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East Baton Rouge Mortgage Finance Authority

Management's Discussion and Analysis, Financial Statements of Individual Programs and Unrestricted Fund for the Year Ended December 31, 2010, and Independent Auditors' Report

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

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying individual programs and unrestricted fund financial statements of East Baton Rouge Mortgage Finance Authority (the "Authority") as of December 31, 2010 and for the year then ended, as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2009 financial statements, and, in our report dated June 24, 2010, we expressed an unqualified opinion in those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Authority as of December 31, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The additional combining information for 2010 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Authority's management. The additional combining information has been subjected to the auditing procedures applied by us in the audit of the 2010 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2010 basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

June 15, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

The Management's Discussion and Analysis ("MD&A") of the East Baton Rouge Mortgage Finance Authority's (the "Authority") financial performance presents a narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2010 as well as commentary of general market trends and market conditions and the Authority's mortgage loan origination and mortgage loan payoff history since 2002. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this MD&A in conjunction with the Authority's financial statements, which begin on page 14.

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

GENERAL ECONOMIC TRENDS, INTEREST RATE MARKET CONDITIONS AND THE AUTHORITY'S 2009 MORTGAGE LENDING PROGRAMS

- Conventional mortgage loan interest rates have remained stable for the last several years. From January 1, 2003 through December 31, 2010 interest rates on the Authority's eight (8) mortgage lending programs originated during this time period ranged from a low of 4.00% to a high of 6.375% - a range of slightly more than 2.00%. Conventional mortgage interest rates since the beginning of 2010 gradually fell to 4.50% or slightly lower range as of June 15, 2011.

- From June 2006 until September 2007 (a 15 month time period) the Federal Reserve Bank (the "Fed") kept it's Fed funds target rate constant at 5.25%. Beginning in mid-September, 2007 the Fed, in response to the turmoil in the "sub-prime" mortgage market, began to reduce the fed funds target rate with a cut in its Fed funds target rate to 4.75% followed with three (3) more cuts at its subsequent meetings in 2007 and seven (7) more cuts in 2008 to a level of only 0.25%, (an all time historical low) on December 16, 2008, which historical low rate continued through 2009 and 2010. The Fed funds rate remains at 0.25% as of June 15, 2011.

- The financial markets faced crisis after crisis beginning in early March, 2008 when the fifth (5^{th}) largest investment banking firm of Bear Stearns & Co. was bailed out from insolvency and almost certain bankruptcy through a Fed assisted buyout by JP Morgan Chase & Co.

- Financial markets continued to deteriorate into summer 2008 and reached a crisis point the first two (2) weeks of September 2008 with the takeover by the federal government of both the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corp. ("Freddie Mac") by placing both government sponsored enterprises ("GSE's") into conservatorship on September 7, 2008. One week later Lehman Brothers & Co., the fourth (4^{th}) largest investment banking firm filed for bankruptcy the morning of Monday, September 15, 2008 followed by the Fed led bailout of American International Group ("AIG"), the world's largest insurance company.

- The last quarter of 2008 saw unprecedented declines in the equity markets not experienced since the Great Depression during which time the Fed pumped billions of dollars in the US banking system in order to provide the financial markets with liquidity while at the same time reducing the federal funds rate from 2.00% in April, 2008 to 0.25% on December 16, 2008.

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

- A severe banking crisis then ensued. Investment and commercial banks, domestically as well as internationally, suffered very significant unrealized losses during a period where the bid side of the credit markets for all practical purposes disappeared. As a result of mark to market accounting rules, many commercial and investment banks teetered on the verge of insolvency from the substantial realized losses as well as unrealized losses in quarter after quarter earnings reports caused by the required write-off of unrealized losses consistent with generally accepted accounting principles.

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

- The Authority sold a $20 million bond issue in late December 2007. The Authority utilized a portion of these bond proceeds to originate approximately $10 million in mortgage loans during the first six (6) months of 2008. The Authority redeemed approximately $10 million in bonds in June, 2008 as a result of a federal tax requirement.

- The Authority did not issue any bonds in 2008. The Authority did issue bonds on October 2009 to fund a $20 million mortgage lending program. Approximately $10 million of the funds made available were used to originate mortgage loans during 2010 with approximately $10 million in bonds redeemed in February 2011.

