3,841,000. The interest received on these loans in 2006 was \$3,569,000.

At December 31, 2005, the multifamily loan portfolio included 19 restructured loans with an aggregate outstanding principal balance of \$84,198,000. The gross interest income that would have been recorded in 2005 if these loans had been current in accordance with the original terms was \$6,133,000. The interest received on these loans in 2005 was \$4,529,000.

Note 5—Real Estate Owned and Other Real Estate Owned

Real Estate Owned (in 000's)

	December 31,					
	2006			2005		
	Single Family	Multifamily	Total	Single Family	Multifamily	Total
Real estate owned	\$ 1,049	\$ 43,042	\$ 44,091	\$ 688	\$ 12,436	\$ 13,124
Allowance for losses	(88)	(2,689)	(2,777)	(75)	(2,614)	(2,689)
Real estate owned - carrying amount	\$ 961	\$ 40,353	\$ 41,314	\$ 613	\$ 9,822	\$ 10,435

With respect to real estate owned – single family, since such assets are at least partially insured or guaranteed by outside parties, it is anticipated that the Authority will recover substantially all of the balance of these assets through such insurance and from proceeds from the sale of the underlying properties.

With respect to real estate owned – multifamily, the Authority is holding such assets for subsequent sale in a manner that will allow maximization of value. As of December 31, 2006 and 2005, 17 properties were classified as real estate owned – multifamily, including one in-substance foreclosure. During 2006, title vested with a subsidiary of the Authority for one of its multifamily developments, and the Authority sold one of its multifamily real estate owned properties, recognizing a gain of \$2,000,000.

Other Real Estate Owned

During 2003, the Authority's component unit, Trumbull Centre – CHFA, Inc., acquired a ninety percent interest in a Hartford, Connecticut, real estate development project known as Trumbull on the Park. Trumbull Centre – CHFA, Inc., also acquired a ninety percent interest in property adjacent to the Trumbull project, known as 111 Pearl Street. As of December 31, 2006 and 2005, expenditures were \$41,937,000 and \$39,671,000, respectively, on the Trumbull project and \$819,000 and \$800,000, respectively, on the Pearl Street property. Minority interests were \$6,581,000 and (\$40,000), respectively, at December 31, 2006 and \$6,950,000 and (\$19,000), respectively, at December 31, 2005. The Trumbull project is financed by a \$23,204,000 HUD-insured mortgage and capital contributions. This mortgage, a construction loan that converts to a permanent loan upon completion of construction, has an interest rate of 6.50%, a 40-year repayment term and an outstanding balance at December 31, 2006 of \$21,817,000. The Authority, through Trumbull Centre – CHFA, Inc., also provided financing to the Trumbull project with a loan in the original amount of \$1,655,000, increased during 2005 to \$3,470,000. Interest accrues at 6.50% with payment of principal and interest deferred until maturity. This note was further increased in 2006 to \$6,250,000, and the maturity date was extended from October 13, 2007 to December 31, 2008. The outstanding balance at December 31, 2006 was \$5,932,000. Financing was provided by the Authority to the Pearl Street property in the original amount of \$950,000 increased in 2005 to \$1,220,000 and by capital contributions. Interest accrues on the Authority's

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

financing at 5.50%, with payment of principal and interest deferred until sale, assignment, transfer, refinancing or maturity. The maturity date was originally January 31, 2006, extended in 2005 to January 31, 2007. The outstanding balance at December 31, 2006 was \$1,080,000. The Trumbull project is fully operational. Resolution of certain outstanding costs is being negotiated prior to final closing of the HUD-insured construction loan. Further development of the Pearl Street property will follow.

Note 6—Building and Land

Building and land activity for the years ended December 31, 2006 and 2005, is as follows (in 000's):

	Balance, January 1, 2006	Additions/ (Deletions)	Balance, December 31, 2006
Capital Assets:			
Land	\$ 851	\$ -	\$ 851
Building	2,851	-	2,851
Improvements	921	-	921
	4,623	-	4,623
Less accumulated depreciation	(1,341)	(128)	(1,469)
Capital Assets, net	\$ 3,282	\$ (128)	\$ 3,154
	Balance, January 1, 2005	Additions/ (Deletions)	Balance, December 31, 2005
Capital Assets:			
Land	\$ 851	\$ -	\$ 851
Building	2,851	-	2,851
Improvements	921	-	921
	4,623	-	4,623
Less accumulated depreciation	(1,213)	(128)	(1,341)
Capital Assets, net	\$ 3,410	\$ (128)	\$ 3,282

Note 7—Bonds Payable

The Act authorizes the Authority to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as, in the opinion of the Authority, will be necessary to provide sufficient funds for carrying out its purposes. The State legislature enacted legislation that provides the authority to enter into agreements to reduce the rate of borrowing and moderate the effect of bond interest rate fluctuations through the use of contracts commonly known as interest rate swap agreements and similar type contracts. The Authority's obligations are not debt of the State of Connecticut, and the State is not liable thereon.

Bond Resolution

Housing Mortgage Finance Program Bonds issued under the Bond Resolution bear interest at rates ranging from 1.50% to 9.36%, are subject to certain redemption provisions and mature in years through 2045.

The following assets of the Authority are pledged for the payment of bond principal and interest under the Bond Resolution: (1) the proceeds derived from the sale of bonds issued under the Bond Resolution, (2) all mortgage repayments with respect to long-term mortgage and construction loans financed, or deemed to have been financed from the Housing Mortgage General Fund, and (3) all monies and securities of the Housing Mortgage General Fund and the Bond Resolution Capital Reserve Fund.

Special Needs Indenture

Special Needs Housing Mortgage Finance Program Bonds issued under the Special Needs Indenture bear interest at rates ranging from 2.75% to 6.13%, are subject to certain redemption provisions and mature in years through 2045.

The following assets of the Authority are pledged for the payment of bond principal and interest under the Special Needs Indenture: (1) the proceeds derived from the sale of bonds issued under the Special Needs Indenture, (2) all mortgage repayments with respect to Special Needs Housing mortgages financed from the Special Needs Housing Fund, and (3) all monies and securities of the Special Needs Housing Fund and the Special Needs Housing Capital Reserve Fund.

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Draw Down Indenture

Housing Draw Down Bonds issued under the Draw Down Indenture are a low cost means for preserving tax exempt borrowing authority. The bonds are issued in variable rate form and have monthly rate resets based on certain indices. The bonds are secured solely by their proceeds, which are invested in an investment agreement. The investment agreement bears interest rates equal to, or slightly in excess of, the rates on the bonds and are based on the same index as the bonds.

The Authority has entered into liquidity agreements with various providers for all variable rate demand bonds, which assure that any bonds purchased by the liquidity provider can be refinanced on a long-term basis. Changes in bonds payable for the year ended December 31, 2006 were as follows (in 000's):

Description of Original Long Term Issuance	Balance at 12/31/05	Issued	Retired	Balance at 12/31/06	Amount Due Within 1 Year
Housing Mortgage Finance Program Bonds					
1989 Series D, variable rate demand bonds \$52,000 due from November 15, 1993 to November 15, 2024	\$ 31,255	\$ -	\$ (785)	\$ 30,470	\$ 850
1990 Series C, variable rate demand bonds \$16,620 due from November 15, 1996 to November 15, 2022	7,295	-	(210)	7,085	230
1993 Series D, 7.125% (net interest cost 7.125%), \$10,000 due November 15, 2007	10,000	-	(74)	9,926	160
1996 Series C-1, 4.00%-6.30% (net interest cost 6.11%), \$17,015 due serially, annually, from November 15, 1997 to November 15, 2008, \$4,935 term bonds due November 15, 2010; \$25,350-2017	36,275	-	(8,630)	27,645	1,605
1996 Series C-2, 3.95%-6.25% (net interest cost 6.07%), \$16,815 due serially, annually, from November 15, 1997 to November 15, 2008, \$4,765 term bonds due November 15, 2010; \$24,540-2018	35,145	-	(35,145)	-	-
1996 Series F, 4.15%-6.00% (net interest cost 5.94%), \$18,235 due serially, semi-annually, from May 15, 1998 to November 15, 2010, \$7,745 term bonds due November 15, 2016; \$6,930-May 15, 2017; \$1,950-November 15, 2017; \$39,140-November 15, 2027; \$6,000 November 15, 2028	1,015	-	(1,015)	-	-
1996 Series G, 4.15%-6.00% (net interest cost 5.85%), \$16,065 due serially, semi-annually, from May 15, 1998 to November 15, 2010, \$6,770 term bonds due November 15, 2017; \$12,665-2027	25,525	-	(25,525)	-	-
1997 Series C, 4.30%-6.90% (net interest cost 5.86%), \$12,735 due serially, semi-annually, from November 15, 1998 to November 15, 2011, \$10,000 term bonds due November 15, 2006; \$6,530-November 15, 2006; \$14,030-November 15, 2017; \$45,705-November 15, 2028	7,665	-	(7,665)	-	-
1997 Series D, 3.90%-6.88% (net interest cost 5.70%), \$16,875 due serially, semi-annually, from May 15, 1999 to May 15, 2011, \$8,500 term bonds due November 15, 2004; \$8,500-November 15, 2008; \$3,000-November 15, 2011; \$10,780-November 15, 2017; \$15,270-November 15, 2021; \$6,660-November 15, 2025; \$2,045-November 15, 2026; \$18,370-November 15, 2028	13,485	-	(1,985)	11,500	-
1998 Series A, 4.05%-5.50% (net interest cost 5.46%), \$765 due serially, annually, from November 15, 2000 to November 15, 2010, \$895 term bonds due November 15, 2018; \$5,090-2029	1,995	-	(75)	1,920	75
1998 Series B Subseries B-1 and B-2, 3.90%-5.40% (net interest cost 5.29%), \$17,510 due serially, semi-annually, from May 15, 1999 to November 15, 2012, \$13,660 term bonds due November 15, 2018; \$28,830-November 15, 2028; Subseries B-3, variable rate demand bonds converted by contract with Goldman Sachs Mitsui Marine Derivative Products, LP, into a fixed rate of 6.45%, \$25,000 term bonds due November 15, 2018	32,170	-	(4,190)	27,980	1,240
1998 Series C, 4.15%-5.50% (net interest cost 5.49%), \$3,000 due serially, semi-annually, from May 15, 2001 to November 15, 2012, \$2,320 term bonds due November 15, 2018; \$6,760-November 15, 2029; \$5,775-November 15, 2035	16,805	-	(240)	16,565	255

