

**RHODE ISLAND HOUSING AND
MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE
STATE OF RHODE ISLAND)**

**FOR THE YEARS ENDED
JUNE 30, 2010 AND 2009**



Certified Public Accountants & Business Advisors

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the
Rhode Island Housing and Mortgage Finance Corporation
Providence, Rhode Island

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Rhode Island Housing and Mortgage Finance Corporation (the "Corporation"), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2010, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the business-type activities and the discretely presented component unit of Rhode Island Housing and Mortgage Finance Corporation, as of and for the year ended June 30, 2009, were audited by other auditors whose report dated September 30, 2009 expressed unqualified opinions 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Rhode Island Housing and Mortgage Finance Corporation as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2010 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the schedule of funding progress on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CCR LLP

Providence, Rhode Island
September 30, 2010

Management's Discussion and Analysis

The basic financial statements of Rhode Island Housing include Rhode Island Housing and Mortgage Finance Corporation (the Corporation) and Affordability Housing Trust (the Trust, a component unit of the Corporation), collectively referred to as Rhode Island Housing.

This section of Rhode Island Housing's financial report presents Rhode Island Housing's management's discussion and analysis of the Corporation's financial position and performance as of June 30, 2010 and 2009 and for the years then ended. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Financial Highlights

The financial highlights (in millions) of the Corporation as of and for the years ended June 30, 2010 and 2009 increased (decreased) from the previous year as follows:

	<u>2010</u>		<u>2009</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Mortgage loans, gross	25.2	1.5	44.5	2.7
Investments	46.4	22.8	(22.5)	(10.0)
Cash and cash equivalents	107.6	59.4	(45.0)	(19.9)
Total assets	187.1	9.0	(23.1)	(1.1)
Bonds and notes payable	133.4	8.4	(32.5)	(2.0)
Total fund equity	9.6	3.5	3.6	1.3
Total revenues	3.8	3.5	(5.2)	(4.6)
Total expenses	(2.2)	(2.1)	(0.9)	(0.9)
Operating income	6.0	165.1	(4.3)	(54.3)
Special item, Transfer to State	---	---	(26.0)	(100.0)

Mortgage loans comprise the largest segment of the Corporation's asset base. New loan production, which adds to the Corporation's loan portfolio, was lower than historical levels in 2010. Offsetting the lower than average production level was a lower level of mortgage loan prepayments. Overall, the loan portfolio grew by \$25 million.

Bonds and notes payable are the largest component of the liabilities and this category grew by \$133 million in 2010. The Corporation issued new bonds under a U.S. Treasury bond purchase program which required all of the allocation under the program to be drawn for loan funding or to be put in a matched fund escrow until drawn at a later time when needed for loan funding. The difference between the increase in loans and the increase in bonds is carried in short term investment funds.

Overview of the Financial Statements

The Corporation engages only in business-type activities that are commercial in nature; that is, activities that are financed in whole or in part by charges to external parties for services, with funding sources that are primarily external to the Corporation. As a result, the Corporation's basic financial statements include the balance sheet, the statement of revenues, expenses and changes in fund equity, the statement of cash flows, and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The balance sheet presents information on the Corporation's assets, liabilities and fund equity. Over time, increases or decreases in the Corporation's fund equity may serve as an indicator of whether the financial position of the Corporation is improving or deteriorating. Other factors, both internal and external to the Corporation, should be considered when evaluating the Corporation's financial position. The statement of revenues, expenses and changes in fund equity presents information on how the Corporation's fund equity changed during the year.

All assets, liabilities, and changes in fund equity are reported using the accrual basis of accounting for governmental entities and are reported as soon as the underlying event giving rise to the asset or liability and resulting change in fund equity occurs, regardless of the timing of when a corresponding amount of cash is received or paid. Consequently, certain revenues and expenses reported in the statement of revenues, expenses and changes in fund equity will result in cash flows in future periods.

The Affordability Housing Trust is a separate legal entity created pursuant to a trust agreement initiated by the Corporation. The Trust is a private-purpose trust established to assist in activities that involve the creation and preservation of affordable housing in the State. All resources of the Trust, including income on investments and other revenues, are held in trust for the benefit of private and not-for-profit organizations. There is no requirement that any portion of the Trust's resources be preserved as capital. The Trust administers its affairs through its trustees, records its assets in segregated accounts and maintains financial records separate from the Corporation.

Operating Activity of the Corporation

The following tables summarize the changes in operating income, before the adjustment required to record investments at fair value as required by Governmental Accounting Standards Board (GASB) Statement No. 31:

For the years ended June 30, 2010 and 2009 (in thousands):

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Revenues:			
Interest income on loans	\$ 87,650	\$ 91,422	(4.1)%
Interest on investments	7,640	9,625	(20.6)
Gain on sale of treasury bonds	2,254	-	100.0
Other	<u>9,960</u>	<u>5,976</u>	<u>66.7</u>
Total revenues	<u>107,504</u>	<u>107,023</u>	<u>0.4</u>
Expenses:			
Interest expense	66,865	72,044	(7.2)
Provision for loan losses	4,288	3,470	23.6
REO expenditures	1,183	-	100.0
Amortization of deferred bond issuance costs	667	699	(4.6)
Early retirement of debt	417	53	686.8
Operating expenses	19,080	19,622	(2.8)
Other	<u>10,607</u>	<u>9,433</u>	<u>12.4</u>
Total expenses	<u>103,107</u>	<u>105,321</u>	<u>(2.1)</u>
Operating income, before adjusting investments to fair value	<u>\$ 4,397</u>	<u>\$ 1,702</u>	<u>158.4%</u>

For the years ended June 30, 2009 and 2008 (in thousands):

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Revenues:			
Interest income on loans	\$ 91,422	\$ 85,399	7.1%
Interest on investments	9,625	18,825	(48.9)
Other	<u>5,976</u>	<u>8,386</u>	<u>(28.7)</u>
Total revenues	<u>107,023</u>	<u>112,610</u>	<u>(5.0)</u>
Expenses:			
Interest expense	72,044	73,620	(2.1)
Provision for loan losses	3,470	3,205	8.3
Amortization of deferred bond issuance costs	699	751	(6.9)
Early retirement of debt	53	155	(65.8)
Operating expenses	19,622	19,259	1.9
Other	<u>9,433</u>	<u>9,254</u>	<u>1.9</u>
Total expenses	<u>105,321</u>	<u>106,244</u>	<u>(0.9)</u>
Operating income, before adjusting investments to fair value	<u>\$ 1,702</u>	<u>\$ 6,366</u>	<u>(73.3)%</u>

Operating income, after adjusting investments to fair value, was \$9.6 million for the year ended June 30, 2010 (2010), \$3.6 million for the year ended June 30, 2009 (2009), and \$7.9 million for the year ended June 30, 2008 (2008). GASB Statement No. 31, which requires investments to be recorded at fair value, caused an increase in operating income of \$5.2 million in 2010 compared to an increase of \$1.9 million in 2009 and an increase of \$1.6 million in 2008. Operating income, excluding the unrealized gains and losses on investments, increased 158.4% in 2010 to \$4.4 million from \$1.7 million in 2009, which had decreased 73.3% from \$6.4 million in 2008. The increase in 2010 was due to an increase in fee income and a gain on the sale of treasury bonds. The decrease in 2009 was due to a decrease in net interest income and a decrease in other revenue such as fees.

Other revenue consists of loan related fees such as origination and late fees, and fees received for the management and disbursement of funds for federal housing programs. Other revenue increased to \$10.0 million in 2010 from \$6.0 million in 2009, which had decreased from \$8.4 million in 2008, primarily due to fees received on federal housing programs.

Operating expenses associated with the operation of the Corporation (personnel services, other administrative expenses, and depreciation and amortization of other assets) amounted to \$19.1 million in 2010, a decrease of (2.8%) from \$19.6 million in 2009, which had increased 1.9% from \$19.2 million in 2008. The Corporation places a high priority on controlling operating expenses.

REO expenditures are cumulative preservation costs of existing REO properties deemed to be non-recoverable based on a valuation analysis of the underlying properties.

Net interest income (interest on loans and investments less interest expense) is the largest component of the Corporation's operating income. Net interest income decreased 2.0% from \$29.0 million in 2009 to \$28.4 million in 2010, due to declining interest rates on investments, resulting in lower investment income, as compared to a 5.2% increase in 2009 from \$30.6 million in 2008. Interest income on loans decreased \$3.7 million in 2010 compared to an increase of \$6.0 million in 2009. Interest income on investments decreased \$1.9 million in 2010 and \$9.2 million in 2009. Net interest income as a percentage of average bonds and notes payable was 1.72% in 2010 and 1.81% in 2009, respectively. The interest income on loans decreased from 5.48% in 2009 to 5.15% in 2010, while interest expense on bonds and notes decreased from 4.50% in 2009 to 4.05% in 2010, causing a net increase in the spread margin (i.e., differential between loans and bonds) from .98% in 2009 to 1.10% in 2010. This is a result of continued lower borrowing costs during 2010.

The Corporation's revenue recognition policy requires that upon occurrence of any loan's delinquency of ninety days versus its contractual requirement for payment, the accrual formulation for that loan is placed in abeyance and any accrued income is reversed.

The provision for loan losses increased from \$3.5 million in 2009 to \$4.3 million in 2010 based on a review of the Corporation's loan portfolio and an analysis of its current characteristics. The following two primary economic factors are incorporated into the allowance estimates: (1) recent performance characteristics of the single-family portfolio and (2) net operating cash flows associated with multi-family portfolios.

For single-family loans, an estimate of loss reserve is based on the last instance of economic softness and real estate depreciation, which occurred in the mid-1990s. The single-family reserve is set at approximately double the worst experience incurred in that period.

For the multi-family portfolios, a specific loan loss reserve analysis is performed for every loan demonstrating signs of financial strain. Cash flow projections are developed from the most recent audited financials for each of the sites which may be experiencing difficulty and which have a mortgage loan. For each of these sites an analysis of value is calculated and compared to the loan balance. This methodology is the same as that used in the formulation of the income approach found in standard real estate appraisals. Beyond the specific reserves derived above, a general reserve is also established. The general reserve is based on a range of reserve percentages applicable to each loan portfolio.

In December 2009, the Corporation issued bonds under two new indentures following the announcement by the United States Treasury Department of its intent to purchase bonds from state and local housing finance agencies. This program is part of a federal plan to help stabilize the United States housing market and provide families with access to affordable rental housing and homeownership. The Treasury Department agreed to purchase from the Corporation up to \$128 million of single-family bonds under the new Home Funding Bonds indenture, and up to \$65.1 million of rental housing bonds under the new Multi-Family Funding Bonds indenture. As part of the new bond indentures, the Operating Fund was required to make a capital contribution to the Home Funding Bond Program of \$3,898,367 and the Multi-Family Funding Bond Program of \$317,600.

Financial Analysis of the Corporation

The following tables summarize certain financial information regarding the Corporation's financial position:

June 30, 2010 and 2009 (in millions):

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Loans receivable, net	\$1,676	\$1,651	1.5%
Investments	250	204	22.5
Cash and cash equivalents	289	181	59.7
Other assets	57	49	16.3
Total assets	2,272	2,085	9.0
Bonds and notes payable	1,717	1,584	8.4
Total liabilities	1,987	1,809	9.8
Fund equity:			
Invested in capital assets	9	9	(0.0)
Restricted	232	217	6.9
Unrestricted	45	50	(11.4)

June 30, 2009 and 2008 (in millions):

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Loans receivable, net	\$1,651	\$1,615	2.2 %
Investments	204	226	(9.7)
Cash and cash equivalents	181	226	(19.9)
Other assets	49	41	19.5
Total assets	2,085	2,108	(1.1)
Bonds and notes payable	1,584	1,616	(2.0)
Total liabilities	1,809	1,836	(1.5)
Fund equity:			
Invested in capital assets	9	10	(10.0)
Restricted	217	207	4.9
Unrestricted	50	55	(9.1)

Total assets of the Corporation increased 9.0% from June 30, 2009 to \$2.3 billion as of June 30, 2010, as compared to a 1.1% decrease from 2008 to 2009. Total loans receivable increased \$25.2 million or 1.5% from the previous year to \$1.713 billion as of June 30, 2010. Bonds and notes payable totaled \$1.717 billion as of June 30, 2010, an increase of \$133.4 million or 8.4% from June 30, 2009, which had

decreased \$32.5 million or 2.0% from June 30, 2008. During 2009, \$158.0 million of bonds were issued to fund single-family loans and \$65.1 million of bonds were issued to fund multi-family loans. During the same period, \$57.9 million of bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments to be used for such purpose.

As of June 30, 2010 and June 30, 2009, the equity-to-asset ratio was 12.6% and 13.2% and the loan-to-asset ratio was 75.6% and 75.9%, respectively. These figures reflect the application of GASB Statement No. 31.

The Corporation's loan portfolio is primarily composed of single-family mortgage loans. As of June 30, 2010 and 2009, single-family residential mortgages in bond resolutions totaled \$1.1 billion and \$1.2 billion and multi-family loans in bond resolutions totaled \$322.9 million and \$333.1 million, respectively.

The Corporation invests funds according to an investment policy, the primary goal of which is the preservation of capital and the minimization of risk. Other investment policy objectives include liquidity and maximization of yield. Under its current investment policy, the Corporation invests substantially all funds in United States Government and Agency securities rated 'AAA' or in guaranteed investment contracts with providers rated 'AA' or better.

The Operating Fund is used to record the receipt of income not directly pledged to the repayment of specific bonds and notes, as well as to record expenses related to the Corporation's administrative functions and the provision for loan losses. The Operating Fund also is used for the purpose of recording funds to be utilized in the administration of various housing programs that are not covered by the Corporation's bond resolutions.

External Influences

With very few exceptions, most states are contending with the negative ramifications of the economic downturn occurring nationally. The most pronounced implication of the downturn is a high level of unemployment across the country. Rhode Island's unemployment rate is presently in the mid-11% range while the national rate is in the mid-10% range. The soft economy and the high level of unemployment produce an adverse effect for any lending institution. Notwithstanding the fact that households historically place a very high priority on making their mortgage payments to their mortgage lenders, there is an unavoidable ripple effect produced in a lending institution's delinquency statistics. High unemployment also negatively affects the resale value and the market equity in houses, since there are fewer households financially able to upgrade their housing burden in an economic downturn. Because the Corporation's loans (1) do not include sub-prime, (2) are conservatively underwritten and (3) represent the homeowner's first home, the Corporation's delinquency experience is below average when compared to industry data for all Rhode Island mortgage loans.