- The Authority sold $25 million in bonds on January 12, 2010 which bonds were privately placed with the GSE's (pursuant to special congressional legislation authorizing the GSE's to purchase bonds from local and state housing finance agencies such as the Authority) on which the Authority locked in a maximum long term borrowing rate of 4.05%.

- The Authority is currently funding a mortgage lending program with the proceeds of the bonds privately placed with the GSE's.

- The mortgage loan rate currently being offered by the Authority is 4.50% with 4% of the mortgage loan amount available to the first-time homebuyer for down payment and closing cost assistance. This assistance is in the form of a soft second mortgage which has no interest and no payments and is forgivable over a five (5) year period.

FINANCIAL HIGHLIGHTS

2010 Mortgage Loan Principal Paydown

- Federal tax law prohibits the Authority from providing mortgage loan refinancings. During 2010 relatively low mortgage loan interest rates continued, which contributed to an amount of $28.716 million in mortgage loan principal paydowns. Even moderate decreases in conventional mortgage loan interest rates often result in refinancings of the Authority's mortgage related assets.

- There was a slowdown in the aggregate amount of mortgage loan principal paydown for the five (5) year period (over which the annual mortgage loan paydowns have been in the low to mid $20 million range) from its peak of $74.23 million in 2003 to a low of $21.565 million in 2008. However, due to continued low conventional mortgage rates, the mortgage paydowns in 2009 and 2010 have shown increases. (See chart below)

Year Ended December 31	Total Mortgage Payoffs[*2] (million)	New Mortgage Loan Originations (million)	Net Mortgage Related Assets Increase or Decrease (million)
2002	$ 57.784	$ 18.878	$ (38.906)
2003	74.230	12.463	(61.767)
2004	53.985	22.636	(31.349)
2005	40.069	26.826	(13.243)
2006	25.679	38.946	13.267
2007	24.097	45.749	21.652
2008	21.565	15.192	(6.373)
2009	26.783	3.368	(23.415)
2010	28.716	11.140	(17.576)
Totals	$ 352.908	$ 195.198	$ (157.710)

[*2] Prepayments of mortgage loans whether from whole mortgage loans or from GNMA, FNMA or FHLMC mortgage backed securities ("MBS") (which MBS serve as collateral for the Authority's bonds) are required to be used to retire the same approximate amount of Authority's bonds prior to their respective stated maturities. This number reflects loans paid in full prior to maturity and regular monthly principal paydowns.

2010 New Mortgage Loan Originations

- The Authority originated $11.140 million of new mortgage loans during 2010 as compared with only $3.368 million in 2009. The level of very low mortgage loan originations for 2009 was a direct result of the fact that the Authority did not issue any bonds for approximately a twenty-two (22) month period from January 2008 to late October 2009. The level of mortgage loan origination activity in 2010 resulted in a **net decrease** of the Authority's net mortgage related assets by $17.576 million (before the effect of any unrealized gains) as compared with a $23.415 million **net decrease** in 2009. (See above chart for the history of new mortgage loan originations for the last nine (9) year period.)

2010 Adjusted Net Asset Fund Balance

- The Authority's assets exceeded its liabilities at the close of fiscal year 2010 by $52.692 million, which represents a $1.317 million increase from the 2009 amount of $51.375 million. The Authority had a net cumulative increase of $12.030 million in fair market value of its assets as of December 31, 2010.

- Without giving effect to the adjustments for unrealized gains in the fair value of investments on a cumulative net basis, the Authority's assets exceeded its liabilities by $40.662 million in 2010 which represents a decrease of $1.545 million from the 2009 adjusted amount of $42.207 million.

2010 Adjusted Operating Revenues

- The Authority's adjusted revenues of $9.868 million in 2010 (exclusive of the $2.910 million in the fair value of investments as of December 31, 2010 which represented an unrealized gain in 2010) decreased by $3.964 million as compared to adjusted revenues of $13.832 million generated in 2009 (exclusive of the net increase in the fair value of investments of $3.177 million for 2009) which represented an unrealized gain in 2010 due to the following factors:

    - The Authority generated income earned on mortgage loans receivable/mortgage backed securities of $6.333 million in 2010 as compared with $7.742 million in 2009, a decrease of $1.409 million.