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

<u>Description of Original Long Term Issuance</u>	<u>Balance at 12/31/05</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/06</u>	<u>Amount Due Within 1 Year</u>
Housing Mortgage Finance Program Bonds (continued)					
1998 Series D, 3.80%-5.45% (net interest cost 5.66%), \$14,330 due serially, semi-annually, from May 15, 1999 to November 15, 2010, \$3,525 term bonds due November 15, 2018; \$17,145-May 15, 2024; \$10,000-November 15, 2028; Subseries D-3, variable rate demand bonds converted by contract with Merrill Lynch Capital Services, Inc., into a fixed rate of 4.87%, \$20,000 term bonds due November 15, 2028; Subseries D-4, variable rate demand bonds converted by contract with Merrill Lynch Capital Services, Inc., into a fixed rate of 6.32%, \$25,000 term bonds due November 15, 2025	\$ 59,365	\$ -	\$ (3,820)	\$ 55,545	\$ -
1998 Series E, 3.70%-5.25% (net interest cost 5.28%), \$4,085 due serially, annually, from November 15, 1999 to November 15, 2011, \$14,655 term bonds due May 15, 2021; \$31,800-May 15, 2026; \$5,315-November 15, 2021; \$19,145-November 15, 2028	73,285	-	(325)	72,960	355
1998 Series F, variable rate demand bonds converted by contract with CDC Financial Products Inc. into a fixed rate of 6.0525%, \$115,900 term bonds due November 15, 2016	104,600	-	(2,100)	102,500	2,200
1998 Series G, 3.60%-5.92% (net interest cost 5.33%), \$17,235 due serially, semi-annually, from November 15, 1999 to November 15, 2012, \$1,080 term bonds due November 15, 2013; \$1,230-November 15, 2015; \$6,575- May 15, 2017; \$15,940-November 15, 2018; \$8,765- November 15, 2028; \$26,000-May 15, 2029	43,360	-	(5,890)	37,470	2,435
1998 Series H, 3.25%-5.34% (net interest cost 5.13%), \$25,935 due serially, semi-annually, from November 15, 1999 to November 15, 2011, \$12,330 term bonds due May 15, 2017; \$23,420-November 15, 2018; \$20,000- November 15, 2023; \$8,705-May 15, 2025; \$22,110- November 15, 2028	46,895	-	(11,435)	35,460	2,255
1998 Series I, 3.85%-5.35% (net interest cost 5.27%), \$2,825 due serially, annually, from November 15, 2001 to November 15, 2013, \$315 term bonds due November 15, 2020; \$690-November 15, 2030; \$1,140-November 15, 2040	2,385	-	(25)	2,360	25
1999 Series A, 3.30%-5.20% (net interest cost 5.14%), \$18,390 due serially, annually, from November 15, 2000 to May 15, 2012, \$11,860 term bonds due May 15, 2017; \$4,895-November 15, 2018; \$9,060-November 15, 2021; \$2,780-November 15, 2028; \$23,015-November 15, 2029; \$10,000-May 15, 2030; Subseries, A-3 variable rate demand bonds converted by contract with Goldman, Sachs & Co. into a fixed rate of 6.246%, \$40,000,000 term bonds due November 15, 2018	77,000	-	(4,595)	72,405	1,650
1999 Series B, 4.40%-6.10% (net interest cost 6.04%), \$475 due serially, annually, from November 15, 2002 to November 15, 2011, \$600 term bonds due May 15, 2019; \$4,425-November 15, 2031	5,345	-	(45)	5,300	50
1999 Series D, 3.80%-6.20% (net interest cost 6.05%), \$3,955 due serially, annually, from November 15, 2000 to November 15, 2011; \$1,185 term bonds due November 15, 2017; \$10,270-November 15, 2032; \$3,000-November 15, 2041; \$7,060-May 15, 2042	24,235	-	(380)	23,855	405
1999 Series E, 4.20%-6.10% (net interest cost 5.94%), \$9,355 due serially, semi-annually, from May 15, 2001 to November 15, 2011, \$25,970 term bonds due November 15, 2027; \$9,800-November 15, 2030	26,730	-	(760)	25,970	-
2000 Series A, 4.40%-6.00% (net interest cost 5.98%), \$6,905 due serially, semi-annually, from November 15, 2001 to May 15, 2012, \$1,545 term bonds due November 15, 2014; \$1,665-May 15, 2017; \$2,030- May 15, 2020; \$2,805-November 15, 2022; \$5,050- November 15, 2028; \$10,000-May 15, 2031	11,780	-	(480)	11,300	250

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Description of Original Long Term Issuance	Balance at 12/31/05	Issued	Retired	Balance at 12/31/06	Amount Due Within 1 Year
Housing Mortgage Finance Program Bonds (continued)					
2000 Series B, 4.35%-6.00% (net interest cost 5.68%), \$31,780 due serially, semi-annually, from May 15, 2002 to November 15, 2014, \$8,010 term bonds due May 15, 2019; \$13,805-November 15, 2021; \$3,040-November 15, 2028; \$40,865-May 15, 2031; \$2,500-November 15, 2031; Subseries B-3, variable rate demand bonds converted by contract with PaineWebber Trading Inc. into a fixed rate of 5.397%, \$25,000 term bonds due November 15, 2031	\$ 39,835	\$ -	\$ (5,515)	\$ 34,320	\$ 2,170
2001 Series A, 3.15%-5.475% (net interest cost 5.15%), \$30,395 due serially, semi-annually, from November 15, 2002 to November 15, 2015, \$26,550 term bonds due November 15, 2022; \$12,900-November 15, 2028; \$2,500-November 15, 2031; \$52,655-May 15, 2032; Subseries A-3 and A-4, variable rate demand bonds converted by contract with Goldman Sachs Mitsui Marine Derivative Products, LP, into fixed rates of interest of 4.12% and 5.475%, respectively	60,670	-	(7,940)	52,730	2,120
2001 Series B, 2.75%-5.82% (net interest cost 5.15%), \$42,550 due serially, semi-annually, from May 15, 2002 to November 15, 2015, \$3,495 term bonds due May 15, 2019; \$7,615-May 15, 2021; \$4,145-November 15, 2021; \$25,000-November 15, 2027; \$2,915-November 15, 2028; \$20,690-November 15, 2031; \$18,590-May 15, 2032; Subseries B-4 and B-6, variable rate demand bonds converted by contract with Merrill Lynch Capital Services, Inc., into fixed rates of interest of 4.31% and 5.82%, respectively	66,875	-	(6,610)	60,265	3,475
2001 Series C, 2.50%-5.45% (net interest cost 5.35%), \$3,245 due serially, annually, from November 15, 2003 to November 15, 2013, \$1,520 term bonds due November 15, 2022; \$3,595-November 15, 2033; \$6,910-November 15, 2043	14,525	-	(255)	14,270	275
2001 Series D, 2.50%-5.36% (net interest cost 4.88%), \$32,950 due serially, semi-annually, from November 15, 2003 to May 15, 2016, \$35,270 term bonds due November 15, 2022; \$1,230-November 15, 2023; \$25,000-November 15, 2027; \$1,640-November 15, 2028; \$78,910-May 15, 2033; Subseries D-3 and D-5, variable rate demand bonds converted by contract with UBS AG (an affiliate of UBS PaineWebber Inc.) into fixed rates of interest of 4.09% and 5.36%, respectively	93,410	-	(4,005)	89,405	2,530
2002 Series A, 2.45%-5.73% (net interest cost 5.30%), \$30,700 due serially, semi-annually, from November 15, 2003 to November 15, 2016, \$21,860 term bonds due November 15, 2022; \$3,000-May 15, 2028; \$24,440- November 15, 2028; Subseries A-3 variable rate demand bonds converted by contract with Citibank, N.A., into a fixed rate of 4.342%, \$20,000 term bonds due May 15, 2033; Subseries A-5 variable rate demand bonds converted by contract with Citibank, N.A., into a fixed rate of 5.73%, \$25,000 term bonds due May 15, 2033	64,315	-	(9,390)	54,925	2,215
2002 Series B, 1.75%-5.35% (net interest cost 4.57%), \$26,860 due serially, semi-annually, from November 15, 2003 to November 15, 2014, \$17,495 term bonds due November 15, 2023; \$5,000-May 15, 2026; \$1,105- November 15, 2028; \$8,000-November 15, 2032; \$11,540-May 15, 2033; Subseries B-3 variable rate demand bonds converted by contract with Goldman Sachs Mitsui Marine Derivative Products, LP, into fixed rates as follows: \$10,000 term bonds due May 15, 2033-4.232%; \$45,000 term bonds due May 15, 2033-3.981%	94,990	-	(2,975)	92,015	2,095