In 2008, the State of Rhode Island requested the Corporation provide financial assistance to the State for its general use. During the year ended June 30, 2008, the Corporation recognized a one-time expense for this transfer to the State in the amount of \$26,020,247.

Requests for Information

This financial report is designed to provide a general overview of the Corporation's finances. Questions concerning this report may be addressed to the Chief Financial Officer, Rhode Island Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, Rhode Island, 02903. The Corporation maintains a website at: www.rhodeislandhousing.org.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Balance Sheets
June 30, 2010 and 2009

	Operating Fund		Single-Family Fund	
	2010	2009	2010	2009
Assets				
Loans receivable	\$ 248,355,283	\$ 180,095,888	\$ 1,141,683,107	\$ 1,174,526,809
Less: allowance for loan losses	(33,105,943)	(32,938,875)	(3,835,432)	(3,750,000)
Loans receivable, net	215,249,340	147,157,013	1,137,847,675	1,170,776,809
Investments	107,001,853	111,210,836	91,121,596	42,905,435
Accrued interest-loans	585,270	331,898	4,046,402	4,170,083
Accrued interest-investments	48,470	22,393	610,202	493,812
Cash and cash equivalents	49,099,669	56,324,502	148,392,734	80,477,428
Accounts receivable	8,360,464	7,005,781		
Deferred bond issuance costs, net	74,976	97,468	9,729,187	9,886,040
Other assets, net	18,997,916	16,170,028	12,770,994	8,967,294
Interfund receivable (payable)	(11,904,524)	52,680	(49,461)	(52,680)
Total assets	\$ 387,513,434	\$ 338,372,599	\$ 1,404,469,329	\$ 1,317,624,221
Liabilities and Fund Equity				
Bonds and notes payable	\$ 81,047,822	\$ 67,654,992	\$ 1,237,201,953	\$ 1,160,130,983
Accrued interest payable on bonds and notes	104,633	102,545	13,076,295	13,364,206
Accounts payable and accrued liabilities	5,620,515	6,953,160	1,073,819	1,104,979
Deferred fees	5,841,564	5,893,406	392,845	425,282
Escrow deposits	236,093,164	191,014,488	302	74
Total liabilities	328,707,698	271,618,591	1,251,745,214	1,175,025,524
Commitments and contingencies				
Fund equity:				
Invested in capital assets	9,120,957	9,137,738		
Restricted	5,142,025	7,364,559	152,724,115	142,598,697
Unrestricted	44,542,754	50,251,711		
Total fund equity	58,805,736	66,754,008	152,724,115	142,598,697
Total liabilities and fund equity	\$ 387,513,434	\$ 338,372,599	\$ 1,404,469,329	\$ 1,317,624,221

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Balance Sheets, Continued
June 30, 2010 and 2009

	Multi-Family Fund		Totals	
	2010	2009	2010	2009
Assets				
Loans receivable	\$ 322,943,955	\$ 333,140,738	\$ 1,712,982,345	\$ 1,687,763,435
Less: allowance for loan losses			(36,941,375)	(36,688,875)
Loans receivable, net	<u>322,943,955</u>	<u>333,140,738</u>	<u>1,676,040,970</u>	<u>1,651,074,560</u>
Investments	52,039,136	49,666,348	250,162,585	203,782,619
Accrued interest-loans	1,598,346	1,700,655	6,230,018	6,202,636
Accrued interest-investments	261,545	264,205	920,217	780,410
Cash and cash equivalents	91,058,904	44,192,087	288,551,307	180,994,017
Accounts receivable			8,360,464	7,005,781
Deferred bond issuance costs, net	436,497	186,642	10,240,660	10,170,150
Other assets, net			31,768,910	25,137,322
Interfund receivable (payable)	11,953,985			-
Total assets	<u>\$ 480,292,368</u>	<u>\$ 429,150,675</u>	<u>\$ 2,272,275,131</u>	<u>\$ 2,085,147,495</u>
Liabilities and Fund Equity				
Bonds and notes payable	\$ 399,119,100	\$ 356,132,986	\$ 1,717,368,875	\$ 1,583,918,961
Accrued interest payable on bonds and notes	3,096,457	3,432,153	16,277,385	16,898,904
Accounts payable and accrued liabilities	2,581,592	1,559,165	9,275,926	9,617,304
Deferred fees	66,750	66,379	6,301,159	6,385,067
Escrow deposits	1,317,329	1,296,380	237,410,795	192,310,942
Total liabilities	<u>406,181,228</u>	<u>362,487,063</u>	<u>1,986,634,140</u>	<u>1,809,131,178</u>
Commitments and contingencies				
Fund equity:				
Invested in capital assets			9,120,957	9,137,738
Restricted	74,111,140	66,663,612	231,977,280	216,626,868
Unrestricted			44,542,754	50,251,711
Total fund equity	<u>74,111,140</u>	<u>66,663,612</u>	<u>285,640,991</u>	<u>276,016,317</u>
Total liabilities and fund equity	<u>\$ 480,292,368</u>	<u>\$ 429,150,675</u>	<u>\$ 2,272,275,131</u>	<u>\$ 2,085,147,495</u>

See accompanying notes to financial statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Revenues, Expenses and Changes in Fund Equity
For the years ended June 30, 2010 and 2009

	Operating Fund		Single-Family Fund	
	2010	2009	2010	2009
Operating revenues:				
Interest income on loans	\$ 5,607,053	\$ 5,607,315	\$ 59,890,960	\$ 62,046,342
Interest income attributable to internal servicing activities	2,937,514	2,869,215		
Total interest income on loans	8,544,567	8,476,530	59,890,960	62,046,342
Income on investments:				
Interest on investments	1,164,602	2,093,895	3,462,565	4,212,393
Net increase in fair value of investments	31,966	273,604	3,580,018	987,115
Gain on sale of treasury bonds	2,253,971			
Fees	9,066,724	4,759,130		
Servicing fee income	894,036	1,215,491		
Miscellaneous income		1,240		
Total operating revenues	21,955,866	16,819,890	66,933,543	67,245,850
Operating expenses:				
Interest expense	593,488	1,654,266	53,217,038	54,626,516
Personnel services	12,515,022	12,586,356		
Other administrative expenses	4,335,316	4,703,362	97,577	85,146
Housing initiatives	5,673,995	5,441,789	48,754	54,522
Provision for loan losses	1,188,119	2,903,291	3,100,000	566,311
REO expenditures	1,182,943			
Arbitrage rebate			247,340	217,188
Amortization of deferred bond issuance costs	22,493	10,033	626,808	663,673
Early retirement of debt			416,715	53,158
Depreciation and amortization	1,506,264	1,674,615	353,111	224,503
State Rental Subsidy Program	3,056,563	3,125,389		
Total operating expenses	30,074,203	32,099,101	58,107,343	56,491,017
Operating income (loss)	(8,118,337)	(15,279,211)	8,826,200	10,754,833
Transfers in (out) of fund equity	170,065	2,693,997	1,299,218	(2,178,664)
Change in fund equity	(7,948,272)	(12,585,214)	10,125,418	8,576,169
Fund equity, beginning of year	66,754,008	79,339,222	142,598,697	134,022,528
Fund equity, end of year	\$ 58,805,736	\$ 66,754,008	\$ 152,724,115	\$ 142,598,697

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RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Revenues, Expenses and Changes in Fund Equity, Continued
For the years ended June 30, 2010 and 2009

	Multi-Family Fund		Totals	
	2010	2009	2010	2009
Operating revenues:				
Interest income on loans	\$ 19,214,096	\$ 20,899,562	\$ 84,712,109	\$ 88,553,219
Interest income attributable to internal servicing activities			2,937,514	2,869,215
Total interest income on loans	19,214,096	20,899,562	87,649,623	91,422,434
Income on investments:				
Interest on investments	3,012,624	3,318,561	7,639,791	9,624,849
Net increase in fair value of investments	1,615,519	668,556	5,227,503	1,929,275
Gain on sale of treasury bonds			2,253,971	
Fees			9,066,724	4,759,130
Servicing fee income			894,036	1,215,491
Miscellaneous income				1,240
Total operating revenues	23,842,239	24,886,679	112,731,648	108,952,419
Operating expenses:				
Interest expense	13,054,434	15,763,669	66,864,960	72,044,451
Personnel services			12,515,022	12,586,356
Other administrative expenses	273,058	347,974	4,705,951	5,136,482
Housing initiatives	555,956		6,278,705	5,496,311
Provision for loan losses			4,288,119	3,469,602
REO expenditures			1,182,943	
Arbitrage rebate	1,024,466	594,580	1,271,806	811,768
Amortization of deferred bond issuance costs	17,514	25,040	666,815	698,746
Early retirement of debt			416,715	53,158
Depreciation and amortization			1,859,375	1,899,118
State Rental Subsidy Program			3,056,563	3,125,389
Total operating expenses	14,925,428	16,731,263	103,106,974	105,321,381
Operating income (loss)	8,916,811	8,155,416	9,624,674	3,631,038
Transfers in (out) of fund equity	(1,469,283)	(515,333)		
Change in fund equity	7,447,528	7,640,083	9,624,674	3,631,038
Fund equity, beginning of year	66,663,612	59,023,529	276,016,317	272,385,279
Fund equity, end of year	\$ 74,111,140	\$ 66,663,612	\$ 285,640,991	\$ 276,016,317

See accompanying notes to financial statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Cash Flows
For the years ended June 30, 2010 and 2009

	Operating Fund		Single-Family Fund	
	2010	2009	2010	2009
Cash flows from operating activities:				
Interest on loans receivable	\$ 8,291,195	\$ 8,511,005	\$ 60,014,642	\$ 61,949,599
Repayment of loans receivable	33,411,308	48,356,141	153,098,194	53,818,704
Fees collected	9,908,918	5,406,326	(32,436)	116,476
Other receipts (disbursements), net	45,078,718	16,972,596	225	74
Loans disbursed	(101,670,704)	(58,707,351)	(115,048,835)	(106,840,497)
Accounts receivable, net	(1,354,683)	(3,058,414)		
Loss on loans receivable	(2,203,994)	(519,816)	(3,014,568)	(104,024)
Bond issuance costs		(105,350)	(886,670)	(659,568)
Personnel services	(12,515,022)	(12,586,355)		
Other administrative expenses	(4,335,316)	(4,703,362)	(97,577)	(85,146)
Housing initiative expenses	(5,673,995)	(5,441,789)	(48,754)	(54,522)
Other assets	(4,334,152)	(1,639,893)	(9,362,468)	(420,351)
Arbitrage rebate			(247,340)	(217,188)
Accounts payable and accrued liabilities	(1,332,645)	1,677,361	(31,160)	(3,796)
State Rental Subsidy Program	(3,056,563)	(3,125,389)		
Transfers from (to) other programs	12,127,269	2,669,317	1,295,999	(2,153,984)
Net cash provided by (used for) operating activities	(27,659,666)	(6,294,973)	85,639,252	5,345,777
Cash flows from noncapital financing activities:				
Proceeds from sale of bonds and notes	270,410,000	277,500,000	158,017,885	75,000,000
Payment of bond and note principal	(257,017,169)	(262,426,277)	(80,946,915)	(85,905,525)
Interest paid on bonds and notes	(591,400)	(1,728,008)	(53,504,949)	(54,878,431)
Transfers to the State of RI		(12,000,000)		
Net cash provided by (used for) noncapital financing activities	12,801,431	1,345,715	23,566,021	(65,783,956)
Cash flows from investing activities:				
Redemption of investments	21,463,633	15,521,987	52,636,661	43,924,341
Income on investments	1,138,482	2,118,166	3,346,176	4,470,848
Purchase of investments	(14,968,713)	(5,585,445)	(97,272,804)	(29,631,647)
Net cash provided by (used for) investing activities	7,633,402	12,054,708	(41,289,967)	18,763,542
Net increase (decrease) in cash and cash equivalents	(7,224,833)	7,105,450	67,915,306	(41,674,637)
Cash and cash equivalents at beginning of year	56,324,502	49,219,052	80,477,428	122,152,065
Cash and cash equivalents at end of year	\$ 49,099,669	\$ 56,324,502	\$ 148,392,734	\$ 80,477,428

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Cash Flows, Continued
For the years ended June 30, 2010 and 2009

	Multi-Family Fund		Totals	
	2010	2009	2010	2009
Cash flows from operating activities:				
Interest on loans receivable	\$ 19,316,405	\$ 21,149,101	\$ 87,622,242	\$ 91,609,705
Repayment of loans receivable	10,196,783	19,204,919	196,706,285	121,379,764
Fees collected	371	66,379	9,876,853	5,589,181
Other receipts (disbursements), net	20,950	(232,824)	45,099,893	16,739,846
Loans disbursed		(381,726)	(216,719,539)	(165,929,574)
Accounts receivable, net			(1,354,683)	(3,058,414)
Loss on loans receivable			(5,218,562)	(623,840)
Bond issuance costs	(267,369)		(1,154,039)	(764,918)
Personnel services			(12,515,022)	(12,586,355)
Other administrative expenses	(273,057)	(347,974)	(4,705,950)	(5,136,482)
Housing initiative expenses	(555,956)		(6,278,705)	(5,496,311)
Other assets			(13,696,620)	(2,060,244)
Arbitrage rebate	(1,024,466)	(594,580)	(1,271,806)	(811,768)
Accounts payable and accrued liabilities	1,022,426	594,580	(341,379)	2,268,145
State Rental Subsidy Program			(3,056,563)	(3,125,389)
Transfers from (to) other programs	(13,423,268)	(515,333)		-
Net cash provided by (used for) operating activities	15,012,819	38,942,542	72,992,405	37,993,346
Cash flows from noncapital financing activities:				
Proceeds from sale of bonds and notes	65,251,287	19,546,725	493,679,172	372,046,725
Payment of bond and note principal	(22,265,174)	(56,166,283)	(360,229,258)	(404,498,085)
Interest paid on bonds and notes	(13,390,129)	(16,323,573)	(67,486,478)	(72,930,012)
Transfers to the State of RI				(12,000,000)
Net cash provided by (used for) noncapital financing activities	29,595,984	(52,943,131)	65,963,436	(117,381,372)
Cash flows from investing activities:				
Redemption of investments	12,545,221	3,987,971	86,645,515	63,434,299
Income on investments	3,015,282	3,337,663	7,499,940	9,926,677
Purchase of investments	(13,302,489)	(3,744,545)	(125,544,006)	(38,961,637)
Net cash provided by (used for) investing activities	2,258,014	3,581,089	(31,398,551)	34,399,339
Net increase (decrease) in cash and cash equivalents	46,866,817	(10,419,500)	107,557,290	(44,988,687)
Cash and cash equivalents at beginning of year	44,192,087	54,611,587	180,994,017	225,982,704
Cash and cash equivalents at end of year	\$ 91,058,904	\$ 44,192,087	\$ 288,551,307	\$ 180,994,017