    - A $2.355 million decrease in income earned on other investments from $5.542 million in 2009 to $3.187 million in 2010.

    - A $195,000 decrease in Authority Fee Income in 2009 of $531,000 to $336,000 in 2010. The decrease is due to the addition of only two (2) mortgage lending programs commencing in 2009 and 2010 for which the origination periods continued into 2011 and on which the Authority did not start to collect its fee income until 2011.

2010 Operating Expenses

- The Authority's Total Operating 2010 Expenses decreased by $5.072 million from 2009.

- Interest expense declined by $4.136 million.

- There was an increase in the amortization of deferred financing costs of $205,000 in 2010 as compared with 2009.

- There was a decrease in the amortization of DAP/AAP of $292,000 in 2010 as compared to 2009.

- There was a decrease of $700,000 in operating expenses in 2010 as compared to 2009.

2010 Adjusted Net Operating Income

- The Authority experienced a net loss of $1.593 million in 2010 compared with a $2.701 million net loss in 2009 (excluding the effects of the unrealized gains in the fair value of investments for 2010 and 2009) before further adjusting for the non-cash expense item categories of (a) the amortization of deferred financing costs and (b) the amortization of downpayment assistance program costs and the Authority assistance program costs.

- The Authority's net operating loss (after adjusting for the non-cash expense items of (a) and (b) above and further adjusted for unrealized gains on the fair value of investments) was $150,000 in 2010 as compared with a net operating loss of $1.171 million in 2009 – a decrease of $1.021 million in the net operating loss in 2010 as compared with 2009.

2010 Unrestricted Net Assets

- As of December 31, 2010, the Authority had unrestricted net assets of $31.834 million as compared with unrestricted net assets of $27.257 million as of December 31, 2009 representing an increase of $4.577 million. Excluding the effect of cumulative unrealized gains (or losses) for both periods the Authority had unrestricted net assets of $31.403 million as of December 31, 2010 as compared with $27.768 million as of December 31, 2009, representing an increase in unrestricted net assets of $3.635 million in 2010 over the same period of 2009.

- The Authority realized a 2010 net operating loss (after adjusting for non-cash items, as set out above) of $150,000. However the Authority also realized a contribution to its unrestricted net assets (as a result of the release of residual assets to the unrestricted fund in 2010 of $4.316 million) following the redemption of several existing bond issues.

Authority's Bond Credit Ratings

- The Authority has a "Aaa" rating from Moody's Investor Service on substantially all of its separately secured series of bonds. In addition, in May 2002, the Authority applied for an issuer rating from Moody's Investor Services ("Moody's"). Moody's awarded the Authority an 'A3' issuer general obligation rating which is the current rating. The Authority issued a series of subordinate bonds in the principal amount of $2 million as a part of the Series 2009A Bonds on October 27, 2009 secured by the Authority's general obligation pledge of the Authority's unrestricted assets.

- Moody's affirmed the Authority's 'A3' issuer general obligation rating on October 2009 (which "A3" rating remains the current credit rating) as previously mentioned Moody's included as a part of its rating report certain operating and debt ratios in its rating report. These same operating ratios and debt ratios as defined in the footnotes below, are calculated based upon the financial results (as adjusted) for the years ended December 31, 2008, 2009 and 2010, are presented below:

Authority's Operating and Debt Ratios

	12/31/2008	12/31/09	12/31/10
Moody's Rating	A3	A3	A3
Profitability *1	5.49%	(8.47%)	1.52%
General Fund/Unrestricted Net Asset Fund Balance *2	$26.153 million	$27.449 million	$31.403 million
Outstanding Long and Short Term Bonds (including accrued interest)	$180.698 million	$178.815 million	$172.552 million
General Fund/Unrestricted Net Asset Fund Balance (as a % of Outstanding Short and Long Term Bonds including accrued interest) *2	14.47%	15.35%	18.20%
Combined Net Asset (Unrestricted and Restricted) Fund Balance *2	$38.950 million	$36.881 million	$36.176 million
Outstanding Long and Short Term Bonds (including accrued interest)	$194.827 million	$178.815 million	$172.552 million
Combined Net Asset Fund Balance (unrestricted and restricted) (as a % of Outstanding Bonds including accrued Interest) *2	19.99%	20.62%	20.97%

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

The balance sheets (pages 14 & 15) present the assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating on an adjusted basis.