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

<u>Description of Original Long Term Issuance</u>	<u>Balance at 12/31/05</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/06</u>	<u>Amount Due Within 1 Year</u>
Housing Mortgage Finance Program Bonds (continued)					
2002 Series D, (net interest cost 5.06%) Subseries D-1 and D-2 variable rate demand bonds converted by contract with Goldman Sachs Mitsui Marine Derivative Products, LP, into a fixed rate of 4.63%, \$174,305 term bonds due November 15, 2023; Subseries D-3 variable rate demand bonds converted by contract with JPMorgan Chase Bank into fixed rate of 6.09%, \$48,565 term bonds due May 15, 2018	\$ 183,655	\$ -	\$ (14,245)	\$ 169,410	\$ 12,920
2002 Series E, 2.10%-5.85% (net interest cost 5.28%), \$1,615 due serially, annually, from November 15, 2005 to November 15, 2017, \$3,645 term bonds due November 15, 2022; \$3,940-November 15, 2033; \$8,095-May 15, 2045	8,585	-	-	8,585	10
2002 Series F, 1.70%-5.25% (net interest cost 4.48%), \$29,060 due serially, semi-annually, from November 15, 2003 to November 15, 2015, \$18,990 term bonds due November 15, 2021; \$9,925-May 15, 2033; \$7,425-November 15, 2033; Subseries F-2 variable rate demand bonds converted by contract with Merrill Lynch Capital Services, Inc., into fixed rates as follows: \$10,000 term bonds due November 15, 2033-3.99%; \$30,000 term bonds due November 15, 2033-3.82%	82,055	-	(1,950)	80,105	1,900
2003 Series B, 1.25%-5.05% (net interest cost 4.74%), \$37,810 due serially, semi-annually, from May 15, 2005 to November 15, 2007, \$27,070 term bonds due May 15, 2034	29,540	-	(18,275)	11,265	7,515
2003 Series C, 1.25%-5.80% (net interest cost 4.65%), \$125,040 due serially, semi-annually, from November 15, 2005 to May 15, 2014, \$3,490 term bonds due May 15, 2015; \$20,310-November 15, 2015; \$1,600-May 15, 2017; \$25,470-November 15, 2017; \$5,320-May 15, 2021; \$14,225-May 15, 2023; \$70,525-November 15, 2023; \$36,035-November 15, 2029; \$13,295-May 15, 2034	299,120	-	(6,780)	292,340	8,380
2003 Series D, 1.25%-4.85% (net interest cost 4.61%), \$22,915 due serially, semi-annually, from November 15, 2004 to November 15, 2013, \$9,335 term bonds due November 15, 2015; \$10,160-November 15, 2017; \$23,735-May 15, 2023; \$13,155-November 15, 2023	77,070	-	(1,520)	75,550	1,550
2003 Series E, 1.20%-5.20% (net interest cost 4.59%), \$28,285 due serially, semi-annually, from May 15, 2004 to November 15, 2014, \$8,055 term bonds due May 15, 2017; \$5,320-November 15, 2018; \$3,655-May 15, 2020; \$7,335-November 15, 2023; \$6,945-November 15, 2027; \$7,650-May 15, 2028; \$12,505-May 15, 2033; \$35,250-November 15, 2033; \$10,000 variable rate demand bonds converted by contract with Citibank N.A. into a fixed rate of 3.91%, due November 15, 2027	108,100	-	(5,280)	102,820	2,760
2003 Series G, 1.55%-4.95% (net interest cost 4.20%), \$26,075 due serially, semi-annually from May 15, 2005 to November 15, 2014, \$6,930 term bonds due May 15, 2017; \$8,585-November 15, 2018; \$9,610-May 15, 2023; \$9,860-November 15, 2023; \$5,635-May 15, 2028; \$5,600-November 15, 2028; \$8,730-May 15, 2034; \$43,975-November 15, 2034	120,980	-	(5,000)	115,980	2,940
2004 Series A, 1.25%-5.30% (net interest cost 4.63%), \$39,130 due serially, semi-annually from May 15, 2005 to May 15, 2017, \$3,125 term bonds due November 15, 2024; \$8,060-November 15, 2028; \$2,360-November 15, 2029; \$9,475-May 15, 2034; \$9,475-November 15, 2034; \$23,375-November 15, 2035; \$15,000-November 15, 2035 fixed rate bonds, which convert to variable rate on May 15, 2014; \$15,000-2035; variable rate demand bonds converted by contract with Merrill Lynch Capital Services, Inc., into a fixed rate of 4.15% due May 15, 2026	122,505	-	(5,090)	117,415	1,930

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

<u>Description of Original Long Term Issuance</u>	<u>Balance at 12/31/05</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/06</u>	<u>Amount Due Within 1 Year</u>
Housing Mortgage Finance Program Bonds (continued)					
2004 Series B, 1.55%-5.15% (net interest cost 4.47%), \$32,780 due serially, semi-annually from May 15, 2005 to May 15, 2017, \$2,945 term bonds due May 15, 2020; \$6,370-November 15, 2020; \$6,420-May 15, 2025; \$6,420-November 15, 2025; \$16,420-November 15, 2030; \$38,430-November 15, 2034; \$12,900 variable rate demand bonds converted by contract with Bear Stearns Financial Products, Inc., into a fixed rate of 4.03% due November 15, 2034	\$ 120,510	\$ -	\$ (2,815)	\$ 117,695	\$ 2,395
2004 Series C, 1.75%-4.75% (net interest cost 4.49%), \$1,790 due serially, annually from November 15, 2006 to November 15, 2016, \$525 term bonds due November 15, 2021	2,175	-	(155)	2,020	160
2004 Series D, 1.80%-4.85% (net interest cost 4.29%), \$31,250 due serially, semi-annually from November 15, 2005 to May 15, 2017, \$5,025 term bonds due November 15, 2020; \$4,000-May 15, 2025; \$4,860- November 15, 2025; \$24,750-November 15, 2027; \$6,630-May 15, 2028; \$8,000-May 15, 2030; \$8,330- November 15, 2030; \$18,905-May 15, 2038; \$13,250 variable rate demand bonds converted by contract with UBS AG into a fixed rate of 3.82% due November 15, 2034	123,795	-	(2,340)	121,455	2,205
2005 Series A, 2.10%-4.75% (net interest cost 4.36%), \$27,145 due serially, semi-annually from November 15, 2005 to May 15, 2017, \$7,340 term bonds due November 15, 2020; \$13,530-November 15, 2025; \$18,180-November 15, 2030; \$795-November 15, 2034; \$23,010-November 15, 2035; \$15,000 variable rate demand bonds converted by contract with Goldman Sachs Mitsui Marine Derivative Products, LP, into a fixed rate of 2.93% due May 15, 2035; \$20,000 variable rate demand bonds converted by contract with Goldman Sachs Mitsui Marine Derivative Products, LP, into a fixed rate of 3.65% due November 15, 2035	124,520	-	(1,550)	122,970	2,010
2005 Series B, 2.90%-4.76% (net interest cost 4.39%), \$10,665 due serially, semi-annually from May 15, 2007 to November 15, 2017, \$68,385 term bonds due November 15, 2035; \$40,000 variable rate demand bonds converted by contract with Bear Stearns Financial Products Inc. into a fixed rate of 3.54% due November 15, 2035	119,050	-	(140)	118,910	475
2005 Series C, 5.16%-5.29% (net interest cost 5.14%), \$5,950 term bonds due November 15, 2027; \$15,780- November 15, 2035	21,730	-	(110)	21,620	110
2005 Series D, 1.50%-5.00% (net interest cost 4.37%), \$35,565 due serially, semi-annually from May 15, 2006 to November 15, 2015, \$3,000 term bonds due November 15, 2010; \$4,525-May 15, 2017; \$1,725-May 15, 2025; \$1,470-November 15, 2027; \$62,480-May 15, 2035; \$3,075-November 15, 2035; \$11,765-May 15, 2036; \$10,000-November 15, 2036; \$8,380 variable rate demand bonds converted by contract with Goldman Sachs Mitsui Marine Derivative Products, LP, into a fixed rate of 3.61% due May 15, 2028; \$13,915 variable rate demand bonds converted by contract with UBS AG into a fixed rate of 3.55% due November 15, 2034; \$12,500 variable rate demand bonds converted by contract with UBS AG into a fixed rate of 3.14% due November 15, 2035; \$3,870 variable rate demand bonds due November 15, 2035	172,270	-	(3,070)	169,200	3,410