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Cash Flows, Continued
For the years ended June 30, 2010 and 2009

	Operating Fund		Single-Family Fund	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (8,118,337)	\$ (15,279,211)	\$ 8,826,200	\$ 10,754,833
Adjustments:				
Income on investments	(1,138,482)	(2,118,166)	(3,346,176)	(4,470,848)
Net (increase) decrease in fair value of investments	(2,285,938)	(273,604)	(3,580,019)	(987,115)
Interest paid on bonds and notes	591,400	1,728,008	53,504,949	54,878,431
Transfer of investments and/or fund equity	170,065	2,693,997	1,299,218	(2,178,664)
Change in assets and liabilities:				
(Increase) decrease in Loans receivable/Loss allowance	(68,092,327)	(7,967,736)	32,929,133	(52,559,506)
(Increase) decrease in Accrued Interest-Loans	(253,372)	34,476	123,682	(96,744)
(Increase) decrease in Accrued Interest-Investments	(26,077)	24,270	(116,389)	258,455
(Increase) decrease in Accounts Receivable	(1,354,683)	(3,058,414)		
(Increase) decrease in Deferred bond issuance costs	22,492	(95,317)	156,853	57,263
(Increase) decrease in Other Assets	(2,827,888)	34,723	(3,803,700)	(195,848)
(Increase) decrease in Interfund receivable (payable)	11,957,204	(24,680)	(3,219)	24,680
Increase (decrease) in Accrued Interest-Bonds and Notes	2,088	(73,741)	(287,911)	(251,915)
Increase (decrease) in Accounts Payable/Accrued Liabilities	(1,332,645)	1,677,361	(31,160)	(3,795)
Increase (decrease) in Deferred Fees	(51,842)	(568,296)	(32,436)	116,476
Increase (decrease) in Escrow Deposits	45,078,676	16,971,357	227	74
Total adjustments	<u>(19,541,329)</u>	<u>8,984,238</u>	<u>76,813,052</u>	<u>(5,409,056)</u>
Net cash provided by (used for) operating activities	<u>\$ (27,659,666)</u>	<u>\$ (6,294,973)</u>	<u>\$ 85,639,252</u>	<u>\$ 5,345,777</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Cash Flows, Continued
For the years ended June 30, 2010 and 2009

	Multi-Family Fund		Totals	
	2010	2009	2010	2009
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 8,916,811	\$ 8,155,416	\$ 9,624,674	\$ 3,631,038
Adjustments:				
Income on investments	(3,015,282)	(3,337,663)	(7,499,940)	(9,926,677)
Net (increase) decrease in fair value of investments	(1,615,518)	(668,556)	(7,481,475)	(1,929,275)
Interest paid on bonds and notes	13,390,129	16,323,573	67,486,478	72,930,012
Transfer of investments and/or fund equity	(1,469,283)	(515,333)		-
Change in assets and liabilities:				
(Increase) decrease in Loans receivable/Loss allowance	10,196,783	18,823,193	(24,966,411)	(41,704,049)
(Increase) decrease in Accrued Interest-Loans	102,308	249,539	(27,382)	187,271
(Increase) decrease in Accrued Interest-Investments	2,659	19,102	(139,807)	301,827
(Increase) decrease in Accounts Receivable			(1,354,683)	(3,058,414)
(Increase) decrease in Deferred bond issuance costs	(249,854)	25,040	(70,509)	(13,014)
(Increase) decrease in Other Assets			(6,631,588)	(161,125)
(Increase) decrease in Interfund receivable (payable)	(11,953,985)			-
Increase (decrease) in Accrued Interest-Bonds and Notes	(335,697)	(559,904)	(621,520)	(885,560)
Increase (decrease) in Accounts Payable/Accrued Liabilities	1,022,427	594,580	(341,378)	2,268,146
Increase (decrease) in Deferred Fees	371	66,380	(83,907)	(385,440)
Increase (decrease) in Escrow Deposits	20,950	(232,825)	45,099,853	16,738,606
Total adjustments	6,096,008	30,787,126	63,367,731	34,362,308
Net cash provided by (used for) operating activities	\$ 15,012,819	\$ 38,942,542	\$ 72,992,405	\$ 37,993,346

See accompanying notes to financial statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Fiduciary Net Assets - Private Purpose Trust Component Unit
June 30, 2010 and 2009

	<u>Affordability Housing Trust</u>	
	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Loans receivable	\$ 45,348,831	\$ 40,298,604
Less: allowance for loan losses	<u>(1,320,729)</u>	<u>(1,120,729)</u>
Loans receivable, net	44,028,102	39,177,875
Investments	2,471,512	589,357
Accrued interest-loans	125,966	121,519
Accrued interest-investments	11,850	897
Cash and cash equivalents	13,968,830	17,400,273
Accounts receivable	309,071	(28,578)
Other assets, net	<u>3,696,589</u>	<u>4,530,574</u>
Total assets	<u>64,611,920</u>	<u>61,791,917</u>
<u>Liabilities</u>		
Deferred fees	2,012,780	1,955,963
Escrow Deposits	<u> </u>	<u>56</u>
Total liabilities	<u>2,012,780</u>	<u>1,956,019</u>
Commitments and contingencies		
<u>Net Assets</u>		
Held in trust	<u>\$ 62,599,140</u>	<u>\$ 59,835,898</u>

See accompanying notes to financial statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Changes in Fiduciary Net Assets - Private Purpose Trust Component Unit
For the years ended June 30, 2010 and 2009

	<u>Affordability Housing Trust</u>	
	<u>2010</u>	<u>2009</u>
Additions:		
Interest income on loans	\$ 1,963,408	\$ 961,122
Income on investments:		
Interest on investments	55,376	415,608
Net increase in fair value of investments	5,062	2,426
Trust receipts	907,184	878,100
Fees	460	3,615
Total additions	<u>2,931,490</u>	<u>2,260,871</u>
Deductions:		
Amortization of other assets	56,817	51,816
Other administrative expenses	160	-
Provision for loan losses	111,271	1,045,677
Total deductions	<u>168,248</u>	<u>1,097,493</u>
Change in net assets	2,763,242	1,163,378
Net assets - beginning of year	59,835,898	58,672,520
Net assets - end of year	<u>\$ 62,599,140</u>	<u>\$ 59,835,898</u>

See accompanying notes to financial statements.

Rhode Island Housing and Mortgage Finance Corporation

(A Component Unit of the State of Rhode Island)

Notes to Financial Statements

June 30, 2010 and 2009

1. Organization and Summary of Significant Accounting Policies

a. Organization and Description of Financial Reporting Entity

Rhode Island Housing and Mortgage Finance Corporation (the "Corporation") is a public instrumentality established in 1973 by an Act of the Rhode Island General Assembly. The Corporation was created to originate loans and administer other activities in order to expand the supply of housing available to persons of low and moderate income and to stimulate the construction and rehabilitation of housing and health care facilities in the State of Rhode Island (the "State"). It has the power to issue negotiable notes and bonds to achieve its corporate purpose. The notes and bonds do not constitute a debt of the State, and the State is not liable for the repayment of such obligations.

The Corporation is considered a component unit of the State and is included in the State's comprehensive annual financial report.

The Corporation is exempt from federal and state income taxes.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Corporation applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39. Through the application of GASB Statement Nos. 14 and 39 criteria, the accompanying financial statements present the Corporation and the Affordability Housing Trust (the "Trust"), a component unit over which the Corporation has control and for which the Corporation has financial accountability. Control over and financial accountability for the Trust is determined on the basis of appointment of a voting majority of the Trust's trustees. The Corporation and the Trust are collectively referred to herein as Rhode Island Housing.

b. Affordability Housing Trust

The Affordability Housing Trust is a separate legal entity created pursuant to a trust agreement initiated by the Corporation. The Trust is a private-purpose trust established to assist in activities that involve the creation and preservation of affordable housing in the State. All resources of the Trust, including income on investments and other revenues, are held in trust for the benefit of private and not-for-profit organizations. There is no requirement that any portion of the Trust's resources be preserved as capital. The Trust administers its affairs through its trustees, records its assets in segregated accounts and maintains financial records separate from the Corporation.

c. Financial Statement Presentation, Measurement Focus and Basis of Accounting

The Corporation engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external parties. The accompanying balance sheets, statements of revenues, expenses and changes in fund equity, and statements of cash flows (enterprise fund financial statements) present financial information of the Corporation.

The Corporation classifies its business-type activities into funds, reported as separate columns within the enterprise fund financial statements, each representing a fiscal and accounting entity with a self-balancing set of accounts segregated to carry on specific activities in accordance with

bond resolutions established under various trust indentures, special regulations, restrictions, or limitations. Substantially all interfund activity has been removed from the totals column in the accompanying financial statements.

The Operating Fund accounts for the receipt of income not directly pledged to the repayment of specific bonds and notes, expenses related to the Corporation's administrative functions, and for various housing program activities that are not covered by bond resolutions. The Operating Fund also accounts for the activities of the Corporation's two separate subsidiaries: Rhode Island Housing Equity Corporation, and Rhode Island Housing Development Corporation. The Single-Family Fund accounts for activities to finance ownership of single-family housing, ranging from one to four dwelling units, within the State by eligible persons and families. These activities include originating and purchasing from participating originating lenders qualified mortgages, as defined in bond resolutions. The Multi-Family Fund accounts for activities to finance the origination of multi-family loans secured by a lien constituting a first mortgage or to provide for the payment of debt theretofore issued for such purpose.

The Trust engages only in fiduciary activities. Separate financial statements are presented for the Trust since fiduciary activities are excluded from presentation in enterprise fund financial statements.

The Corporation and the Trust use the economic resources measurement focus and accrual basis of accounting. Private-sector standards of accounting and financial reporting issued on or before November 30, 1989 generally are followed in the accompanying financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The Corporation has the option of following private-sector guidance, subject to this same limitation; however, the Corporation has elected not to follow subsequent private-sector guidance.

The Corporation has presented an unclassified balance sheet in accordance with financial institution industry trade practice. Although contractual terms define the principal amount of loans receivable to be received, and the amount of principal required to be paid on bonds and notes payable, by the Corporation within one year from the balance sheet date, the actual principal amount of loans received and the actual amount of principal repaid on bonds and notes is affected significantly by changes in interest rates, economic conditions, and other factors. Consequently, the principal amount of loans receivable and the required principal repayable for bonds and notes based on contractual terms would not be representative of actual amounts expected to be received or paid, and such amounts are not reliably estimable.

The Corporation distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Corporation's principal ongoing operations. Operating expenses include the cost of services provided, administrative expenses, and depreciation and amortization expense. All other revenues and expenses are reported as non-operating revenues and expenses.

d. Investments

Investments held by Rhode Island Housing consist of those permitted by the various bond resolutions and Rhode Island Housing's investment policy. Investments include securities of the U.S. Government and of U.S. Government agencies, securities guaranteed by the U.S. Government and U.S. Government agencies, savings accounts, and guaranteed investment contracts.

In accordance with GASB Statement No. 31, money market investments having a remaining maturity of one year or less at time of purchase are reported at amortized cost provided that the fair value of such investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Investments in non-participating interest earning investment contracts, such as non-negotiable and non-transferable guaranteed investment contracts which are redeemable at contract or stated value rather than fair value based on current market rates and certificates of deposit with redemption terms that do not consider market rates, are reported at cost or amortized cost provided that the fair value of such contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors. Investments not reported at cost or amortized cost are reported at fair value in accordance with GASB Statement No. 31. The fair value of securities is provided by an investment trustee as reported by recognized pricing firms. The reported amounts of investments not otherwise reported at fair value approximate their fair value.

All investment income, including changes in the fair value of investments, is reported as revenue in the Corporation's statement of revenues, expenses and changes in fund equity and in the Trust's statement of changes in fiduciary net assets. The Corporation records a liability for the portion of investment income that is rebateable to the United States government under Section 103A of the Internal Revenue Code, as amended, (the Code) for taxable bonds sold after 1981. The Code requires that such excess investment income be remitted to the Internal Revenue Service. Such rebateable investment income is included in accounts payable and accrued liabilities in the accompanying balance sheets and recorded within operating expenses in the statement of revenues, expenses and changes in fund equity.

e. Fees Earned

The Corporation charges loan origination and other fees to mortgagors. Loan origination and other fees are capitalized and recognized as income over the expected life of the related mortgage loans.

f. Amortization of Bond Premiums and Discounts

Premiums and discounts are capitalized and amortized using a method that approximates the interest method over the life of the related issue or to the date the Corporation has the option to redeem the bonds.

g. Bond Issuance Costs

Costs relating to issuing bonds are capitalized and are amortized using a method that approximates the interest method over the life of the related bonds or to the date the Corporation has the option to redeem the bonds. In addition, when refinancing debt, the unamortized costs associated with the refinanced bond continue to be capitalized and amortized over the shorter of the life of the old or new bonds.

h. Employee Benefit Plan

The Corporation has adopted an employee retirement plan created in accordance with Internal Revenue Code Section 401(a). The Corporation's 401(a) money Purchase Pension Plan (the Plan) is a defined contribution plan, administered by ICMA Retirement Corporation. Regular full-time employees who meet certain requirements as to length of service are eligible. The Corporation contributes a set percentage of an employee's annual eligible compensation to the Plan. Contributions to the Plan for the years ended June 30, 2010 and 2009 totaled \$886,247 and \$846,318, respectively. The assets of the Plan were placed under a separate trust agreement for the benefit of the applicable employees, and therefore are neither an asset nor a liability of the Corporation.

i. Post-employment Healthcare Plan

The Rhode Island Housing Retiree Healthcare Plan (RIHRHP) is a single-employer defined benefit healthcare plan administered by the Corporation. RIHRHP provides medical insurance benefits to eligible employees who retire from active full-time employment based on years of service and age.