The statements of revenues, expenses, and changes in net assets (pages 16 & 17) present information showing how the Authority's net assets changed as a result of the current year's operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The statements of cash flows (pages 18 - 21) present information showing how the Authority's cash changed as a result of the current year's operations. The combining cash flow statements are prepared using the direct method and include the reconciliation of net income (loss) to net cash provided by (used in) operating activities (indirect method) as required by Statement 34 of the Governmental Accounting Standards Board.

COMBINED STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2010 AND 2009
(In thousands)

	2010	2009	Change from Prior Year
Mortgage backed securities & mortgage loan receivable	$ 137,047	$ 164,125	$ (27,078)
Guaranteed investment contracts and investments including cash & cash equivalents	59,336	38,926	20,410
U.S. Government and Agency Securities	23,722	20,405	3,317
Other non-cash assets	5,220	6,877	(1,657)
Total assets	$ 225,325	$ 230,333	$ (5,008)
Other liabilities	$ 1,568	$ 1,989	$ (421)
Short-term debt outstanding	24,923		24,923
Long-term debt outstanding	146,142	176,969	(30,827)
Total liabilities	$ 172,633	$ 178,958	$ (6,325)
Net assets:			
Restricted	$ 20,858	$ 24,118	$ (3,260)
Unrestricted	31,834	27,257	4,577
Total net assets	$ 52,692	$ 51,375	$ 1,317
TOTAL LIABILITIES AND NET ASSETS	$ 225,325	$ 230,333	$ (5,008)

FINANCIAL ANALYSIS OF THE AUTHORITY

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

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

The Authority's assets exceeded its liabilities at the close of fiscal year 2010 by $52.692 million, which represents a $1.317 million increase from 2009. The Authority has a net cumulative increase in the fair value of its assets of $12.030 million since the Authority started adhering to GASB 31. Without giving effect to this net cumulative gain, the Authority's assets exceeded its liabilities by $40.662 million as of December 31, 2010.

2010 Revenues and Expenses

After adjusting revenues and expenses for unrealized gains in the fair value of investments and for non-cash expense items, the decreases in both total revenues and total expenses of all programs and services for 2010 as compared to 2009 were primarily a result of the following factors:

- A **decrease** in income earned on mortgage loans receivable and/or MBS of $1.409 million;
- A decrease in income earned on other investments of $2.355 million from 2009 to 2010;

- A **decrease** in bond interest expense of $4.136 million.

2010 NET INCOME/LOSS

	2010 (millions)	2009 (millions)	Change from Prior Year (millions)
Revenues	$ 12.778	$ 17.009	$ (4.231)
Expenses	11.461	16.533	(5.072)
Net income/loss	$ 1.317	$ 0.476	$ 0.841

2010 Revenues

- The Authority's total revenues (exclusive of the net increase of $2.910 million in 2010 in the fair value of investments) decreased from $13.832 million in 2009 (exclusive of the net increase in the fair value of investments of $3.177 million which represented an unrealized gain) to $9.868 million in 2010 – a decrease of $3.964 million.

- Revenues from income earned on mortgage loans receivable/MBS decreased $1.409 million from $7.742 million in 2009 to $6.333 million in 2010.

- Issuer Authority Fee Income decreased $195,000 from $531,000 in 2009 to $336,000 in 2010.

2010 Adjusted Expenses

- Bond interest expense decreased by $4.136 million from $11.178 million in 2009 to $7.042 million in 2010. **NOTE:** The GSE Bonds in the principal amount of $25 million were issued at an initial rate equal to the rate earned on the investment of the $25 million of GSE Bond proceeds which rate was less than .05%. This interest expense for 2010 on the GSE Bonds from January 12, 2010 resulted in a significant decrease in the Authority's interest expense for 2010.

- The total expenses of all programs and services (net of bond interest expense) for 2010 of $4.419 million represented a decrease of $936,000 from the comparable amount of $5.355 million in 2009 primarily due to a $700,000 decrease in operating expenses.