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

<u>Description of Original Long Term Issuance</u>	<u>Balance at 12/31/05</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/06</u>	<u>Amount Due Within 1 Year</u>
Housing Mortgage Finance Program Bonds (continued)					
2005 Series E, 3.20%-5.25% (net interest cost 4.31%), \$12,965 due serially, semi-annually from November 15, 2006 to May 15, 2017, \$8,550 term bonds due May 15, 2025; \$4,595-November 15, 2025; \$10,140-November 15, 2035; \$4,180 variable rate demand bonds converted by contract with Goldman Sachs Mitsui Marine Derivative Products, LP, into a fixed rate of 3.90% due November 15, 2034; \$11,750 variable rate demand bonds converted by contract with Bank of America, NA, into a fixed rate of 3.87% due November 15, 2035	\$ 52,180	\$ -	\$ (470)	\$ 51,710	\$ 840
2005 Series F variable rate demand bonds due November 15, 2035-\$36,435 converted to fixed rate October 4, 2006	43,020	-	(6,585)	36,435	-
2006 Series A, 3.30%-4.875% (net interest cost 4.16%), \$14,250 due serially, semi-annually from May 15, 2007 to November 15, 2016, \$13,500 term bonds due November 15, 2026; \$9,750-November 15, 2031; \$12,500-November 15, 2036; \$45,000 variable rate demand bonds converted by contract with Wachovia Bank, N. A., into a fixed rate of 3.4075% due May 15, 2036	-	95,000	-	95,000	1,350
2006 Series B, variable rate demand bonds, \$40,000 due November 15, 2034; \$260,000-November 15, 2038	-	300,000	(22,130)	277,870	-
2006 Series C, 5.38% (net interest cost 5.38%), \$3,800 term bonds due November 15, 2035	-	3,800	-	3,800	-
2006 Series D, 3.40%-4.70% (net interest cost 4.55%), \$15,205 due serially, semi-annually from May 15, 2007 to November 15, 2019, \$17,700 term bonds due November 15, 2027; \$6,635-November 15, 2035	-	39,540	-	39,540	705
2006 Series E, 3.80%-4.95% (net interest cost 4.81%), \$9,350 due serially, semi-annually from May 15, 2007 to November 15, 2016, \$9,395 term bonds due November 15, 2025; \$5,700-November 15, 2029	-	24,445	-	24,445	900
2006 Series F, 3.80%-5.83% (net interest cost 4.79%), \$15,620 due serially, semi-annually from May 15, 2007 to November 15, 2016; \$6,055 due serially, annually from November 15, 2007 to November 15, 2016, \$5,715 term bonds due November 15, 2015; \$8,710-November 15, 2021; \$11,175-November 15, 2026; \$14,330- November 15, 2031; \$20,000-May 15, 2036; \$18,395- November 15, 2036; \$25,000 variable rate demand bonds converted by contract with IXIS Financial Products, Inc. (formerly known as CDC Financial Products, Inc.) into a fixed rate of 3.777% due November 15, 2029	-	125,000	-	125,000	1,870
2006 Series G, 3.55%-5.31% (net interest cost 4.69%), \$14,985 due serially, semi-annually from May 15, 2007 to May 15, 2017, \$1,915 due serially, annually from November 15, 2008 to November 15, 2015; \$26,855 term bonds due November 15, 2027; \$10,295-May 15, 2028; \$1,685-November 15, 2029; \$9,895-November 15, 2031; \$5,985-November 15, 2034; \$16,950-May 15, 2037	-	88,565	-	88,565	1,375
Total Housing Mortgage Finance Program Bonds	<u>2,939,090</u>	<u>676,350</u>	<u>(249,589)</u>	<u>3,365,851</u>	<u>86,630</u>

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

<u>Description of Original Long Term Issuance</u>	<u>Balance at 12/31/05</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/06</u>	<u>Amount Due Within 1 Year</u>
Special Needs Housing Mortgage Finance Program					
Special Obligation Bonds					
Series GH-1, 4.00%-6.125% (net interest cost 6.20%), \$1,325 due serially, annually, from June 15, 1997 to June 15, 2009, \$1,545 term bonds due June 15, 2016; \$3,710-2026	\$ 5,855	\$ -	\$ (105)	\$ 5,750	\$ 155
Series GH-2, 6.30%-7.70% (net interest cost 7.50%), \$310 due serially, annually, from June 15, 1997 to June 15, 2006	40	-	(40)	-	-
Series GH-3, 4.50%-5.625% (net interest cost 5.73%), \$1,270 due serially, semi-annually, from June 15, 2001 to June 15, 2010, \$1,375 term bonds due June 15, 2017; \$3,130-2027	5,215	-	(130)	5,085	135
Series GH-5, 4.70%-5.85% (net interest cost 5.83%), \$1,615 due serially, annually, from June 15, 2005 to June 15, 2013, \$1,760 term bonds due June 15, 2020; \$4,065- June 15, 2030	7,175	-	(140)	7,035	150
Series SNH-1, 2.00%-5.00% (net interest cost 4.98%), \$1,810 due serially, annually, from June 15, 2003 to June 15, 2012; \$2,850 term bonds due June 15, 2022; \$4,635-2032	8,865	-	(180)	8,685	185
Series SNH-2, 2.00%-5.25% (net interest cost 5.18%), \$1,225 due serially, annually, from June 15, 2006 to June 15, 2012, \$1,985 term bonds due June 15, 2012; \$2,270-2022; \$3,745-2032; \$6,220-2042	15,085	-	(365)	14,720	380
Series SNH-3, 3.10% (net interest cost 3.15%), \$1,870 due June 15, 2032	1,870	-	-	1,870	-
Series SNH-4, 3.00%-4.70% (net interest cost 4.55%), \$2,350 due serially, annually from June 15, 2006 to June 15, 2025; \$2,275 term bonds due June 15, 2035	4,625	-	(85)	4,540	90
Series SNH-5, 3.00%-4.80% (net interest cost 4.71%), \$1,220 due serially annually from June 15, 2006 to June 15, 2025; \$1,190 term bonds due June 15, 2035; \$1,920-June 15, 2045	4,330	-	(40)	4,290	45
Series SNH-6, 3.00%-4.90% (net interest cost 4.82%), \$725 due serially annually from June 15, 2006 to June 15, 2025; \$485 term bonds due June 15, 2035; \$790-June 15, 2045	2,000	-	(10)	1,990	10
Total Special Needs Housing Mortgage Finance Program Special Obligation Bonds	<u>55,060</u>	<u>-</u>	<u>(1,095)</u>	<u>53,965</u>	<u>1,150</u>
Housing Draw Down Bonds					
Series 2005-A, variable rate draw down bonds due November 15, 2009	53,079	-	(51,664)	1,415	-
Series 2005-B, variable rate draw down bonds due November 15, 2009	265,868	-	(264,868)	1,000	-
Total Housing Draw Down Bonds	<u>318,947</u>	<u>-</u>	<u>(316,532)</u>	<u>2,415</u>	<u>-</u>
Total Bonds Payable	<u>\$ 3,313,097</u>	<u>\$ 676,350</u>	<u>\$ (567,216)</u>	<u>\$ 3,422,231</u>	<u>\$ 87,780</u>

The changes in long-term escrow deposits for the year ended December 31, 2006 were as follows (in 000's):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Long-term escrow deposits	\$ 100,192	\$ 19,816	(\$ 13,802)	\$ 106,206

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

The Authority has also issued conduit debt obligations. As of December 31, 2006 and 2005, two series totaling \$13,872,000 and \$14,083,000, respectively, of Multifamily Housing Revenue Bonds were outstanding. The issuance of these obligations does not create or imply any indebtedness on the part of the Authority. Each issue requires that the funds related to such issue be held by a trustee for the bondholders; therefore, such funds are not under the control of the Authority, and, accordingly, the Authority's financial statements do not reflect the balances or operating results of the various trust accounts.

The following tables provide a summary of debt service requirements and net swap payments for the next five years and in five-year increments thereafter (in 000's). The interest calculations are based on the variable rates in effect on December 31, 2006 and may not be indicative of the actual interest expense that will be incurred. As rates vary, variable rate bond interest payments will vary.