As of June 30, 2010, the plan included 10 retirees, 8 of which are receiving benefits, and 178 active employees. RIHRHP does not issue a stand-alone financial report.

The contribution requirements of the Corporation, and benefit provisions, are established and may be amended by management of the Corporation along with the Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. For the years ended June 30, 2010 and 2009, the Corporation contributed \$11,310 and 12,587, respectively, to the plan for current premiums, and plan members receiving benefits contributed \$4,689 and \$5,432, respectively, as their required contribution.

The Corporation's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. The following table shows the components of the Corporation's annual OPEB cost, the amounts actually contributed to the plan, and changes in the Corporation's net OPEB obligation to RIHRHP for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Annual required contribution (ARC)	\$280,307	\$264,216
Adjustment to ARC	<u>102,364</u>	<u>(76,200)</u>
Annual OPEB Cost	382,671	188,016
Contributions	<u>(11,310)</u>	<u>(12,587)</u>
Increase in Net OPEB obligation	371,361	175,429
Net OPEB obligation beginning of year	<u>2,057,886</u>	<u>1,882,457</u>
Net OPEB obligation end of year	<u>\$2,429,247</u>	<u>\$2,057,886</u>
Percent of Annual OPEB cost contributed in current year	3.0%	6.7%

The actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the ARC are subject to continual revision as actual results are compared with past expectations. The ARC was calculated based on the projected unit credit, level percent of payroll actuarial cost method. The assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 4.5% after ten years.

j. Cash and Cash Equivalents

Cash and cash equivalents represent funds on deposit with various financial institutions and funds held by the trustees of the various bond programs. Deposits held in financial institutions and all highly liquid investments, such as U.S. Treasury Bills and Notes, with original maturities of 90 days or less, are considered cash and cash equivalents.

k. Loans Receivable and Allowance for Loan Losses

Loans receivable are reported at their outstanding principal balance adjusted for any charge-offs and the allowance for loan losses.

Interest income from loans is recognized on the accrual basis. A loan is considered delinquent when a payment has not been made according to contractual terms. Accrual of income is suspended when a loan is delinquent for ninety days or more; all interest accrued for nonaccrual status loans is reversed against interest income and subsequently recognized as income when received. Loans are returned to accrual status when all amounts contractually due are brought current or the loans have been restructured and future payments are reasonably assured. Interest on loans which is deferred and payable by borrowers only from available cash flow or other specified sources is recorded as income when received.

Losses on loans are provided for under the allowance method of accounting. The allowance is increased by provisions charged to operating expenses and by recoveries of previously charged-off loans. The allowance is decreased as loans are charged off.

The allowance is an amount that management believes will be adequate for loan losses based on evaluation of collectability and prior loss experience, known and inherent risk in the portfolio, changes in the nature and volume of the loan portfolio, overall portfolio quality, specific problem loans, the estimated value of the underlying collateral, current and anticipated economic conditions that may affect the borrower's ability to pay, and historical loss experience and the types of mortgage insurance or guarantee programs provided by outside parties. Substantially all loans are secured by real estate in Rhode Island; accordingly, the ultimate collectability of substantially all of the loans is susceptible to changes in market conditions in this area. Management believes the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, evaluation assessments made by management are inherently subjective and future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluation.

l. Early Retirement of Debt

The Corporation periodically retires bonds prior to their redemption date. Unamortized deferred bond issuance costs, along with any premium paid on the call, related to the early retirement of bonds that are not refunded, are reported in the statement of revenues, expenses and changes in fund equity.

m. Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and disclosure of contingent assets and liabilities when preparing the financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

n. Other Real Estate Owned

The Corporation states its other real estate owned acquired through or in lieu of foreclosure, at the lower of cost or fair value at the date of foreclosure. Fair value of such assets is determined based on independent appraisals and other relevant factors. Other real estate owned in the Single-Family Fund are at least partially insured or guaranteed by outside parties and it is anticipated that the Corporation will recover substantially all of the balance of these assets through such insurance and from proceeds from the sale of the underlying properties. The Corporation holds such properties for subsequent sale in a manner that will allow maximization of value. Other real estate owned is included in other

assets in the accompanying balance sheets. Other real estate owned totaled \$11,965,000 and \$7,908,000 at June 30, 2010 and 2009, respectively.

o. Other Assets

Other assets of the Corporation are principally comprised of property and equipment, certain other real estate owned, and deferred servicing costs related to service release premiums paid to participating originating lenders for origination of single-family loans. The Corporation amortizes service release premiums over the estimated average life of the related loans on a straight-line basis and depreciates property and equipment on a straight-line basis over the assets estimated lives.

p. Interest Income on Loans

The Corporation presents two categories of interest income on loans. The first category, "interest income on loans," represents interest income earned net of the component of the mortgagors' payments payable to all mortgage servicing entities (including the Corporation's Operating Fund) as compensation for monthly servicing. The second category, "interest income attributable to internal servicing activities," represents that portion of interest income attributable to compensation for mortgage servicing for those loans serviced by the Corporation. Together, these two components comprise interest income on loans owned by the Corporation.

q. Adoption of New Pronouncements

Effective July 1, 2009 the Corporation is required to adopt the provisions of GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." The statement provides guidance regarding how to identify, account for, and report intangible assets.

Effective July 1, 2009, the Corporation is required to adopt the provisions of GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." The statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

At June 30, 2010 and 2009 the requirements of these statements were not applicable to the Corporation.

r. Reclassification

Certain amounts in the accompanying 2009 financial statements have been reclassified to conform with the current year presentation.

2. Fund Equity

Fund equity is classified in the following three components: invested in capital assets, restricted, and unrestricted. Invested in capital assets consists of all capital assets, net of accumulated depreciation. Restricted fund equity consists of fund equity for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Unrestricted fund equity consists of fund equity not included in invested in capital assets or restricted fund equity.

The Corporation classifies all fund equity amounts associated with its bond resolutions as restricted fund equity. Under bond indentures, all assets assigned to these programs are pledged for the benefit of the bondholders of each program; consequently, the Corporation classifies all such fund equity amounts, while retained in the bond programs, as restricted. Transfers from the bond programs to the Operating Fund are made when transfers are approved and authorized by the Corporation's management

and such amounts are not specifically required to be retained within the bond program. As part of two new bond indentures, the Operating Fund was required to make a capital contribution to the Home Funding Bond Program of \$3,898,367 and the Multi-Family Funding Bond Program of \$317,600.

At June 30, 2010 and 2009, restricted fund equity in the Operating Fund, comprised of the amount of assets required to be pledged as collateral to a lender in excess of outstanding amounts borrowed, as well as assets restricted for Federal programs totaled \$5,142,025 and \$7,364,559, respectively.

3. Cash and Cash Equivalents and Investments

Cash and Cash Equivalents. Rhode Island Housing assumes levels of custodial credit risk for its cash and cash equivalents. Custodial credit risk is the risk that in the event of a bank failure, Rhode Island Housing's deposits may not be returned to it. Cash and cash equivalents are exposed to custodial credit risk as follows: A) uninsured and uncollateralized short-term investments and other accounts; B) uninsured short-term investments and other accounts collateralized with securities held by bank trust departments in the Corporation's or Trust's name; and C) uninsured short-term investments and deposits collateralized with securities held by bank trust departments or agents which are not held in the Corporation's or Trust's name.

The State requires that certain uninsured deposits of the State and State Agencies be collateralized. Section 35-10.1-7 of the General Laws of the State, dealing with the collateralization of public deposits, requires all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet its minimum capital standards as required by its Federal regulator be collateralized. Rhode Island Housing does not have any additional policy in regard to custodial credit risk for its deposits.

Cash and cash equivalents of Rhode Island Housing were exposed to custodial credit risk at June 30, 2010 and 2009 as follows:

		<u>June 30, 2010</u>			
		<u>A</u>	<u>Category</u> <u>C</u>	<u>Insured</u>	<u>Total Bank</u> <u>Balance</u>
Operating Fund	\$ 1,424,531	\$38,025,151	\$1,255,492	\$ 40,705,174	
Single-Family Fund	146,006,053	---	---	146,006,053	
Multi-Family Fund	91,059,092	---	---	91,059,092	
Trust	<u>5,472,061</u>	<u>8,496,768</u>	---	<u>13,968,829</u>	
Subtotal	243,961,737	46,521,919	1,255,492	291,739,148	
Escrows	<u>15,983,344</u>	---	---	<u>15,983,344</u>	
Total	<u>\$259,945,081</u>	<u>\$46,521,919</u>	<u>\$1,255,492</u>	<u>\$307,722,492</u>	

		<u>June 30, 2009</u>			
		<u>A</u>	<u>Category</u> <u>C</u>	<u>Insured</u>	<u>Total Bank</u> <u>Balance</u>
Operating Fund	\$ 3,661,964	\$40,661,995	\$1,257,153	\$ 45,581,112	
Single-Family Fund	78,247,471	---	---	78,247,471	
Multi-Family Fund	44,003,558	---	---	44,003,558	
Trust	<u>9,660,157</u>	<u>7,740,115</u>	---	<u>17,400,272</u>	
Subtotal	135,573,150	48,402,110	1,257,153	185,232,413	
Escrows	<u>11,358,340</u>	<u>3,741,990</u>	---	<u>15,100,330</u>	
Total	<u>\$146,931,490</u>	<u>\$52,144,100</u>	<u>\$1,257,153</u>	<u>\$200,332,743</u>	

Investments. The primary objective of Rhode Island Housing in implementing its investment program is preservation of capital. All investments are to be made in a manner to minimize any risk which would jeopardize the safety of the principal invested. The second objective is to maintain sufficient liquidity in a manner that matches cash flow requirements. The third objective is to maximize yield after first satisfying the first two objectives. Other major considerations include diversification of risk and maintenance of credit ratings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in a debt instrument. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Board of Commissioners' (the Board) approved investment policy for the Corporation's Operating Fund limits the maximum maturities or repricing maturities as follows:

<u>Maturity</u>	<u>Maximum investment</u>
Less than one year	100%
One to five years	25%
Greater than five years	0%

At June 30, 2010 and 2009, all investments in the Operating Fund meet the Board-approved investment policy.

While each of the bond resolutions contains investment policies which describe acceptable investments, there are no specific policies for percentage maximum investments with respect to the Single-Family Fund, Multi-Family Fund, and the Trust (collectively referred to as the Other Funds). Nonetheless, Rhode Island Housing attempts to match asset and liability maturities as closely as practicable. The Corporation manages interest rate risk by considering many variables such as mortgage prepayment frequency and expected asset lives and then utilizing interest sensitivity gap (segmented time distribution) and simulation analysis. Although Rhode Island Housing generally will limit maturities to less than five years in all funds, sometimes it is necessary to invest in longer term securities in revenue and debt service accounts to better match the long-term fixed-rate bond liabilities.

At June 30, 2010 and 2009, the distribution of investments by remaining or re-pricing maturity is as follows:

	<u>June 30, 2010</u>			<u>Total</u>
	<u>1 year or less</u>	<u>>1 to 5 Years</u>	<u>> 5 Years</u>	
Operating Fund:				
United States Government Obligations	<u>\$ 18,110,824</u>	<u>---</u>	<u>---</u>	<u>\$ 18,110,824</u>
Single-Family Fund:				
United States Government Obligations	---	---	63,383,117	63,383,117
United States Agency Obligations	---	---	2,332,008	2,332,008
Guaranteed Investment Contracts	---	---	<u>25,406,471</u>	<u>25,406,471</u>
Total Single-Family Fund	<u>---</u>	<u>---</u>	<u>91,121,596</u>	<u>91,121,596</u>
Multi-Family Fund:				
United States Government Obligations	---	---	79,277	79,277
United States Agency Obligations	---	---	22,427,309	22,427,309
Guaranteed Investment Contracts	---	---	<u>29,532,550</u>	<u>29,532,550</u>
Total Multi-Family Fund	<u>---</u>	<u>---</u>	<u>52,039,136</u>	<u>52,039,136</u>

Trust:				
United States Agency Obligations	<u>2,471,512</u>	<u>---</u>	<u>---</u>	<u>2,471,512</u>
Subtotal	<u>20,582,336</u>	<u>---</u>	<u>143,160,732</u>	<u>163,743,068</u>
Escrows *	<u>19,975,472</u>	<u>68,915,557</u>	<u>---</u>	<u>88,891,029</u>
Total	<u>\$ 40,557,808</u>	<u>\$68,915,557</u>	<u>\$143,160,732</u>	<u>\$252,634,097</u>

	<u>June 30, 2009</u>			
	<u>1 year or less</u>	<u>>1 to 5 Years</u>	<u>> 5 Years</u>	<u>Total</u>
Operating Fund:				
United States Government Obligations	<u>\$ 23,263,158</u>	<u>---</u>	<u>---</u>	<u>\$ 23,263,158</u>
Single-Family Fund:				
United States Government Obligations	<u>---</u>	<u>---</u>	<u>7,166,049</u>	<u>7,166,049</u>
United States Agency Obligations	<u>---</u>	<u>1,018,566</u>	<u>6,368,989</u>	<u>7,387,555</u>
Guaranteed Investment Contracts	<u>---</u>	<u>---</u>	<u>28,351,831</u>	<u>28,351,831</u>
Total Single-Family Fund	<u>---</u>	<u>1,018,566</u>	<u>41,886,869</u>	<u>42,905,435</u>
Multi-Family Fund:				
United States Government Obligations	<u>---</u>	<u>---</u>	<u>79,277</u>	<u>79,277</u>
United States Agency Obligations	<u>---</u>	<u>---</u>	<u>20,819,878</u>	<u>20,819,878</u>
Guaranteed Investment Contracts	<u>---</u>	<u>---</u>	<u>28,767,193</u>	<u>28,767,193</u>
Total Multi-Family Fund	<u>---</u>	<u>---</u>	<u>49,666,348</u>	<u>49,666,348</u>
Trust:				
United States Agency Obligations	<u>589,357</u>	<u>---</u>	<u>---</u>	<u>589,357</u>
Subtotal	<u>23,852,515</u>	<u>1,018,566</u>	<u>91,553,217</u>	<u>116,424,298</u>
Escrows *	<u>87,947,678</u>	<u>---</u>	<u>---</u>	<u>87,947,678</u>
Total	<u>\$111,800,193</u>	<u>\$ 1,018,566</u>	<u>\$ 91,553,217</u>	<u>\$204,371,976</u>

* Included in the tables above are escrow funds relating to homeowners and to multi-family developments. Rhode Island Housing is not exposed to interest rate risk relating to escrows since the income and market gains or losses on these investments flow directly into the respective escrow deposit liability accounts.