- Certain other expense items for 2010 and 2009 represent the amortization of the non-cash items such as amortization of deferred financing costs and amortization of DAP and AAP costs, which totaled $1.443 million for 2010 and $1.530 million for 2009 respectively, a decrease of $87,000 in 2010 from 2009.

Authority Debt

- The Authority had $163.121 million in mortgage revenue bonds and a $7,944 Line of Credit with the Federal Home Loan Bank of Dallas outstanding (excluding accrued interest) on December 31, 2010 as compared to $176.969 million in mortgage revenue bonds as of December 31, 2009, as shown in the table below:

OUTSTANDING AUTHORITY DEBT AS OF DECEMBER 31

	2010 (millions)	2009 (millions)	Change from Prior Year (millions)
Mortgage Revenue Bonds	$ 163.121	$ 176.969	$ (13.848)
Lines of Credit	7.944	0.000	7.944
Outstanding debt (as of December 31) (millions)	$ 171.065	$ 176.969	$ (5.904)

- Mortgage Revenue Bond Debt outstanding decreased by $13.848 million in December 31, 2010 as compared with December 31, 2009. The Authority had no outstanding Lines of Credit as of December 31, 2009.

Accounts Payable and Accrued Interest Payable

The Authority had accounts payable, accrued liabilities and accrued interest payable of $1.568 million outstanding on December 31, 2010 compared with $1.989 million for 2009 (a decrease of $421,000).

CURRENT ECONOMIC FACTORS AND THE AUTHORITY'S 2011 BUDGET

The Authority's Board of Trustees considered the following factors and indicators when the Authority adopted its 2011 Operating Budget. These factors and indicators include:

- The potential for the continuation of relatively low conventional mortgage loan interest rates continuing into 2011 for the eighth (8^{th}) consecutive year continuing to still stimulate early mortgage loans payoffs (as a result of mortgage loan refinancings) could again result in a net decrease in the Authority's mortgage related assets while also reducing the Authority's fee income earned on mortgage related assets.

  The Authority assumed adding $25 million in mortgage related assets in 2011.

  The Authority did not issue an additional new bond issue/mortgage lending program in 2010 or thus far in 2011. As a result the Authority did not incur additional issuance costs associated with any new mortgage lending programs in 2010. The Authority will incur additional issuance costs in 2011 associated with converting the GSE Bonds to a long term interest rate.

  On both the Authority's 2007A and 2007B bonds, the bond proceeds were invested at rates in excess of the interest rates the Authority was paying on its bonds.

  The Series 2009A Bond proceeds were invested at rates significantly lower than the Series 2009A Bonds.

As a result of this additional cost, the Authority (as it did once before in 2002) utilized a line of credit facility at the Federal Home Loan Bank of Dallas on its mortgage lending programs financed with both the Series 2009A Bonds and the GSE Bonds.

The GSE bond proceeds are being invested at a rate equal to the interest rate on the bonds.

The Authority will continue to face significant challenges for the remainder of 2011 and most likely in 2012 (as it has in previous years) in structuring its mortgage lending programs.

The Authority has successfully in the past structured its mortgage lending programs by utilizing the strong financial position of its unrestricted net asset fund balance. The Authority anticipates continuing to utilize its Unrestricted Fund balance to further its mission of providing affordable housing.

CONTACTING THE EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

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

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EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND BALANCE SHEETS
DECEMBER 31, 2010 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2009)
(In thousands)