Year Ending December 31,	Bond Resolution							Interest Rate Swaps, Net
	Fixed Unswapped		Variable Unswapped		Variable Swapped			
	Principal	Interest	Principal	Interest	Principal	Interest		
2007	\$ 70,430	\$ 99,801	\$ 1,080	\$ 12,573	\$ 15,120	\$ 39,919	\$ 6,118	
2008	78,710	97,407	3,330	12,512	16,235	39,288	5,899	
2009	71,633	94,212	4,190	12,368	24,290	38,523	5,653	
2010	73,111	91,445	4,435	12,200	24,885	37,435	5,358	
2011	71,367	88,521	4,715	12,022	25,855	36,310	5,045	
2012-2016	342,955	396,764	29,940	56,960	173,140	161,527	20,198	
2017-2021	390,000	314,047	51,055	49,356	163,525	118,719	11,526	
2022-2026	399,794	213,463	58,365	38,107	184,350	82,497	7,001	
2027-2031	350,826	115,487	63,910	26,459	197,370	41,774	2,910	
2032-2036	261,065	35,364	79,915	12,529	95,705	6,578	85	
2037-2041	12,330	2,994	18,670	667	-	-	-	
2042-2045	3,550	323	-	-	-	-	-	
Total	\$ 2,125,771	\$ 1,549,828	\$ 319,605	\$ 245,753	\$ 920,475	\$ 602,570	\$ 69,793	

Year Ending December 31,	Special Needs Indenture		Draw Down Indenture		
	Fixed Unswapped		Variable Unswapped		Total
	Principal	Interest	Principal	Interest	
2007	\$ 1,150	\$ 2,693	\$ -	\$ 111	\$ 248,995
2008	1,300	2,645	-	111	257,437
2009	1,255	2,593	2,415	97	257,229
2010	1,295	2,538	-	-	252,702
2011	1,355	2,479	-	-	247,669
2012-2016	6,870	11,410	-	-	1,199,764
2017-2021	8,575	9,436	-	-	1,116,239
2022-2026	11,080	6,850	-	-	1,001,507
2027-2031	9,190	4,092	-	-	812,018
2032-2036	5,300	2,270	-	-	498,811
2037-2041	4,575	1,115	-	-	40,351
2042-2045	2,020	144	-	-	6,037
Total	\$ 53,965	\$ 48,265	\$ 2,415	\$ 319	\$ 5,938,759

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Objective of the Interest Rate Swaps

The Authority employs swaps to establish synthetic fixed rates for a like amount of variable rate bond obligations. The Authority's interest rate swap transactions are structured for the Authority to pay a fixed interest rate while receiving variable interest rates from the counterparties which are comparable to the rates required by the variable rate bonds. These synthetic fixed rates were lower than those available to the Authority from fixed rate obligations of comparable maturity. The proceeds of these transactions are generally used to make fixed rate mortgage loans.

Terms

The Authority has entered into fully amortizing interest rate swap agreements under the Bond Resolution in which the Authority owes a fixed payment to the counterparties of the swaps. In return, the counterparties owe the Authority a payment based on common indices such as the Bond Market Association Municipal Bond Index ("BMA") or the London Interbank Offered Rate ("LIBOR") that is comparable to the rates required by the Authority's bonds. The notional amounts of the swaps match the principal amounts of the associated bonds. The Authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled or anticipated reductions in bonds payable. Only the net difference in interest payments will be actually exchanged between parties. The Authority did not pay or receive any cash when the swap transactions were initiated. The Authority's net swap payments and the payment of principal and interest on the variable rate bonds when due (other than by reason of special or optional redemption or acceleration thereof) are insured by municipal bond insurance policies.

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

The terms, fair values and credit ratings of outstanding swaps as of December 31, 2006 were as follows (in 000's):

Bond Issue	Original Notional Amount	Outstanding Notional Amount	Original Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty	
								Credit Rating	% of Total Outstanding
1998 Series F	\$ 115,900	\$ 102,500	09/09/98	6.0525%	100% of LIBOR	\$ (5,708)	11/15/16		
2006 Series F Subseries F-2	<u>25,000</u>	<u>25,000</u>	08/08/06	3.7770	67% of LIBOR	<u>(745)</u>	05/15/17		
Total Counterparty 1	\$ <u>140,900</u>	\$ <u>127,500</u>				\$ <u>(6,453)</u>		AAA/Aaa	11.38%
2002 Series A Subseries A-3	\$ 20,000	\$ 20,000	06/05/02	4.3420	67% of LIBOR	\$ (2,063)	05/15/33		
2002 Series A Subseries A-5	25,000	25,000	06/05/02	5.7300	167% of LIBOR minus BMA	(2,725)	05/15/33		
2003 Series E Subseries E-4	<u>10,000</u>	<u>10,000</u>	10/09/03	3.9100	67% of LIBOR	<u>(130)</u>	11/15/27		
Total Counterparty 2	\$ <u>55,000</u>	\$ <u>55,000</u>				\$ <u>(4,918)</u>		AA/Aa1	4.91%
1999 Series A Subseries A-3	\$ 40,000	\$ 40,000	04/07/98	6.2460	LIBOR minus 5 basis points	\$ (3,526)	11/15/18		
2001 Series A Subseries A-3	20,000	20,000	03/07/01	4.1200	67% of LIBOR	(1,393)	05/15/32		
2001 Series A Subseries A-4	25,000	25,000	03/07/01	5.4750	167% of LIBOR minus BMA	(2,123)	05/15/32		
2002 Series B Subseries B-3	10,000	10,000	08/01/02	4.2320	67% of LIBOR	(293)	05/15/33		
2002 Series B Subseries B-3	45,000	45,000	08/01/02	3.9810	67% of LIBOR	(2,703)	05/15/33		
2002 Series D Subseries D-1 and D-2	174,305	128,545	11/15/02	4.6300	67% of LIBOR plus 40 basis points	(5,693)	11/15/23		
2005 Series A Subseries A-4	15,000	15,000	03/03/05	2.9310	67% of LIBOR	281	05/15/12		
2005 Series A Subseries A-4	20,000	20,000	03/03/05	3.6530	67% of LIBOR	1,012	11/15/35		
2005 Series D Subseries D-6	8,380	8,380	09/13/05	3.6130	67% of LIBOR	77	05/15/28		
2005 Series E Subseries E-4	<u>4,180</u>	<u>4,180</u>	12/07/05	3.8990	67% of LIBOR	<u>(44)</u>	11/15/34		
Total Counterparty 3	\$ <u>361,865</u>	\$ <u>316,105</u>				\$ <u>(14,405)</u>		AA+/Aaa	28.21%
2002 Series D Subseries D-3	\$ <u>48,565</u>	\$ <u>40,865</u>	11/15/95	6.0900	67% of LIBOR	\$ <u>(5,848)</u>	05/15/18		
Total Counterparty 4	\$ <u>48,565</u>	\$ <u>40,865</u>				\$ <u>(5,848)</u>		AA-/Aa2	3.65%
1998 Series D Subseries D-3	\$ 20,000	\$ 20,000	07/01/98	4.8700	BMA	\$ (1,725)	11/15/28		
1998 Series D Subseries D-4	25,000	25,000	07/01/98	6.3200	100% of LIBOR	(2,888)	11/15/25		
2001 Series B Subseries B-4	17,000	17,000	07/11/01	4.3100	67% of LIBOR	(1,651)	05/15/32		
2001 Series B Subseries B-6	25,000	25,000	07/11/01	5.8200	167% of LIBOR minus BMA	(2,545)	11/15/27		
2002 Series F Subseries F-2	10,000	10,000	12/19/02	3.9900	67% of LIBOR	(5)	11/15/33		
2002 Series F Subseries F-2	30,000	30,000	12/19/02	3.8200	67% of LIBOR	86	11/15/33		
2004 Series A Subseries A-4	<u>15,000</u>	<u>15,000</u>	05/12/04	4.1470	67% of LIBOR	<u>(150)</u>	05/15/26		
Total Counterparty 5	\$ <u>142,000</u>	\$ <u>142,000</u>				\$ <u>(8,878)</u>		AAA/Aaa	12.67%

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Outstanding Swaps at December 31, 2006 (continued)

<u>Bond Issue</u>	<u>Original Notional Amount</u>	<u>Outstanding Notional Amount</u>	<u>Original Effective Date</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Value</u>	<u>Swap Termination Date</u>	<u>Counterparty</u>	
								<u>Credit Rating</u>	<u>% of Total Outstanding</u>
2000 Series B Subseries B-3	\$ 25,000	\$ 25,000	10/04/00	5.3970	BMA	\$ (4,382)	11/15/31		
2001 Series D Subseries D-3	40,000	40,000	12/20/01	4.0900	67% of LIBOR	(2,804)	05/15/33		
2001 Series D Subseries D-5	25,000	25,000	12/20/01	5.3600	167% of LIBOR minus BMA	(1,421)	11/15/27		
2004 Series D Subseries D-4	13,250	13,250	11/10/04	3.8199	67% of LIBOR	95	11/15/34		
2005 Series D Subseries D-4	13,915	13,915	09/13/05	3.5460	67% of LIBOR	220	11/15/34		
2005 Series D Subseries D-5	12,500	12,190	09/13/05	3.1370	67% of LIBOR	62	11/15/12		
Total Counterparty 6	\$ 129,665	\$ 129,355				\$ (8,230)		AA+/Aa2	11.54%
2004 Series B Subseries B-4	\$ 12,900	\$ 12,900	08/26/04	4.0300	67% of LIBOR	\$ (56)	11/15/34		
2005 Series B Subseries B-2	40,000	40,000	06/15/05	3.5380	67% of LIBOR	740	11/15/35		
Total Counterparty 7	\$ 52,900	\$ 52,900				\$ 684		AAA/Aaa	4.72%
2005 Series E Subseries E-5	\$ 11,750	\$ 11,750	12/07/05	3.870	67% of LIBOR	\$ (104)	11/15/35		
Total Counterparty 8	\$ 11,750	\$ 11,750				\$ (104)		AA-/Aa2	1.05%
2006 Series B Subseries B-1	\$ 21,935	\$ 21,935	02/18/09	3.4230	67% of LIBOR	\$ 248	11/15/34		
2006 Series B Subseries B-2	78,065	78,065	02/18/09	3.4200	67% of LIBOR	764	11/15/38		
2006 Series B Subseries B-2	36,475	36,475	08/15/08	3.8350	67% of LIBOR	(91)	11/15/33		
2006 Series B Subseries B-2	25,000	25,000	08/15/08	3.8320	67% of LIBOR	(42)	11/15/28		
2006 Series B Subseries B-2	9,855	9,855	08/15/08	3.8290	67% of LIBOR	(30)	11/15/38		
Total Counterparty 9	\$ 171,330	\$ 171,330				\$ 849		AAA/Aaa	15.29%
2006 Series A Subseries A-2	\$ 45,000	\$ 45,000	03/02/06	3.4075	67% of LIBOR	\$ 408	05/15/36		
2006 Series B Subseries B-2	28,670	28,670	08/15/08	4.0270	67% of LIBOR	(747)	11/15/28		
Total Counterparty 10	\$ 73,670	\$ 73,670				\$ (339)		AA/Aa2	6.58%
Total	\$ 1,187,645	\$ 1,120,475				\$ (47,642)			100.00%

Fair Value

The Authority's swap portfolio had an aggregate negative fair value as of December 31, 2006. The fair value was 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 the date of each future net settlement on the swap.