Included in United States Government Obligations are mortgage-backed securities backed by government-insured single-family mortgage loans originated under Rhode Island Housing's program guidelines. These securities are pass-through securities which require monthly payments by an FHA-approved or Fannie Mae-approved lender and are guaranteed by the Government National Mortgage Associate (GNMA). The securities are subject to interest rate risk due to prepayments before maturities and the fair value of the securities vary with the change in market interest rates. The Corporation does not expect to realize a loss on the sale of the securities as they are intended to be held to maturity. The securities are held by the Single Family Fund and are carried at a fair value of \$63,383,117 at June 30, 2010 and \$7,166,049 at June 30, 2009.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The current Board-approved policy requires all investments in the Operating Fund to be rated at least Single A by a nationally recognized rating agency. Each of the bonded resolutions in the Single-Family Fund and Multi-Family Fund contains policies that generally require investments that do not impair the existing ratings on the related bonds. The Trust has no minimum rating requirements. At June 30, 2010 and 2009, investments, excluding investments relating to escrow accounts for which the credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are rated by Standard & Poor's or Moody's Investors Service as follows:

	<u>June 30, 2010</u>	
<u>Rating</u>	<u>AAA/Aaa</u>	<u>Unrated</u>
<u>Investment</u>	<u>U.S. Agencies</u>	<u>GICs</u>
Operating Fund	---	---
Single-Family Fund	\$ 2,332,008	\$25,406,471
Multi-Family Fund	22,427,309	29,532,550
Trust	2,471,512	---

	<u>June 30, 2009</u>	
<u>Rating</u>	<u>AAA/Aaa</u>	<u>Unrated</u>
<u>Investment</u>	<u>U.S. Agencies</u>	<u>GICs</u>
Operating Fund	---	---
Single-Family Fund	\$ 7,387,554	\$28,351,832
Multi-Family Fund	20,819,878	28,767,193
Trust	589,357	---

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer regardless of its credit history. The Board-approved policy for the Operating Fund limits the amount that may be invested with any one issuer as follows:

United States Government Obligations	100% of portfolio
United States Agency Obligations	100% of portfolio
Repurchase Agreements	50% of portfolio
Collective Short-Term Funds	25% of portfolio
All other investments	10% of portfolio

Although there are no specific concentration policies for maximum percentage of investments, Rhode Island Housing attempts to diversify as much as possible given the limited number of issuers of AAA-rated investments.

At June 30, 2010 and 2009, all Operating Fund investments were invested in U.S. Government and Agency securities, with no concentration of more than 5% of total Operating Fund investments in any particular agency for which the investments were not secured by the U.S. Government.

At June 30, 2010 and 2009, investment concentrations of 5% or more of each respective fund's total investments, excluding investments relating to escrow accounts for which the concentration of credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are as follows:

Issuer	June 30, 2010		
	Single-Family Fund	Multi-Family Fund	Trust
Federal Farm Credit Bank		\$11,034,096	
Federal Home Loan Bank		9,110,522	\$2,000,625
Federal Home Loan Mortgage Corporation			362,091
HSBC Bank		29,532,550	
IXIS Funding Corporation	\$11,068,978		
Issuer	June 30, 2009		
	Single-Family Fund	Multi-Family Fund	Trust
Federal Farm Credit Bank	\$ 3,790,143	\$10,053,117	
Federal Home Loan Bank		8,544,916	
Federal Home Loan Mortgage Corporation			\$ 408,571
Federal National Mortgage Association			180,786
Trinity Funding Company LLC	2,496,409		
Bayern LB	4,043,495		
GE Capital Corp	5,308,194		
HSBC Bank		28,767,194	
IXIS Funding Corporation	12,102,602		
Westdeutsche Landesbank Gir	4,401,131		

Custodial credit risk is the risk that, in the event of the failure of the counterparty, Rhode Island Housing will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The policy in the Operating Fund is that all purchases are held in a safekeeping or custodial account at an approved safekeeping agent of the Corporation in the Corporation's name. At June 30, 2010 and 2009, there were no investments in the Operating Fund subject to custodial credit risk.

There are no other specific custodial credit risk policies for the Other Funds. Most of Rhode Island Housing's investments are either in Guaranteed Investment Contracts (GICs) in bonded resolutions, which are direct investments not subject to custodial credit risk, or in accounts managed by a financial advisory firm with underlying investments restricted to U.S. Government and Agency securities. At June 30, 2010 and 2009, there were no investments in any of the Other Funds subject to custodial credit risk.

As established in the Board-approved investment policy, the Corporation has the ability to enter into interest rate swap agreements and other similar interest rate related derivative instruments to reduce interest rate mismatches between its loan and investment assets and its bond and note liabilities. These types of derivative instruments expose the Corporation to certain risks including credit risk, interest rate risk, and counterparty risk. At June 30, 2010 and 2009 the Corporation was not party to any derivative instruments and has no intention to enter into any such agreements in the near future.

4. Bonds and Notes Payable

The Corporation issues serial bonds and term bonds under various bond resolutions to provide permanent financing for the origination or purchase from participating originating lenders of single-family loans, to provide permanent financing for qualified housing developments, and to provide financing for other purposes.

The Corporation obtains principally first and second mortgage liens on real property financed. The Corporation assigns such liens to the respective bonds when the mortgage loans are permanently financed

using bond proceeds. Bonds and notes are secured by related revenues and assets of the respective programs in which the related bonds and notes payable are reported.

The provisions of the applicable trust indentures require or allow for the redemption of bonds by the Corporation through the use of unexpended bond proceeds and excess funds accumulated primarily through the prepayment of mortgage loans. All outstanding bonds are subject to redemption at the option of the Corporation, in whole or in part at any time after certain dates, as specified in the respective bond series indentures.

Principal on all bonds is payable semi-annually. Interest on all bonds is payable principally on a semi-annual basis, except for compound interest bonds for which interest is payable at maturity. Term bonds require the Corporation to establish a sinking fund in the year preceding any term bond mandatory redemption.

In December 2009 the Corporation issued bonds under two new indentures following the announcement by the United States Treasury Department of its intent to purchase bonds from state and local housing finance agencies. This program is part of a federal plan to help stabilize the United States housing market and provide families with access to affordable rental housing and homeownership. The Treasury Department agreed to purchase from the Corporation up to \$128 million of single family bonds under the new Home Funding Bonds indenture, and up to \$65.1 million of rental housing bonds under the new Multi-Family funding Bonds indenture.

Bonds and notes payable at June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Operating Fund Bonds and Notes:		
Federal Home Loan Bank:		
Due 2010, interest from .38% to 3.43%	\$ 23,000,000	\$ 32,000,000
General Obligation Bonds Series 2008:		
Mandatory tender bonds, due 2013, interest at 4.625%	5,000,000	5,000,000
Note Payable, due 2027, interest at 5.275%	1,047,822	1,064,992
Treasury Bonds	---	(7,410,000)
Lines of Credit, payable on demand interest from 1.262% to 2.099%	<u>52,000,000</u>	<u>37,000,000</u>
Total Operating Fund	<u>81,047,822</u>	<u>67,654,992</u>
Single-Family Fund:		
Homeownership Opportunity Bonds and Notes:		
Series 10-A:		
Term bonds, due 2022 to 2027, interest at 6.50%	2,000,000	2,000,000
Series 15-A:		
Term bonds, due 2024, interest at 6.85%	2,000,000	2,000,000
Series 23:		
Serial bonds, due 2009, interest at 5.35%	---	325,000

Series 25-A:		
Term bonds, due 2016, interest at 4.95%	3,415,000	3,900,000
Series 26-B:		
Term bonds, due 2026, interest at 5.40%	9,290,000	10,475,000
Series 27-B:		
Serial bonds, due 2010, interest at 5.05%	520,000	1,515,000
Term bonds, due 2012, interest at 5.15%	<u>1,595,000</u>	<u>1,955,000</u>
	2,115,000	3,470,000
Series 28-A:		
Serial bonds, due 2010 to 2012, interest from 4.70% to 4.90%	1,175,000	1,595,000
Term bonds, due 2018 to 2020, interest from 4.65% to 5.15%	<u>2,370,000</u>	<u>2,375,000</u>
	3,545,000	3,970,000
Series 29-A:		
Serial bonds, due 2010 to 2011, interest from 4.65% to 4.75%	1,300,000	2,120,000
Term bonds, due 2015 to 2029, interest from 5.05% to 5.10%	<u>26,620,000</u>	<u>26,620,000</u>
	27,920,000	28,740,000
Series 30-A:		
Serial bonds, due 2009 to 2010, interest from 4.55% to 4.65%	---	995,000
Series 30-B:		
Term bonds, due 2019 to 2030, interest from 5.20% to 5.25%	3,665,000	3,670,000
Series 31-B:		
Serial bonds, due 2010, interest at 5.30%	955,000	1,860,000
Series 32-B:		
Serial bonds, due 2010, interest at 5.45%	745,000	1,830,000
Series 34-A:		
Serial bonds, due 2010, interest at 4.75%	---	590,000
Series 34-B:		
Term bonds, due 2020 to 2029, interest from 5.375% to 5.85%	13,760,000	13,760,000
Series 36-A:		
Serial bonds, due 2011, interest at 4.50%	875,000	1,710,000
Series 36-B:		
Term bonds, due 2019, interest at 4.65%	3,555,000	3,555,000
Series 37-A:		
Serial bonds, due 2011, interest at 4.40%	875,000	1,705,000
Series 37-B:		
Term bonds, due 2021, interest at 4.625%	2,140,000	2,290,000
Series 38-A:		
Term bonds, due 2027, interest at 5.50%	17,000,000	17,000,000

Series 39-A:		
Serial bonds, due 2013, interest at 4.50%	45,000	45,000
Series 39-B:		
Serial bonds, due 2011 to 2013, interest from 4.50% to 4.75%	2,335,000	2,975,000
Term bonds, due 2019 to 2022, interest from 4.50% to 5.25%	<u>15,325,000</u>	<u>15,670,000</u>
	17,660,000	18,645,000
Series 40-A:		
Serial bonds, due 2011 to 2016, interest from 3.70% to 4.50%	4,705,000	4,705,000
Term bonds, due 2022 to 2033, interest from 4.90% to 5.00%	<u>25,295,000</u>	<u>25,295,000</u>
	30,000,000	30,000,000
Series 41-A:		
Serial bonds, due 2011 to 2013, interest from 3.90% to 4.15%	1,275,000	1,475,000
Term bonds, due 2031, interest at 5.15%	<u>945,000</u>	<u>945,000</u>
	2,220,000	2,420,000
Series 41-B:		
Term bonds, due 2022, interest at 5.20%	7,190,000	7,290,000
Series 42-A:		
Serial bonds, due 2011 to 2013, interest from 3.40% to 3.65%	1,580,000	2,055,000
Term bonds, due 2017 to 2033, interest from 3.50% to 4.90%	<u>12,705,000</u>	<u>12,890,000</u>
	14,285,000	14,945,000
Series 43-A:		
Serial bonds, due 2010 to 2017, interest from 2.75% to 3.90%	4,370,000	4,840,000
Term bonds, due 2018 to 2033, interest from 3.25% to 4.375%	<u>7,665,000</u>	<u>7,870,000</u>
	12,035,000	12,710,000
Series 44-A:		
Serial bonds, due 2010 to 2013, interest from 3.40% to 4.00%	5,915,000	7,865,000
Term bonds, due 2017 to 2033, interest from 4.45% to 5.05%	<u>11,680,000</u>	<u>11,680,000</u>
	17,595,000	19,545,000
Series 45-A:		
Serial bonds, due 2011 to 2017, interest from 3.65% to 4.60%	9,550,000	10,740,000
Series 45-B:		
Term bonds, due 2020 to 2024, interest from 4.00% to 4.90%	19,055,000	19,870,000
Series 46-A:		
Serial bonds, due 2010 to 2014, interest from 3.00% to 3.85%	3,770,000	4,515,000
Term bonds, due 2019 to 2034, interest from 4.25% to 4.60%	<u>30,530,000</u>	<u>30,680,000</u>
	34,300,000	35,195,000
Series 46-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 47-A:		
Serial bonds, due 2010 to 2015, interest from 3.35% to 4.10%	4,580,000	5,285,000
Term bonds, due 2017, interest at 4.30%	<u>1,670,000</u>	<u>1,670,000</u>
	6,250,000	6,955,000
Series 47-B:		
Term bonds, due 2025 to 2033, interest from 5.00% to 5.15%	30,035,000	30,080,000

Series 48-A:		
Serial bonds, due 2010 to 2017, interest from 3.15% to 4.10%	6,475,000	7,215,000
Series 48-B:		
Term bonds, due 2025 to 2035, interest from 4.70% to 4.85%	19,820,000	19,820,000
Series 48-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 49-A:		
Serial bonds, due 2012 to 2015, interest from 3.55% to 4.10%	6,310,000	6,310,000
Term bonds, due 2017 to 2034, interest from 4.20% to 4.75%	<u>4,105,000</u>	<u>4,105,000</u>
	10,415,000	10,415,000
Series 49-B:		
Serial bonds, due 2011 to 2012, interest from 3.90% to 4.10%	2,635,000	5,315,000
Term bonds, due 2020 to 2035, interest from 4.40% to 4.80%	<u>29,825,000</u>	<u>33,940,000</u>
	32,460,000	39,255,000
Series 50-A:		
Serial bonds, due 2010 to 2014, interest from 3.40% to 3.85%	13,950,000	17,210,000
Term bonds, due 2017 to 2034, interest from 4.00% to 4.65%	<u>17,270,000</u>	<u>17,270,000</u>
	31,220,000	34,480,000
Series 50-B:		
Term bonds, due 2035, interest at 4.60%	38,365,000	38,365,000
Series 51-A:		
Serial bonds, due 2010 to 2017, interest from 3.55% to 4.125%	12,665,000	14,695,000
Term bonds, due 2026 to 2033, interest from 4.65% to 4.85%	<u>29,215,000</u>	<u>29,215,000</u>
	41,880,000	43,910,000
Series 51-B:		
Term bonds, due 2036, interest at 5.00%	5,715,000	6,725,000
Series 52-A:		
Serial bonds, due 2011 to 2018, interest from 3.80% to 4.30%	9,595,000	11,345,000
Term bonds, due 2021 to 2033, interest from 4.50% to 4.80%	<u>11,740,000</u>	<u>11,740,000</u>
	21,335,000	23,085,000
Series 52-B:		
Term bonds, due 2028 to 2036, interest from 4.90% to 5.00%	25,000,000	25,000,000
Series 53-A:		
Serial bonds, due 2010 to 2017, interest from 3.55% to 4.05%	18,160,000	18,160,000
Term bonds, due 2034, interest at 4.60%	<u>3,150,000</u>	<u>3,150,000</u>
	21,310,000	21,310,000
Series 53-B:		
Serial bonds, due 2009 to 2010, interest from 3.90% to 3.95%	---	2,700,000
Term bonds, due 2021 to 2046, interest from 4.70% to 5.00%	<u>42,115,000</u>	<u>42,115,000</u>
	42,115,000	44,815,000
Series 54:		
Term bonds, due 2026 to 2046, interest from 4.65% to 4.90%	60,675,000	68,085,000