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Credit Risk

At December 31, 2006, the Authority was exposed to six counterparties credit, three of whose ratings are AAA/Aaa, and three of whose ratings are AA+/Aaa, AA+/Aa2, and AA/Aa2 on twelve swaps because the fair value of the swaps was positive. This credit exposure is due to the obligation of the counterparty to make payment to the Authority in the event of termination. The balance of the Authority's swap portfolio was not exposed to credit risk for termination payments because each of the remaining swaps had a negative fair value, which means in the event of termination, no counterparty would be obligated to make payment to the Authority.

Basis Risk

Basis risk is the risk that there may be a difference between the floating rate component of the swap, which is based on indices that consist of taxable or tax-exempt market-wide averages, and the rate on the Authority's variable rate bonds, which is based on that specific bond issue.

Termination Risk

Counterparties to the Authority's interest rate swap agreements have default termination rights that may require settlement payments by the Authority or by the counterparty based on the fair value of the swap at the date of termination. As of December 31, 2006, no termination events have occurred.

Rollover Risk

The Authority's interest rate swap agreements have limited rollover risk because the swap agreements contain scheduled reductions to outstanding notional amounts which are expected to follow scheduled and anticipated reductions in the associated bonds payable. Fifteen swap agreements contain par termination rights to accommodate unexpected faster paydown of the associated bonds as a result of higher prepayment of home mortgage loans.

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Refunding Bonds

The Authority has issued the following refunding bonds under the Bond Resolution:

<u>Refunded Issue(s)</u>	<u>Refunding Issue</u>	<u>Cashflow Savings (Loss)</u>	<u>Economic Gain</u>
1985 Series E	1995 Series G	\$ 18,947,000	\$ 7,782,000
1984 Series C, 1985 Series A	1996 Series C Subseries C-1	8,052,000	4,411,000
1985 Series C, 1985 Series F	1996 Series C Subseries C-2	6,028,000	3,389,000
1972 Series A, 1977 Series B	1998 Series E	(55,904,000)	2,399,000
1974 Series A, 1978 Series A			
1977 Series A, 1979 Series B			
1990 Series B Subseries B-4			
1986 Series A, 1987 Series B	1998 Series F	(82,783,000)	1,987,000
1986 Series B, 1988 Series A			
1986 Series C, 1988 Series B			
1987 Series A			
1985 Series A	1999 Series D Subseries D-1	574,000	410,000
1989 Series B	2001 Series B Subseries B-2	(2,131,000)	1,077,000
1991 Series B	2002 Series E Subseries E-2	1,450,438	898,253
1991 Series C	2002 Series C Subseries C-3	(1,148,371)	5,018,012
1992 Series B	2002 Series D Subseries D-1 and D-2	24,828,953	18,666,805
1995 Series G	2002 Series D Subseries D-3	-	-
1992 Series A	2003 Series B	7,652,169	7,923,122
1993 Series A	2003 Series C Subseries C-5	8,929,212	6,852,373
1993 Series G Subseries G-1			
1993 Series B	2003 Series C Subseries C-1	(14,310,005)	10,733,348
1993 Series F	2003 Series D	(21,039,361)	3,553,728
1994 Series F, 1995 Series C	2006 Series C-1	2,719,283	1,916,208
1995 Series H			
1996 Series C	2006 Series D	(9,562,182)	4,025,871
1996 Series G	2006 Series E	1,515,451	2,361,875

Note 8—Arbitrage Rebates

In accordance with Federal law, the Authority is required, on certain of its bond issues, to rebate to the Internal Revenue Service (“IRS”) the excess of the amount actually earned on all non-mortgage investments (derived from investing the bond proceeds) over the amount that would have been earned had those investments borne a rate equal to the yield on the bond issue, plus any income attributable to such excess. As of December 31, 2006 and 2005, the Authority had liabilities to the IRS totaling \$3,704,000 and \$235,000, respectively, reported in the balance sheet as a component of “escrow deposits.” The net effect of changes in the liability are recorded as increases or reductions of “interest on investments” in the statement of revenues, expenses and changes in net assets.

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 9—Net Assets

Net assets consisted of the following (in 000's):

	December 31,	
	2006	2005
General and Capital Reserve Funds:		
Invested in capital assets (net)	\$ 3,154	\$ 3,282
General and Capital Reserve Funds	741,180	711,357
Other Funds:		
Investment Trust Fund	-	-
Housing Mortgage Insurance Fund	3,532	3,346
Housing Draw Down Funds	26	75
Special Needs Housing, Special Needs Housing Capital Reserve, and Special Needs Housing Renewal and Replacement Funds	2,813	2,213
Component Units:		
CHFA – Small Properties, Inc.	(835)	(302)
CPS Properties, Inc.	(4,679)	(5,245)
Diamond Court – CHFA, Inc.	2,260	2,235
Henry Place – CHFA, Inc.	2,408	2,411
Mitchell School – CHFA, Inc.	288	179
Newbury Commons – CHFA, Inc.	909	-
St. Mary's Residence – CHFA, Inc.	(59)	10
State Housing Authority	327	163
Trumbull Centre – CHFA, Inc.	4,869	8,373
	\$ 756,193	\$ 728,097

Note 10—Pension Plan

Most employees of the Authority participate in the Connecticut State Employees' Retirement System (SERS) which is administered by the State Employees' Retirement Commission. The Authority has no liability for pension costs other than the annual contribution as determined by SERS. An actuarial study was performed on the Plan as a whole. Information about the total Plan funding status and progress, contributions required and trend information can be found in the State of Connecticut's Comprehensive Annual Financial Report.

Plan Description

SERS is a cost-sharing multiple-employer defined benefit public employee retirement system (PERS) established in 1939 and governed by sections 5-152 to 5-192 of the Connecticut General Statutes. Employees are covered under one of three tiers. Tier I requires an employee contribution of either 2% or 5% of salary, depending on the plan. Tier II is a noncontributory plan. Tier IIA requires an employee contribution of 2% of salary. The Authority's contribution is determined by applying a state mandated percentage to eligible salaries and wages. Members who joined the retirement system prior to July 1, 1984 are generally enrolled in Tier I. Members who joined the retirement system after July 1, 1984 are enrolled in Tier II. Employees first hired on or after July 1, 1997 are members of Tier IIA. Employees rehired on or after July 1, 1997 are also members of Tier IIA unless the application of SERS Service bridging provisions mandates their placement in either Tier I or Tier II. Tier I employees who retire at or after age 65 with 10 years of credited service or at or after age 55 with 25 years of service are eligible for an annual retirement benefit payable monthly for life, in an amount of 2% of the annual average earnings (which are based on the three highest years of service). In most cases this is reduced to 1% for the first \$4,800 of salary upon receipt of social security benefits. Employees at age 55 with 10 years but less than 25 years of service, or at age 70 with 5 years of service, are entitled to a reduced benefit. Tier II and Tier IIA employees who retire at or after age 60 with 25 years of service, or at age 62 with 5 years of service, or at age 70 with 5 years of service or at age 55 with 10 years of service with reduced benefits are entitled an annual retirement benefit payable monthly for life, in an amount of one and one third percent of the average annual earnings plus one-half of one percent of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. In addition, any years of service over 35 would be at one and five-eighths percent. All Tier I members are vested after 10 years of service. Effective July 1, 1997, all Tier II and Tier IIA members are vested after 5 years, and may retire at age 62 with 5 years of actual state service. All plans provide for death and disability benefits. The total payroll for the year ended December 31, 2006 was \$9,038,000, and the payroll for employees of the Authority covered by SERS for the year ended December 31, 2006 was \$9,038,000.

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

Contributions Made (in 000's)

The Authority's contribution is determined by applying a State mandated percentage to eligible salaries and wages.

Contributions Made:

		<u>2006</u>		<u>2005</u>		<u>2004</u>
By employees	\$	123	\$	98	\$	83
% of current year covered payroll		1.36%		1.25%		1.07%
 By the Authority	 \$	 3,120	 \$	 2,585	 \$	 2,219
% of current year covered payroll		34.52%		33.05%		28.60%
 Actual contributions as a percentage of required contributions		 100%		 100%		 100%

Note 11—Commitments and Contingencies

The Authority is a party to financial instruments with off-balance-sheet risk in connection with its commitments to provide financing. These expose the Authority to credit risk in excess of the amount recognized in the balance sheet. The Authority's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of those instruments. The Authority uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. Total credit exposure is summarized below (in 000's):

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
Mortgage Loan Commitments:		
Home Mortgage Purchases	\$ 29,519	\$ 24,299
Second Mortgage Purchases	28,629	22,068
Multifamily Developments	29,346	59,367
Reverse Annuity Mortgages	2,691	2,935
	<u>\$ 90,185</u>	<u>\$ 108,669</u>

Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Authority evaluates each borrower's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Authority upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held is primarily residential property. Interest rates on approved mortgage loan commitments are a combination of fixed and variable. Interest rates on unadvanced portions of construction loans are a combination of fixed and variable; such loans generally mature within eighteen months.

The Authority sold its in-house serviced portfolio to Webster Bank in November 1996. A portion of that portfolio consisted of loans the Authority serviced for FNMA. Pursuant to FNMA rules, the Authority remains liable to FNMA with respect to the mortgage servicing.

Note 12—Statutory and Other Transfers

Pursuant to Public Act No. 95-250, the Authority administers the Private Rental Investment Mortgage and Equity Program ("PRIME Program"). The State of Connecticut, through its Department of Economic and Community Development, provides financial assistance to the Authority's borrowers under the PRIME Program. The receipt of this assistance is recorded by the Authority at the net carrying value of the underlying loan.

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS — (Continued)

The State's Budget for biennial 2004-2005 included a transfer of \$2.5 million in each year from the Authority to the State's General Fund. The Authority's budgets for 2004 and 2005, as approved by its Board, included these transfers in exchange for housing assets. As of December 31, 2005, the Authority transferred \$5 million but did not receive the housing assets. This amount was included as a "statutory transfer" in the Authority's statements of revenues, expenses and changes in net assets for 2005.

Pursuant to Public Act No. 05-228, the Authority receives a 25% distribution of funds held in the State of Connecticut's land protection, affordable housing and historic preservation account for the purpose of supplementing new or existing affordable housing programs. As of December 31, 2006, the Authority had received \$5.1 million.

Note 13—Risk Management

The Authority is subject to normal risks associated with its operations including property damage, personal injury, and employee dishonesty. All risks are managed through the purchase of commercial insurance. There have been no losses and no decreases in insurance coverage over the last three years.

Note 14—Subsequent Events

On February 1, 2007, the Authority issued \$20,480,000 of various Series of outstanding bonds under the Draw Down Indenture for its home mortgage program.

On March 8, 2007, the Authority redeemed \$20,480,000 of various Series of outstanding bonds held under the Bond Resolution.

CONNECTICUT HOUSING FINANCE AUTHORITY
COMBINING BALANCE SHEET
DECEMBER 31, 2006
(in 000's)

	General & Capital Reserve Funds	Other Funds			Component Units			Eliminations	Combined Total
		Housing Mortgage Insurance Fund	Housing Draw Down Fund	Special Needs Housing Funds	Multifamily Real Estate Owned	Other Real Estate Owned	State Housing Authority		
Assets									
Restricted Current Assets									
Cash and cash equivalents	\$ 2,220	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 100	\$ -	\$ 2,321
Investments in mortgage loans	94,472	-	-	526	-	-	-	-	94,998
Investments in securities	638,690	3,516	81	653	1,853	349	700	-	645,842
Accrued interest receivable on:									
Investments in mortgage loans	13,337	-	-	253	-	-	-	-	13,590
Investments in securities	3,941	16	9	23	7	1	1	-	3,998
Due from component units	98	-	-	-	-	-	-	(98)	-
Accounts receivable and other assets	16,033	-	-	-	-	-	-	-	16,033
Funds held under Special Needs Housing Renewal and Replacement Fund	-	-	-	1,987	-	-	-	-	1,987
Funds held under Capital Reserve Funds Requirements	30,268	-	-	1,665	-	-	-	-	31,933
Total current assets	<u>799,059</u>	<u>3,532</u>	<u>90</u>	<u>5,107</u>	<u>1,860</u>	<u>351</u>	<u>801</u>	<u>(98)</u>	<u>810,702</u>
Restricted Noncurrent Assets									
Investments in mortgage loans	2,558,086	-	-	48,271	-	-	-	-	2,606,357
Investments in securities	168,412	-	2,415	4,621	-	-	-	-	175,448
Due from component units	50,219	-	-	-	-	-	-	(50,219)	-
Accounts receivable and other assets	-	-	-	-	5,703	-	-	-	5,703
Building and land	3,154	-	-	-	-	-	-	-	3,154
Real estate owned – single family	961	-	-	-	-	-	-	-	961
Real estate owned – multifamily	3,475	-	-	-	36,878	-	-	-	40,353
Other real estate owned	-	-	-	-	-	42,756	-	-	42,756
Deferred financing costs	27,429	-	-	1,550	-	-	-	-	28,979
Funds held under Capital Reserve Funds Requirements	672,913	-	-	2,449	-	-	-	-	675,362
Total noncurrent assets	<u>3,484,649</u>	<u>-</u>	<u>2,415</u>	<u>56,891</u>	<u>42,581</u>	<u>42,756</u>	<u>-</u>	<u>(50,219)</u>	<u>3,579,073</u>
Total assets	<u>\$ 4,283,708</u>	<u>\$ 3,532</u>	<u>\$ 2,505</u>	<u>\$ 61,998</u>	<u>\$ 44,441</u>	<u>\$ 43,107</u>	<u>\$ 801</u>	<u>\$ (50,317)</u>	<u>\$ 4,389,775</u>
Liabilities and Net Assets									
Current Liabilities									
Escrow deposits	\$ 45,383	\$ -	\$ -	\$ 1,934	\$ -	\$ 350	\$ 473	\$ -	\$ 48,140
Due to General Fund	-	-	-	-	98	-	-	(98)	-
Accrued interest payable	19,866	-	9	121	-	-	-	-	19,996
Accounts payable and accrued liabilities	5,270	-	-	18	1,433	1,929	1	-	8,651
Minority interests – other real estate owned	-	-	-	-	-	6,541	-	-	6,541
Loan payable – other real estate owned	-	-	-	-	-	21,817	-	-	21,817
Bonds payable	86,630	-	-	1,150	-	-	-	-	87,780
Total current liabilities	<u>157,149</u>	<u>-</u>	<u>9</u>	<u>3,223</u>	<u>1,531</u>	<u>30,637</u>	<u>474</u>	<u>(98)</u>	<u>192,925</u>
Noncurrent Liabilities									
Escrow deposits	103,004	-	55	3,147	-	-	-	-	106,206
Due to General Fund	-	-	-	-	42,618	7,601	-	(50,219)	-
Bonds payable	3,279,221	-	2,415	52,815	-	-	-	-	3,334,451
Total noncurrent liabilities	<u>3,382,225</u>	<u>-</u>	<u>2,470</u>	<u>55,962</u>	<u>42,618</u>	<u>7,601</u>	<u>-</u>	<u>(50,219)</u>	<u>3,440,657</u>
Total liabilities	<u>3,539,374</u>	<u>-</u>	<u>2,479</u>	<u>59,185</u>	<u>44,149</u>	<u>38,238</u>	<u>474</u>	<u>(50,317)</u>	<u>3,633,582</u>
Net Assets									
Invested in capital assets (net)	3,154	-	-	-	-	-	-	-	3,154
Restricted	741,180	3,532	26	2,813	292	4,869	327	-	753,039
Total net assets	<u>744,334</u>	<u>3,532</u>	<u>26</u>	<u>2,813</u>	<u>292</u>	<u>4,869</u>	<u>327</u>	<u>-</u>	<u>756,193</u>
Total liabilities and net assets	<u>\$ 4,283,708</u>	<u>\$ 3,532</u>	<u>\$ 2,505</u>	<u>\$ 61,998</u>	<u>\$ 44,441</u>	<u>\$ 43,107</u>	<u>\$ 801</u>	<u>\$ (50,317)</u>	<u>\$ 4,389,775</u>

CONNECTICUT HOUSING FINANCE AUTHORITY
COMBINING BALANCE SHEET
DECEMBER 31, 2005
(in 000's)