Series 55-A:		
Serial bonds, due 2013 to 2017, interest from 3.70% to 3.95%	8,345,000	8,345,000
Term bonds, due 2034, interest at 4.50%	<u>2,280,000</u>	<u>2,280,000</u>
	10,625,000	10,625,000
Series 55-B:		
Serial bonds, due 2011 to 2017, interest from 4.00% to 4.375%	4,945,000	6,915,000
Term bonds, due 2022 to 2047, interest from 4.55% to 4.85%	<u>60,600,000</u>	<u>60,645,000</u>
	65,545,000	67,560,000
Series 56-A:		
Serial bonds, due 2011 to 2015, interest from 4.30% to 4.65%	3,905,000	4,655,000
Term bonds, due 2017 to 2047, interest from 4.75% to 5.20%	<u>59,515,000</u>	<u>59,580,000</u>
	63,420,000	64,235,000
Series 56-B1-T:		
Term bonds, due 2047, interest at 6.074%	8,590,000	10,775,000
Series 56-B2-T:		
Serial bonds, due 2011 to 2014, interest at 5.67%	1,760,000	3,480,000
Series 57-A:		
Serial bonds, due 2011 to 2017, interest from 3.80% to 4.25%	10,150,000	11,945,000
Term bonds, due 2034, interest at 5.00%	<u>475,000</u>	<u>475,000</u>
	10,625,000	12,420,000
Series 57-B:		
Term bonds, due 2022 to 2047, interest from 5.15% to 5.45%	56,590,000	56,590,000
Series 58-A:		
Term bonds, due 2023 to 2047, interest from 5.05% to 5.40%	59,460,000	62,160,000
Series 58-T:		
Term bonds, due 2013 to 2017, interest from 4.98% to 5.51%	8,150,000	9,620,000
Series 59-A:		
Serial bonds, due 2010 to 2017, interest from 2.625% to 4.125%	17,520,000	19,235,000
Term bonds, due 2034, interest at 5.15%	<u>3,215,000</u>	<u>3,215,000</u>
	20,735,000	22,450,000
Series 59-B:		
Term bonds, due 2022 to 2028, interest from 5.45% to 5.70%	22,620,000	24,300,000
Series 59-C:		
Demand bonds, due 2047, interest at variable rate	25,000,000	25,000,000
Series 60-A1:		
Serial bonds, due 2010 to 2017, interest from 2.65% to 4.30%	11,700,000	13,140,000
Term bonds, due 2034, interest at 5.375%	<u>3,080,000</u>	<u>3,080,000</u>
	14,780,000	16,220,000
Series 60-A2:		
Term bonds, due 2036 to 2038, interest from 5.50% to 5.625%	27,265,000	27,265,000

Series 60-B:		
Serial bonds, due 2017 to 2018, interest from 5.00% to 5.150%	1,840,000	1,840,000
Term bonds, due 2023 to 2028, interest from 5.75% to 6.00%	<u>---</u>	<u>19,340,000</u>
	1,840,000	21,180,000

Unamortized bond premium	<u>1,353,918</u>	<u>1,485,983</u>
Subtotal	<u>1,079,218,918</u>	<u>1,160,130,983</u>

Home Funding Bonds and Notes:

Series 1-A:		
Serial bonds, due 2010 to 2021, interest from .55% to 4.125%	17,060,000	---
Term bonds, due 2024 to 2027, interest from 4.25% to 4.625%	<u>12,940,000</u>	<u>---</u>
	30,000,000	---

Series 1-B:		
Term bonds, due 2039, interest at 3.96%	45,000,000	---

Series 2:		
Term bonds, due 2041, interest at variable rate	83,000,000	---

Unamortized bond discount	<u>(16,965)</u>	<u>---</u>
Subtotal	<u>157,983,035</u>	<u>---</u>

Total Single-Family Fund	<u>1,237,201,953</u>	<u>1,160,130,983</u>
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Multi-Family Fund:

Multi-Family Housing Bonds:

1985 Series A:		
Compound interest term bonds, due 2010, interest at 10.125%	1,475,000	2,808,414

1995 Series A:		
Term bonds, due 2017, interest at 6.15%	940,000	1,030,000

1997 Series A:		
Term bonds, due 2010, interest at 5.60%	435,000	1,235,000

1998 Series A:		
Serial bonds, due 2010 to 2012, interest from 5.00% to 5.10%	260,000	340,000
Term bonds, due 2018 to 2033, interest from 5.375% to 5.50%	<u>3,550,000</u>	<u>3,550,000</u>

Subtotal	<u>6,660,000</u>	<u>8,963,414</u>
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Housing Bonds:

2001 Series A:		
Serial bonds, due 2010 to 2013, interest from 4.90% to 5.15%	870,000	1,060,000
Term bonds, due 2015, interest at 5.30%	<u>1,490,000</u>	<u>1,490,000</u>
	2,360,000	2,550,000

2001 Series B-1B:		
Serial bonds, due 2010 to 2013, interest from 4.20% to 4.55%	4,195,000	5,095,000
Term bonds, due 2022 to 2031, interest from 5.15% to 5.25%	<u>14,155,000</u>	<u>14,155,000</u>
	18,350,000	19,250,000

2001 Series B-2T:		
Term bonds, due 2031, interest at variable rate	3,860,000	3,920,000
2002 Series A:		
Serial bonds, due 2010 to 2012, interest from 4.35% to 4.55%	485,000	625,000
Term bonds, due 2016 to 2032, interest from 5.00% to 5.55%	<u>8,620,000</u>	<u>8,620,000</u>
	9,105,000	9,245,000
2003 Series A-1:		
Serial bonds, due 2011 to 2013, interest from 3.875% to 4.10%	255,000	330,000
Term bonds, due 2018 to 2035, interest from 4.625% to 4.95%	<u>7,455,000</u>	<u>7,455,000</u>
	7,710,000	7,785,000
2003 Series A-2T:		
Term bonds, due 2034, interest at variable rate	21,745,000	22,070,000
2003 Series B-1A:		
Serial bonds, due 2011 to 2016, interest from 4.35% to 4.90%	2,230,000	2,620,000
Term bonds, due 2024 to 2034, interest from 5.375% to 5.50%	<u>9,100,000</u>	<u>9,100,000</u>
	11,330,000	11,720,000
2003 Series B-1B:		
Serial bonds, due 2011, interest at 4.35%	90,000	190,000
Term bonds, due 2024 to 2034, interest from 5.375% to 5.55%	<u>2,700,000</u>	<u>2,700,000</u>
	2,790,000	2,890,000
2003 Series B-2T:		
Term bonds, due 2035, interest at variable rate	9,050,000	9,115,000
2003 Series C-1A:		
Serial bonds, due 2011 to 2014, interest from 3.65% to 4.10%	1,245,000	1,505,000
Term bonds, due 2023 to 2034, interest from 4.85% to 5.00%	<u>15,695,000</u>	<u>15,695,000</u>
	16,940,000	17,200,000
2003 Series C-1B:		
Serial bonds, due 2011 to 2014, interest from 3.65% to 4.10%	110,000	135,000
Term bonds, due 2023 to 2035, interest from 4.85% to 5.00%	<u>1,370,000</u>	<u>1,370,000</u>
	1,480,000	1,505,000
2004 Series A-1A:		
Serial bonds, due 2010 to 2016, interest from 3.65% to 4.50%	1,065,000	1,200,000
Term bonds, due 2025 to 2033, interest from 5.00% to 5.10%	<u>6,335,000</u>	<u>6,335,000</u>
	7,400,000	7,535,000
2004 Series A-1B:		
Term bonds, due 2016 to 2045, interest from 4.50% to 5.35%	3,195,000	3,215,000
2004 Series A-2T:		
Term bonds, due 2025, interest at 6.10%	3,660,000	13,040,000
2004 Series B-1A:		
Serial bonds, due 2010 to 2015, interest from 3.00% to 3.70%	75,000	85,000
Term bonds, due 2025 to 2045, interest from 4.55% to 4.85%	<u>1,890,000</u>	<u>1,890,000</u>
	1,965,000	1,975,000

2004 Series B-1B-1:		
Serial bonds, due 2010 to 2015, interest from 3.40% to 4.10%	715,000	805,000
Term bonds, due 2045, interest at 4.90%	<u>12,875,000</u>	<u>12,875,000</u>
	13,590,000	13,680,000
2004 Series B-1B-2:		
Serial bonds, due 2010 to 2015, interest from 3.40% to 4.10%	140,000	165,000
Term bonds, due 2025 to 2035, interest from 4.65% to 4.90%	<u>860,000</u>	<u>860,000</u>
	1,000,000	1,025,000
2004 Series B-2T:		
Term bonds, due 2010 to 2045, interest from 4.05% to 5.77%	8,960,000	9,025,000
2005 Series A-1A:		
Serial bonds, due 2010 to 2015, interest from 3.70% to 4.25%	2,260,000	2,520,000
Term bonds, due 2025 to 2035, interest from 4.75% to 4.875%	<u>17,230,000</u>	<u>17,230,000</u>
	19,490,000	19,750,000
2005 Series A-1B:		
Term bonds, due 2035, interest at 4.90%	270,000	270,000
2005 Series A-2T:		
Term bonds, due 2015 to 2035, interest from 5.14% to 5.76%	7,555,000	7,650,000
2006 Series A-1:		
Serial bonds, due 2010 to 2016, interest from 3.75% to 4.05%	1,730,000	1,940,000
Term bonds, due 2022 to 2043, interest from 4.50% to 4.75%	<u>19,680,000</u>	<u>19,680,000</u>
	21,410,000	21,620,000
2006 Series A-2T:		
Term bonds, due 2048, interest at 5.88%	4,490,000	4,560,000
2007 Series A-1:		
Serial bonds, due 2010 to 2017, interest from 3.80% to 4.35%	2,295,000	2,510,000
Term bonds, due 2027 to 2048, interest from 4.80% to 5.00%	<u>29,680,000</u>	<u>29,680,000</u>
	31,975,000	32,190,000
2007 Series A-2T:		
Term bonds, due 2027, interest at 5.608%	4,670,000	7,130,000
2007 Series B-1A/B:		
Serial bonds, due 2010 to 2017, interest from 3.80% to 4.50%	1,755,000	1,885,000
Term bonds, due 2022 to 2049, interest from 5.00% to 5.50%	<u>24,405,000</u>	<u>24,405,000</u>
	26,160,000	26,290,000
Unamortized bond premium	<u>89,100</u>	<u>89,572</u>
Subtotal	<u>260,599,100</u>	<u>276,294,572</u>
Multi-Family Funding Bonds:		
2009 Series A:		
Escrow bonds, due 2041, interest at variable rate	<u>65,100,000</u>	<u>---</u>
Multi-Family Mortgage Revenue Bonds:		
1998 Series A:		
Term bonds, due 2028, interest at variable rate	2,110,000	2,175,000

Series 2006 (University Heights Project):		
Term bonds, due 2039, interest at variable rate	26,700,000	26,700,000
Series 2006 (Sutterfield Project):		
Term bonds, due 2039, interest at variable rate	7,000,000	7,000,000
Series 2006 (The Groves):		
Term bonds, due 2040, interest at variable rate	<u>30,950,000</u>	<u>35,000,000</u>
Subtotal	<u>66,760,000</u>	<u>70,875,000</u>
Total Multi-Family Fund	<u>399,119,100</u>	<u>356,132,986</u>
TOTAL BONDS AND NOTES PAYABLE	<u>\$1,717,368,875</u>	<u>\$1,583,918,961</u>

Notes payable consist of the Operating Fund's lines of credit which were established with financial institutions primarily to make funds available for the origination, or purchase from participating originating lenders, of single-family loans prior to the time such loans are funded by bond proceeds received by the issuance of bonds under the Single-Family Fund. At June 30, 2010 the Corporation may borrow up to a maximum of \$40,000,000 under one revolving loan agreement expiring October 2010, up to a maximum of \$19,500,000 under another additional revolving loan agreement expiring May 2011, and up to a maximum of \$15,000,000 under a third additional revolving loan agreement expiring December 2010. Borrowings under the lines of credit are payable on demand and unsecured.

During the year ended June 30, 2010, the Single-Family Fund redeemed \$11,410,000 of outstanding bonds that had been purchased by the Operating Fund. The bonds were recorded as Treasury Bonds at par value within the Operating Fund as a reduction to bonds payable. The remaining discount on the Treasury Bonds of \$2,254,000 was recorded as a gain on the sale of investments at the time of the redemption.

The debt service payable schedule below includes amounts required for debt service sinking funds, including compound interest bonds which are reported at their matured principal amount, for each fiscal year relating to the respective bonds and notes as of June 30, 2010 (dollars in thousands):

	Operating Fund Bonds/Notes		Single-Family Fund Bonds/Notes		Multi-Family Fund Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$75,018	\$ 612	\$ 28,420	\$ 52,050	\$ 6,665	\$ 12,111
2012	19	286	32,810	50,925	5,050	11,944
2013	20	285	32,990	49,683	5,350	11,736
2014	5,021	168	31,825	48,388	5,765	11,512
2015	22	51	32,595	47,107	5,820	11,269
2016-2020	132	237	195,050	212,000	33,120	52,103
2021-2025	172	197	186,305	164,996	38,820	44,301
2026-2030	643	57	200,550	119,722	48,080	35,317
2031-2035	---	---	219,710	73,334	55,950	24,111
2036-2040	---	---	139,215	28,277	87,085	14,895
2041-2045	---	---	121,725	8,609	91,850	7,746
2046-2050	---	---	<u>14,670</u>	<u>1,068</u>	<u>15,475</u>	<u>1,544</u>
	<u>\$81,047</u>	<u>\$1,893</u>	<u>\$1,235,865</u>	<u>\$856,159</u>	<u>\$399,030</u>	<u>\$238,589</u>

Homeownership Opportunity Bonds Series 46-T and 48-T, Housing Bonds 2001 Series B-2T, 2003 Series A-2T and 2003 Series B-2T, bear interest at a variable rate established quarterly. The Multi-Family Mortgage Revenue Bonds and the Homeownership Opportunity Bonds Series 59-C bear interest at a variable rate established weekly by the Remarketing Agent. The rates used above were the applicable rates as of June 30, 2010.