	General & Capital Reserve Funds	Other Funds			Component Units			Eliminations	Combined Total
		Housing Mortgage Insurance Fund	Housing Draw Down Fund	Special Needs Housing Funds	Multifamily Real Estate Owned	Other Real Estate Owned	State Housing Authority		
Assets									
Restricted Current Assets									
Cash and cash equivalents	\$ 2,581	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ 100	\$ -	\$ 2,683
Investments in mortgage loans	82,782	-	-	489	-	-	-	-	83,271
Investments in securities	495,092	3,336	50,002	5,177	678	53	180	-	554,518
Accrued interest receivable on:									
Investments in mortgage loans	12,964	-	-	196	-	-	-	-	13,160
Investments in securities	2,797	12	1,038	55	2	-	3	-	3,907
Due from component units	61	-	-	-	-	-	-	(61)	-
Accounts receivable and other assets	14,004	-	-	-	-	8	3	-	14,015
Funds held under Special Needs Housing Renewal and Replacement Fund	-	-	-	1,606	-	-	-	-	1,606
Funds held under Capital Reserve Funds Requirements	61,843	-	-	1,181	-	-	-	-	63,024
Total current assets	<u>672,124</u>	<u>3,348</u>	<u>51,040</u>	<u>8,706</u>	<u>680</u>	<u>61</u>	<u>286</u>	<u>(61)</u>	<u>736,184</u>
Restricted Noncurrent Assets									
Investments in mortgage loans	2,344,575	-	-	42,109	-	-	-	-	2,386,684
Investments in securities	177,307	-	269,010	6,340	-	-	-	-	452,657
Due from component units	14,952	-	-	-	-	-	-	(14,952)	-
Accounts receivable and other assets	-	-	-	-	3,250	-	-	-	3,250
Building and land	3,282	-	-	-	-	-	-	-	3,282
Real estate owned – single family	613	-	-	-	-	-	-	-	613
Real estate owned – multifamily	2,808	-	-	-	7,014	-	-	-	9,822
Other real estate owned	-	-	-	-	-	40,471	-	-	40,471
Deferred financing costs	25,740	-	9	1,473	-	-	-	-	27,222
Funds held under Capital Reserve Funds Requirements	571,069	-	-	2,953	-	-	-	-	574,022
Total noncurrent assets	<u>3,140,346</u>	<u>-</u>	<u>269,019</u>	<u>52,875</u>	<u>10,264</u>	<u>40,471</u>	<u>-</u>	<u>(14,952)</u>	<u>3,498,023</u>
Total assets	<u>\$ 3,812,470</u>	<u>\$ 3,348</u>	<u>\$ 320,059</u>	<u>\$ 61,581</u>	<u>\$ 10,944</u>	<u>\$ 40,532</u>	<u>\$ 286</u>	<u>\$ (15,013)</u>	<u>\$ 4,234,207</u>
Liabilities and Net Assets									
Current Liabilities									
Escrow deposits	\$ 38,752	\$ -	\$ -	\$ 1,506	\$ -	\$ 3	\$ 122	\$ -	\$ 40,383
Due to General Fund	-	-	-	-	61	-	-	(61)	-
Accrued interest payable	17,445	-	1,037	133	-	-	-	-	18,615
Accounts payable and accrued liabilities	5,009	2	-	12	1,113	38	1	-	6,175
Minority interests – other real estate owned	-	-	-	-	-	6,931	-	-	6,931
Loan payable – other real estate owned	-	-	-	-	-	20,717	-	-	20,717
Bonds payable	95,534	-	-	1,095	-	-	-	-	96,629
Total current liabilities	<u>156,740</u>	<u>2</u>	<u>1,037</u>	<u>2,746</u>	<u>1,174</u>	<u>27,689</u>	<u>123</u>	<u>(61)</u>	<u>189,450</u>
Noncurrent Liabilities									
Escrow deposits	97,535	-	-	2,657	-	-	-	-	100,192
Due to General Fund	-	-	-	-	10,482	4,470	-	(14,952)	-
Bonds payable	2,843,556	-	318,947	53,965	-	-	-	-	3,216,468
Total noncurrent liabilities	<u>2,941,091</u>	<u>-</u>	<u>318,947</u>	<u>56,622</u>	<u>10,482</u>	<u>4,470</u>	<u>-</u>	<u>(14,952)</u>	<u>3,316,660</u>
Total liabilities	<u>3,097,831</u>	<u>2</u>	<u>319,984</u>	<u>59,368</u>	<u>11,656</u>	<u>32,159</u>	<u>123</u>	<u>(15,013)</u>	<u>3,506,110</u>
Net Assets									
Invested in capital assets (net)	3,282	-	-	-	-	-	-	-	3,282
Restricted	711,357	3,346	75	2,213	(712)	8,373	163	-	724,815
Total net assets	<u>714,639</u>	<u>3,346</u>	<u>75</u>	<u>2,213</u>	<u>(712)</u>	<u>8,373</u>	<u>163</u>	<u>-</u>	<u>728,097</u>
Total liabilities and net assets	<u>\$ 3,812,470</u>	<u>\$ 3,348</u>	<u>\$ 320,059</u>	<u>\$ 61,581</u>	<u>\$ 10,944</u>	<u>\$ 40,532</u>	<u>\$ 286</u>	<u>\$ (15,013)</u>	<u>\$ 4,234,207</u>

CONNECTICUT HOUSING FINANCE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006
(in 000's)

	General & Capital Reserve Funds	Other Funds			Component Units			Eliminations	Combined Total
		Housing Mortgage Insurance Fund	Housing Draw Down Fund	Special Needs Housing Funds	Multifamily Real Estate Owned	Other Real Estate Owned	State Housing Authority		
Operating Revenues									
Interest on mortgage loans	\$ 148,801	\$ -	\$ -	\$ 3,016	\$ -	\$ -	\$ -	\$ (1,063)	\$ 150,754
Interest on investments	69,510	175	2,966	496	52	-	5	-	73,204
Fees and other income	8,289	11	-	2	3,887	-	159	-	12,348
Total operating revenues	226,600	186	2,966	3,514	3,939	-	164	(1,063)	236,306
Operating Expenses									
Interest	152,614	-	3,005	2,735	474	589	-	(1,063)	158,354
Amortization of deferred financing costs	2,922	-	11	131	-	-	-	-	3,064
Servicer fees	6,870	-	-	-	-	-	-	-	6,870
Administrative	21,067	-	-	-	3,704	2,915	-	-	27,686
Provision for losses	4,025	-	-	-	75	-	-	-	4,100
Total operating expenses	187,498	-	3,016	2,866	4,253	3,504	-	(1,063)	200,074
Operating income (loss)	39,102	186	(50)	648	(314)	(3,504)	164	-	36,232
Nonoperating Revenues									
Net decrease in the fair value of investments	(15,425)	-	-	(48)	-	-	-	-	(15,473)
Gain on sale of REO	-	-	-	-	2,000	-	-	-	2,000
Affordable housing program funding	5,102	-	-	-	-	-	-	-	5,102
PRIME program funding	235	-	-	-	-	-	-	-	235
Nonoperating income (loss)	(10,088)	-	-	(48)	2,000	-	-	-	(8,136)
Income (loss) before transfers	29,014	186	(50)	600	1,686	(3,504)	164	-	28,096
Operating transfers in (out)	681	-	1	-	(682)	-	-	-	-
Change in net assets	29,695	186	(49)	600	1,004	(3,504)	164	-	28,096
Net assets, beginning of year	714,639	3,346	75	2,213	(712)	8,373	163	-	728,097
Net assets, end of year	\$ 744,334	\$ 3,532	\$ 26	\$ 2,813	\$ 292	\$ 4,869	\$ 327	\$ -	\$ 756,193

CONNECTICUT HOUSING FINANCE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005
(in 000's)

	General & Capital Reserve Funds	Other Funds			Component Units			Eliminations	Combined Total
		Housing Mortgage Insurance Fund	Housing Draw Down Fund	Special Needs Housing Funds	Multifamily Real Estate Owned	Other Real Estate Owned	State Housing Authority		
Operating Revenues									
Interest on mortgage loans	\$ 145,131	\$ -	\$ -	\$ 2,379	\$ -	\$ -	\$ 324	\$ (502)	\$ 147,332
Interest on investments	48,098	109	11,818	483	20	-	28	-	60,556
Fees and other income	7,249	40	-	359	1,885	245	734	-	10,512
Total operating revenues	200,478	149	11,818	3,221	1,905	245	1,086	(502)	218,400
Operating Expenses									
Interest	133,864	-	11,770	2,320	502	-	-	(502)	147,954
Amortization of deferred financing costs	3,498	-	6	94	-	-	-	-	3,598
Servicer fees	6,557	-	-	-	-	-	-	-	6,557
Administrative	18,426	-	-	-	2,980	187	-	-	21,593
Provision for losses	3,729	-	-	-	-	-	-	-	3,729
Total operating expenses	166,074	-	11,776	2,414	3,482	187	-	(502)	183,431
Operating income (loss)	34,404	149	42	807	(1,577)	58	1,086	-	34,969
Nonoperating Revenues									
Net decrease in the fair value of investments	(20,702)	-	-	(52)	-	-	-	-	(20,754)
PRIME program funding	2,909	-	-	-	-	-	-	-	2,909
Nonoperating loss	(17,793)	-	-	(52)	-	-	-	-	(17,845)
Income (loss) before transfers	16,611	149	42	755	(1,577)	58	1,086	-	17,124
Operating transfers in (out)	1,695	-	5	-	-	-	(1,700)	-	-
Statutory transfer	(5,000)	-	-	-	-	-	-	-	(5,000)
Change in net assets	13,306	149	47	755	(1,577)	58	(614)	-	12,124
Net assets, beginning of year	701,333	3,197	28	1,458	865	8,315	777	-	715,973
Net assets, end of year	\$ 714,639	\$ 3,346	\$ 75	\$ 2,213	\$ (712)	\$ 8,373	\$ 163	\$ -	\$ 728,097