Bonds and notes payable activity for the year ended June 30, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds and notes payable:				
General obligation bonds	\$ 5,000,000	---	---	\$ 5,000,000
Unsecured notes	38,064,992	196,500,000	(181,517,170)	53,047,822
Secured notes	32,000,000	62,500,000	(71,500,000)	23,000,000
Revenue bonds	<u>1,508,853,969</u>	<u>234,500,000</u>	<u>(107,032,916)</u>	<u>1,636,321,053</u>
	<u>\$1,583,918,961</u>	<u>\$493,500,000</u>	<u>\$(360,050,086)</u>	<u>\$1,717,368,875</u>

Bonds and notes payable activity for the year ended June 30, 2009 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds and notes payable:				
General obligation bonds	\$ 5,000,000	\$ 5,000,000	\$ (5,000,000)	\$ 5,000,000
Unsecured notes	11,581,269	225,000,000	(198,516,277)	38,064,992
Secured notes	36,000,000	37,000,000	(41,000,000)	32,000,000
Revenue bonds	<u>1,563,789,052</u>	<u>75,000,000</u>	<u>(129,935,083)</u>	<u>1,508,853,969</u>
	<u>\$1,616,370,321</u>	<u>\$342,000,000</u>	<u>\$(374,451,360)</u>	<u>\$1,583,918,961</u>

5. Commitments and Contingencies

The Corporation is a party to financial instruments with off-balance-sheet risk in connection with its commitments to provide financing. Such commitments expose the Corporation to credit risk in excess of the amounts recognized in the accompanying balance sheets. The Corporation's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of such instruments. The Corporation uses the same credit policies in making commitments as it does for on-balance-sheet instruments. Total credit exposure as a result of loan commitments at June 30, 2010 are as follows:

Fund	Commitments
Operating Fund	\$40,142,530
Single-Family Fund	\$ 2,987,603
Multi Family Fund	---

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. The Corporation evaluates each borrower's credit worthiness on a case-by-case basis. Interest rates on approved loan commitments are principally fixed rates.

The Corporation is party to certain claims and lawsuits which are being contested, certain of which Rhode Island Housing and respective legal counsel are unable to determine the likelihood of an unfavorable outcome or the amount or range of potential loss. In the opinion of management, the ultimate liability with

respect to these actions and claims will not have a material adverse effect on either the financial position or the results of operations of Rhode Island Housing.

Rhode Island Housing is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God for which Rhode Island Housing carries commercial insurance. Neither Rhode Island Housing nor its insurers have settled any claims which exceeded Rhode Island Housing's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year. Rhode Island Housing also is self-insured for unemployment compensation, and no accrual has been recorded in the accompanying financial statements for claims expected to arise from services rendered on or before June 30, 2010 because Rhode Island Housing officials are of the opinion that, based on prior experience, any claims will not be material.

6. Debt Compliance

The Corporation is required by the Internal Revenue Service as well as its various bond resolutions to comply with certain tax code provisions and bond covenants. The most significant of these include the following: all debt payments must be current, annual reports and budgets must be filed with the trustee, and the Corporation must comply with various restrictions on investment earnings from bond proceeds.

7. Loans Receivable

The Corporation provides single-family mortgage loans to qualified borrowers in the State of Rhode Island. The mortgage loans are generally required to be insured through the Federal Housing Administration (FHA), guaranteed by the Department of Veterans Administration (VA) or USDA Rural Development, or conventionally financed with traditional primary mortgage insurance. Under the single-family program guidelines, conventionally financed single-family mortgage loans with an initial loan-to-value ratio of greater than 80% are insured by private mortgage insurance carriers. As these loans amortize and the loan-to-value ratio falls below 80%, the private mortgage insurance coverage may be terminated.

The single-family mortgage loan balances in the Single Family Fund are insured, subject to maximum insurable limits described below:

	<u>2010</u>	<u>2009</u>
Private Mortgage Insurance	\$658,098,590	\$692,228,736
FHA Insurance	160,797,542	153,656,306
VA Guaranteed	18,485,413	20,044,928
USDA/RD Guaranteed	4,344,762	4,027,255
Uninsured	<u>299,956,800</u>	<u>304,569,584</u>
Total	<u>\$1,141,683,107</u>	<u>\$1,174,526,809</u>

The FHA program insures the repayment of the unpaid principal amount of the mortgage upon foreclosure and conveyance of title to the Secretary of Housing and Urban Development (HUD). The insurance proceeds are usually paid in cash, but at the discretion of the Secretary may be settled through issuance of twenty-year debentures. The VA mortgage loan guarantee covers from 25% up to 50% of the original principal amount of a loan up to a maximum of \$60,000, depending on the loan amount. Private mortgage insurers must be qualified to insure mortgages purchased by the Federal Home Loan Mortgage Corporation or Fannie Mae and must be authorized to do business in the State of Rhode Island. Private

mortgage insurance typically covers between 6% and 35% of claims depending upon the premium plan and coverage selected when the loan is originated. The risk exists that if these private mortgage insurance companies are not able to honor claims, these loans would be considered uninsured. To date, all claims have been paid in accordance with contractual terms.

The Corporation has entered into a risk-sharing agreement with HUD whereby HUD will provide partial mortgage insurance on affordable multifamily housing developments financed by the Corporation. The risk of loss to the Corporation varies from 50% to 90% depending on the level of participation by HUD. In the Multi-Family Fund and Operating Fund, loan balances at June 30, 2010 of \$222,541,132 and \$8,956,200, respectively, are insured under such agreements subject to maximum participation limits.

In the Single-Family Fund and the Multi-Family Fund, 99% and 98%, respectively, of the loan portfolio is in first lien position. In the Operating Fund and the Affordable Housing Trust Fund, 44% and 38%, respectively, of the loan portfolio is in first lien position.

The payment of interest by borrowers on certain loans recorded in the Corporation's Operating Fund, Single-Family Fund and Multi-Family Fund is deferred and is payable by borrowers only from available cash flow, as defined in the loan agreements, or other specified sources. Interest income on such loans is recorded only when received from the borrower. For the year ended June 30, 2010, interest received under such deferred loan arrangements was \$653,947 in the Operating Fund and \$64,936 in the Single-Family Fund. For the year ended June 30, 2009, interest received under such deferred loan arrangements was \$776,515 in the Operating Fund and \$68,580 in the Single-Family Fund. At June 30, 2010 and 2009, principal outstanding under such deferred loan arrangements is as follows:

	<u>2010</u>	<u>2009</u>
Operating Fund:		
Single-family loans	\$ 34,903,452	\$ 28,926,596
Multi-family loans	<u>115,062,040</u>	<u>79,403,377</u>
Subtotal	149,965,492	108,329,973
Single-Family Fund:		
Single-family loans	<u>9,050,901</u>	<u>7,464,060</u>
Total	<u>\$159,016,393</u>	<u>\$115,794,033</u>

Certain loans recorded in the Corporation's Operating Fund and Single-Family Fund are on non-accrual status due to delinquency over 90 days. At June 30, 2010 and 2009, principal outstanding under such non-accrual status loans is as follows:

	<u>2010</u>	<u>2009</u>
Operating Fund:		
Single-family loans	\$ 2,168,208	\$ 1,093,168
Multi-family loans	<u>1,908,935</u>	<u>1,274,744</u>
Subtotal	4,077,143	2,367,912
Single-Family Fund:		
Single-family loans	<u>82,545,328</u>	<u>43,213,654</u>
Total	<u>\$86,622,471</u>	<u>\$45,581,566</u>

A summary of the changes in the allowance for loan losses is as follows:

	<u>2010</u>	<u>2009</u>
Balance at beginning of year	\$36,688,875	\$33,843,112
Loans charged off, net of recoveries	(1,723,579)	(354,237)
Write down of REO properties	(2,123,921)	-
Provisions for loan losses	<u>4,100,000</u>	<u>3,200,000</u>
Balance at end of year	<u>\$36,941,375</u>	<u>\$36,688,875</u>

In addition to the allowance for loan losses, the Corporation maintains an escrow account funded by certain mortgage lenders (the "Mortgage Lender's Reserve Account"). This Mortgage Lenders Reserve Account equals a percentage of the outstanding principal balance of certain mortgage loans purchased from an applicable mortgage lender and is available to the Corporation in the event the proceeds realized upon the default and foreclosure of any covered mortgage loan is less than the amount due the Corporation. At June 30, 2010 and 2009, the Mortgage Lenders Reserve Account totaled \$1,176,503 and \$1,332,511, respectively.

Under its trust agreement, the Affordable Housing Trust may invest its funds in securities and real estate related assets and loans in furtherance of its purpose of preserving affordable housing opportunities in the State. In this regard, it may originate a loan directly or purchase all or a portion of a loan originated by another lender. During the years ended June 30, 2010 and 2009, the Trust purchased \$5,000,000 and \$20,000,000 respectively of loans from the Corporation which were originated in order to preserve and refurbish affordable rental housing stock.

8. State Rental Subsidy Program

The Corporation and the State have entered into a contractual relationship whereby the Corporation assumed the responsibility for the State Rental Subsidy Program for the period July 1, 1994 through June 30, 1997. In addition, the Corporation made \$3,800,000 in advances on behalf of the State for this program in the fiscal year ended June 30, 1994. As provided in the contractual arrangement, the State agreed to repay the \$3,800,000, subject to appropriations, in installments of \$950,000 over a four-year period beginning in the year ended June 30, 1996, but to date no payments have been received, nor have any payments for advances totaling \$45,653,060 made during the years ended June 30, 1998 through 2010 been received.

9. Restricted Assets

The Corporation in the course of its business maintains various trust and escrow accounts required by applicable bond covenants for the benefit of bondholders and others, and all such accounts are considered restricted in this context. Also, restricted assets principally include Mortgage Lenders Reserve Accounts because their use is restricted by agreements between the Corporation and mortgage lenders, escrow funds received from borrowers and advance funds received from the U.S. Department of Housing and Urban Development (HUD) for the use in HUD programs.

At June 30, 2010 and 2009, all assets in the Corporation's Single-Family and Multi-Family Funds; and \$154,299,709 and \$164,895,247, respectively, of investments and cash and cash equivalents and \$98,884,002 and \$54,996,146, respectively, of loans receivable in the Corporation's Operating Fund are restricted.

10. Segment Information

The Corporation has issued various revenue bonds to finance the activities of its Single-Family Fund and Multi-Family Fund. Investors in each revenue bond rely solely on the revenue stream generated from

the activities associated with the specific revenue bonds for repayment. Segment information relating to these identifiable activities is presented in the accompanying balance sheets, statements of revenues, expenses and changes in fund equity and statements of cash flows.

11. Subsequent Events

The Corporation has instructed its trustee to redeem the following bonds outstanding on October 1, 2010:

Program	Principal Outstanding
Homeownership Opportunity Bonds	\$24,785,000

**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

To the Board of Commissioners of the
Rhode Island Housing and Mortgage Finance Corporation
Providence, Rhode Island

We have audited the financial statements of the business-type activities and the discretely presented component unit of Rhode Island Housing and Mortgage Finance Corporation (the "Corporation"), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2010, and have issued our report thereon dated September 30, 2010 which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the Corporation's financial statements as a whole. The supplemental information presented on pages 46 through 55 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

CCR LLP

Providence, Rhode Island
September 30, 2010

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2010

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
RETIREE HEALTH CARE BENEFIT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2008	\$ - 0 -	\$1,882,457	\$1,882,457	0%	\$8,596,893	21.9%
June 30, 2009	\$ - 0 -	\$1,882,457	\$1,882,457	0%	\$8,857,639	21.3%
June 30, 2010	\$ - 0 -	\$1,882,457	\$1,882,457	0%	\$9,137,027	20.6%

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Single-Family Fund
June 30, 2010 and 2009

	Homeownership Opportunity Bond Program		Home Funding Bond Program	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets				
Loans receivable	\$ 1,108,803,499	\$ 1,174,526,809	\$ 32,879,608	\$
Less: allowance for loan losses	(3,835,432)	(3,750,000)		
Loans receivable, net	<u>1,104,968,067</u>	<u>1,170,776,809</u>	<u>32,879,608</u>	
Investments	45,308,799	42,905,435	45,812,797	
Accrued interest-loans	3,949,684	4,170,083	96,718	
Accrued interest-investments	441,031	493,812	169,171	
Cash and cash equivalents	62,830,773	80,477,428	85,561,961	
Accounts receivable				
Deferred bond issuance costs, net	8,858,324	9,886,040	870,863	
Other assets, net	12,708,827	8,967,294	62,167	
Interfund receivable (payable)	(49,461)	(52,680)		
Total assets	<u>\$ 1,239,016,044</u>	<u>\$ 1,317,624,221</u>	<u>\$ 165,453,285</u>	<u>\$ -</u>
Liabilities and Fund Equity				
Bonds and notes payable	\$ 1,079,218,918	\$ 1,160,130,983	\$ 157,983,035	\$
Accrued interest payable on bonds and notes	12,335,216	13,364,206	741,079	
Accounts payable and accrued liabilities	1,073,819	1,104,979		
Deferred fees	392,845	425,282		
Escrow deposits		74	302	
Total liabilities	<u>1,093,020,798</u>	<u>1,175,025,524</u>	<u>158,724,416</u>	<u>-</u>
Commitments and contingencies				
Fund equity, restricted	<u>145,995,246</u>	<u>142,598,697</u>	<u>6,728,869</u>	
Total liabilities and fund equity	<u>\$ 1,239,016,044</u>	<u>\$ 1,317,624,221</u>	<u>\$ 165,453,285</u>	<u>\$ -</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Single-Family Fund, Continued
June 30, 2010 and 2009

	<u>Single Family Fund Totals</u>	
	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Loans receivable	\$ 1,141,683,107	\$ 1,174,526,809
Less: allowance for loan losses	<u>(3,835,432)</u>	<u>(3,750,000)</u>
Loans receivable, net	1,137,847,675	1,170,776,809
Investments	91,121,596	42,905,435
Accrued interest-loans	4,046,402	4,170,083
Accrued interest-investments	610,202	493,812
Cash and cash equivalents	148,392,734	80,477,428
Accounts receivable		
Deferred bond issuance costs, net	9,729,187	9,886,040
Other assets, net	12,770,994	8,967,294
Interfund receivable (payable)	<u>(49,461)</u>	<u>(52,680)</u>
Total assets	<u>\$ 1,404,469,329</u>	<u>\$ 1,317,624,221</u>
<u>Liabilities and Fund Equity</u>		
Bonds and notes payable	\$ 1,237,201,953	\$ 1,160,130,983
Accrued interest payable on bonds and notes	13,076,295	13,364,206
Accounts payable and accrued liabilities	1,073,819	1,104,979
Deferred fees	392,845	425,282
Escrow deposits	<u>302</u>	<u>74</u>
Total liabilities	1,251,745,214	1,175,025,524
Commitments and contingencies		
Fund equity, restricted	<u>152,724,115</u>	<u>142,598,697</u>
Total liabilities and fund equity	<u>\$ 1,404,469,329</u>	<u>\$ 1,317,624,221</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Fund Equity - Single-Family Fund
Total liabilities and fund equity

	Homeownership Opportunity Bond Program		Home Funding Bond Program	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Operating revenues:				
Interest income on loans	\$ 58,855,358	\$ 62,046,342	\$ 1,035,602	\$
Interest income attributable to internal servicing activities				
Total interest income on loans	<u>58,855,358</u>	<u>62,046,342</u>	<u>1,035,602</u>	
Income on investments:				
Interest on investments	2,643,426	4,212,393	819,139	
Net increase (decrease) in fair value of investments	1,044,068	987,115	2,535,950	
Fees				
Servicing fee income				
Miscellaneous income				
Total operating revenues	<u>62,542,852</u>	<u>67,245,850</u>	<u>4,390,691</u>	
Operating expenses:				
Interest expense	51,695,932	54,626,516	1,521,106	
Personnel services				
Other administrative expenses	97,577	85,146		
Housing initiatives	48,754	54,522		
Provision for loan loss	3,100,000	566,311		
Arbitrage rebate	247,340	217,188		
Amortization of deferred bond issuance costs	611,001	663,673	15,807	
Early retirement of debt	416,715	53,158		
Depreciation and amortization of other assets	320,970	224,503	32,141	
State Rental Subsidy Program				
Total operating expenses	<u>56,538,289</u>	<u>56,491,017</u>	<u>1,569,054</u>	
Operating income (loss)	6,004,563	10,754,833	2,821,637	
Transfers in (out) of fund equity	<u>(2,608,014)</u>	<u>(2,178,664)</u>	<u>3,907,232</u>	
Change in fund equity	3,396,549	8,576,169	6,728,869	
Fund equity, beginning of year	142,598,697	134,022,528		
Fund equity, end of year	<u>\$ 145,995,246</u>	<u>\$ 142,598,697</u>	<u>\$ 6,728,869</u>	<u>\$</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Fund Equity - Single-Family Fund, Continued

	Single-Family Fund Totals	
	<u>2010</u>	<u>2009</u>
Operating revenues:		
Interest income on loans	\$ 59,890,960	\$ 62,046,342
Interest income attributable to internal servicing activities		
Total interest income on loans	<u>59,890,960</u>	<u>62,046,342</u>
Income on investments:		
Interest on investments	3,462,565	4,212,393
Net increase (decrease) in fair value of investments	3,580,018	987,115
Fees		
Servicing fee income		
Miscellaneous income		
Total operating revenues	<u>66,933,543</u>	<u>67,245,850</u>
Operating expenses:		
Interest expense	53,217,038	54,626,516
Personnel services		
Other administrative expenses	97,577	85,146
Housing initiatives	48,754	54,522
Provision for loan loss	3,100,000	566,311
Arbitrage rebate	247,340	217,188
Amortization of deferred bond issuance costs	626,808	663,673
Early retirement of debt	416,715	53,158
Depreciation and amortization of other assets	353,111	224,503
State Rental Subsidy Program		
Total operating expenses	<u>58,107,343</u>	<u>56,491,017</u>
Operating income (loss)	8,826,200	10,754,833
Transfers in (out) of fund equity	<u>1,299,218</u>	<u>8,576,169</u>
Change in fund equity	10,125,418	8,576,169
Fund equity, beginning of year	142,598,697	134,022,528
Fund equity, end of year	<u>\$ 152,724,115</u>	<u>\$ 142,598,697</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Multi-Family Fund
June 30, 2010 and 2009

	Multi-Family Housing Bond Program		Housing Bond Program	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets				
Loans receivable	\$ 5,978,617	\$ 7,403,759	\$ 250,205,338	\$ 254,861,979
Less: allowance for loan losses				
Loans receivable, net	<u>5,978,617</u>	<u>7,403,759</u>	<u>250,205,338</u>	<u>254,861,979</u>
Investments	27,766,667	27,060,628	24,272,469	22,605,720
Accrued interest-loans	40,478	50,620	1,523,639	1,580,109
Accrued interest-investments	9,916	18,743	251,629	245,462
Cash and cash equivalents	3,856,804	3,617,829	22,012,500	40,525,334
Accounts receivable				
Deferred bond issuance costs, net	74,855	85,394	96,572	101,248
Other assets, net				
Interfund receivable (payable)			11,953,985	
Total assets	<u>\$ 37,727,337</u>	<u>\$ 38,236,973</u>	<u>\$ 310,316,132</u>	<u>\$ 319,919,852</u>
Liabilities and Fund Equity				
Bonds and notes payable	\$ 6,660,000	\$ 8,963,414	\$ 260,599,100	\$ 276,294,572
Accrued interest payable on bonds and notes	144,864	171,991	2,914,449	3,207,900
Accounts payable and accrued liabilities	187,537	394,215	2,394,055	1,164,950
Deferred fees				
Escrow deposits			<u>1,247,726</u>	<u>1,247,726</u>
Total liabilities	<u>6,992,401</u>	<u>9,529,620</u>	<u>267,155,330</u>	<u>281,915,148</u>
Commitments and contingencies				
Fund equity, restricted	<u>30,734,936</u>	<u>28,707,353</u>	<u>43,160,802</u>	<u>38,004,704</u>
Total liabilities and fund equity	<u>\$ 37,727,337</u>	<u>\$ 38,236,973</u>	<u>\$ 310,316,132</u>	<u>\$ 319,919,852</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Multi-Family Fund, Continued
June 30, 2010 and 2009

	Multi-Family Mortgage Revenue Bond Program		Multi-Family Funding Bond Program	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets				
Loans receivable	\$ 66,760,000	\$ 70,875,000	\$	\$
Less: allowance for loan losses				
Loans receivable, net	<u>66,760,000</u>	<u>70,875,000</u>		
Investments				
Accrued interest-loans	34,229	69,926		
Accrued interest-investments				
Cash and cash equivalents	69,874	48,924	65,119,726	
Accounts receivable				
Deferred bond issuance costs, net			265,070	
Other assets, net				
Interfund receivable (payable)				
Total assets	<u>\$ 66,864,103</u>	<u>\$ 70,993,850</u>	<u>\$ 65,384,796</u>	<u>\$ -</u>
Liabilities and Fund Equity				
Bonds and notes payable	\$ 66,760,000	\$ 70,875,000	\$ 65,100,000	\$
Accrued interest payable on bonds and notes	17,418	52,262	19,726	
Accounts payable and accrued liabilities				
Deferred fees	66,750	66,379		
Escrow deposits	69,603	48,654		
Total liabilities	<u>66,913,771</u>	<u>71,042,295</u>	<u>65,119,726</u>	<u>-</u>
Commitments and contingencies				
Fund equity, restricted	(49,668)	(48,445)	265,070	
Total liabilities and fund equity	<u>\$ 66,864,103</u>	<u>\$ 70,993,850</u>	<u>\$ 65,384,796</u>	<u>\$ -</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Multi-Family Fund, Continued
June 30, 2010 and 2009

	<u>Multi-Family Fund Totals</u>	
	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Loans receivable	\$ 322,943,955	\$ 333,140,738
Less: allowance for loan losses		
Loans receivable, net	<u>322,943,955</u>	<u>333,140,738</u>
Investments	52,039,136	49,666,348
Accrued interest-loans	1,598,346	1,700,655
Accrued interest-investments	261,545	264,205
Cash and cash equivalents	91,058,904	44,192,087
Accounts receivable		
Deferred bond issuance costs, net	436,497	186,642
Other assets, net		
Interfund receivable (payable)	11,953,985	
Total assets	<u>\$ 480,292,368</u>	<u>\$ 429,150,675</u>
<u>Liabilities and Fund Equity</u>		
Bonds and notes payable	\$ 399,119,100	\$ 356,132,986
Accrued interest payable on bonds and notes	3,096,457	3,432,153
Accounts payable and accrued liabilities	2,581,592	1,559,165
Deferred fees	66,750	66,379
Escrow deposits	<u>1,317,329</u>	<u>1,296,380</u>
Total liabilities	406,181,228	362,487,063
Commitments and contingencies		
Fund equity, restricted	74,111,140	66,663,612
Total liabilities and fund equity	<u>\$ 480,292,368</u>	<u>\$ 429,150,675</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Fund Equity - Multi-Family Fund
For the years ended June 30, 2010 and 2009

	Multi-Family Housing Bond Program		Housing Bond Program	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Operating revenues:				
Interest income on loans	\$ 528,951	\$ 621,776	\$ 17,959,755	\$ 18,513,227
Interest income attributable to internal servicing activities				
Total interest income on loans	<u>528,951</u>	<u>621,776</u>	<u>17,959,755</u>	<u>18,513,227</u>
Income on investments:				
Interest on investments	1,734,889	1,710,455	1,258,009	1,607,706
Net increase (decrease) in fair value of investments			1,615,519	668,556
Fees				
Servicing fee income				
Miscellaneous income				
Total operating revenues	<u>2,263,840</u>	<u>2,332,231</u>	<u>20,833,283</u>	<u>20,789,489</u>
Operating expenses:				
Interest expense	428,466	608,147	12,226,221	13,727,498
Personnel services				
Other administrative expenses	3,929	5,058	269,129	342,916
Housing initiatives	9,941		546,015	
Provision for loan loss				
Arbitrage rebate	(206,678)	71,932	1,231,144	522,648
Amortization of deferred bond issuance costs	10,539	14,855	4,676	10,185
Early retirement of debt				
Depreciation and amortization of other assets				
State Rental Subsidy Program				
Total operating expenses	<u>246,197</u>	<u>699,992</u>	<u>14,277,185</u>	<u>14,603,247</u>
Operating income (loss)	2,017,643	1,632,239	6,556,098	6,186,242
Transfers in (out) of fund equity	9,940		(1,400,000)	
Change in fund equity	2,027,583	1,632,239	5,156,098	6,186,242
Fund equity, beginning of year	28,707,353	27,075,114	38,004,704	31,818,462
Fund equity, end of year	<u>\$ 30,734,936</u>	<u>\$ 28,707,353</u>	<u>\$ 43,160,802</u>	<u>\$ 38,004,704</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Fund Equity - Multi-Family Fund, Continued
For the years ended June 30, 2010 and 2009

	Multi-Family Mortgage Revenue Bond Program		Multi-Family Funding Bond Program	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Operating revenues:				
Interest income on loans	\$ 725,390	\$ 1,764,559	\$	\$
Interest income attributable to internal servicing activities				
Total interest income on loans	<u>725,390</u>	<u>1,764,559</u>		
Income on investments:				
Interest on investments		400	19,726	
Net increase (decrease) in fair value of investments				
Fees				
Servicing fee income				
Miscellaneous income				
Total operating revenues	<u>725,390</u>	<u>1,764,959</u>	<u>19,726</u>	
Operating expenses:				
Interest expense	380,021	1,428,024	19,726	
Personnel services				
Other administrative expenses				
Housing initiatives				
Provision for loan loss				
Arbitrage rebate				
Amortization of deferred bond issuance costs			2,299	
Early retirement of debt				
Depreciation and amortization of other assets				
State Rental Subsidy Program				
Total operating expenses	<u>380,021</u>	<u>1,428,024</u>	<u>22,025</u>	
Operating income (loss)	345,369	336,935	(2,299)	
Transfers in (out) of fund equity	<u>(346,592)</u>	<u>(515,333)</u>	<u>267,369</u>	
Change in fund equity	(1,223)	(178,398)	265,070	
Fund equity, beginning of year	(48,445)	129,953		
Fund equity, end of year	<u>\$ (49,668)</u>	<u>\$ (48,445)</u>	<u>\$ 265,070</u>	<u>\$</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Fund Equity - Multi-Family Fund, Continued

	<u>Multi-Family Fund Totals</u>	
	<u>2010</u>	<u>2009</u>
Operating revenues:		
Interest income on loans	\$ 19,214,096	\$ 20,899,562
Interest income attributable to internal servicing activities	-	-
Total interest income on loans	<u>19,214,096</u>	<u>20,899,562</u>
Income on investments:		
Interest on investments	3,012,624	3,318,561
Net increase (decrease) in fair value of investments	1,615,519	668,556
Fees	-	-
Servicing fee income	-	-
Miscellaneous income	-	-
Total operating revenues	<u>23,842,239</u>	<u>24,886,679</u>
Operating expenses:		
Interest expense	13,054,434	15,763,669
Personnel services	-	-
Other administrative expenses	273,058	347,974
Housing initiatives	555,956	-
Provision for loan loss	-	-
Arbitrage rebate	1,024,466	594,580
Amortization of deferred bond issuance costs	17,514	25,040
Early retirement of debt	-	-
Depreciation and amortization of other assets	-	-
State Rental Subsidy Program	-	-
Total operating expenses	<u>14,925,428</u>	<u>16,731,263</u>
Operating income (loss)	8,916,811	8,155,416
Transfers in (out) of fund equity	<u>(1,469,283)</u>	<u>(515,333)</u>
Change in fund equity	7,447,528	7,640,083
Fund equity, beginning of year	66,663,612	59,023,529
Fund equity, end of year	<u>\$ 74,111,140</u>	<u>\$ 66,663,612</u>