	MRCMO Program	1992 C Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 (C1–C3) Program	1997 D Program	1998 B Program	1998 D Program	1999 A Program	2000 A&B Program	2000 CD&E Program
ASSETS														
CASH AND CASH EQUIVALENTS	$ -	$ -	$ 21	$ 19	$ -	$ -	$ -	$ -	$ 14	$ 91	$ 37	$ -	$ -	$ -
GUARANTEED INVESTMENT AGREEMENTS			699	425					328	255	933			
U.S. GOVERNMENT AND AGENCY SECURITIES	3,266													
MORTGAGE-BACKED SECURITIES			2,453	1,015					3,458	5,296	7,108			
MORTGAGE LOANS RECEIVABLE — Net				105										
ACCRUED INTEREST RECEIVABLE			18	9					20	26	40			
DEFERRED FINANCING COSTS	1		18	2					29	39	56			
DOWNPAYMENT AND AUTHORITY ASSISTANCE PROGRAMS														
INTER-PROGRAM RECEIVABLE (PAYABLE)									(3)	(3)	(2)			
PREPAID INSURANCE AND OTHER ASSETS											1			
TOTAL	$3,267	$ -	$3,209	$1,575	$ -	$ -	$ -	$ -	$3,846	$5,704	$8,173	$ -	$ -	$ -
LIABILITIES AND NET ASSETS														
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ -	$ -	$ 3	$ 1	$ -	$ -	$ -	$ -	$ 1	$ 1	$ 1	$ -	$ -	$ -
ACCRUED INTEREST PAYABLE			28	5					39	47	79			
BONDS AND LINES OF CREDIT PAYABLE — Net	2,489		2,125	440					2,695	3,550	6,020			
Total liabilities	2,489	-	2,156	446	-	-	-	-	2,735	3,598	6,100	-	-	-
NET ASSETS:														
Restricted	778		1,053	1,129					1,111	2,106	2,073			
Unrestricted														
Total net assets	778	-	1,053	1,129	-	-	-	-	1,111	2,106	2,073	-	-	-
TOTAL	$3,267	$ -	$3,209	$1,575	$ -	$ -	$ -	$ -	$3,846	$5,704	$8,173	$ -	$ -	$ -

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND BALANCE SHEETS
DECEMBER 31, 2010 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2009)
(In thousands)

	2002 A Program	2003 A Program	2004 A Program	2005 A Program	2006 A Program	2007 A Program	2007 B Program	2009 A Program	2009 GSE Program	Unrestricted Fund	2010 Combined	2009 Combined
ASSETS												
CASH AND CASH EQUIVALENTS	$ 480	$ 65	$ 310	$ 618	$ 892	$ 249	$ 993	$ 85	$ 40	$ 3,233	$ 7,147	$ 10,057
GUARANTEED INVESTMENT AGREEMENTS	1,558					1,698	324	20,937	25,032		52,189	28,869
U.S. GOVERNMENT AND AGENCY SECURITIES										20,456	23,722	20,405
MORTGAGE-BACKED SECURITIES	7,193	9,742	11,363	18,434	13,785	25,736	6,379	8,641		15,443	136,046	163,208
MORTGAGE LOANS RECEIVABLE — Net								339		557	1,001	917
ACCRUED INTEREST RECEIVABLE	48	42	47	71	58	135	31	105		58	708	924
DEFERRED FINANCING COSTS	113	100	140	61	59	68	33	390			1,109	1,730
DOWNPAYMENT AND AUTHORITY ASSISTANCE PROGRAMS	138	254	386	594	570	1,108	327				3,377	4,199
INTER-PROGRAM RECEIVABLE (PAYABLE)	(2)	(9)	(6)		(8)	(24)	(8)	(11)		76		
PREPAID INSURANCE AND OTHER ASSETS	1			2	1	1	1			19	26	24
TOTAL	$ 9,529	$ 10,194	$ 12,240	$ 19,780	$ 15,357	$ 28,971	$ 8,080	$ 30,486	$ 25,072	$ 39,842	$ 225,325	$ 230,333
LIABILITIES AND NET ASSETS												
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 1	$ -	$ -	$ 2	$ 2	$ 3	$ -	$ 2	$ -	$ 64	$ 81	$ 143
ACCRUED INTEREST PAYABLE	105	37	45	205	165	307	82	343			1,487	1,846
BONDS AND LINES OF CREDIT PAYABLE — Net	8,350	8,975	10,983	17,825	13,739	25,956	6,445	28,606	24,923	7,944	171,065	176,969
Total liabilities	8,456	9,012	11,028	18,032	13,906	26,266	6,527	28,951	24,923	8,008	172,633	178,958
NET ASSETS:												
Restricted	1,073	1,182	1,212	1,748	1,451	2,705	1,553	1,535	149		20,858	24,118
Unrestricted										31,834	31,834	27,257
Total net assets	1,073	1,182	1,212	1,748	1,451	2,705	1,553	1,535	149	31,834	52,692	51,375
TOTAL	$ 9,529	$ 10,194	$ 12,240	$ 19,780	$ 15,357	$ 28,971	$ 8,080	$ 30,486	$ 25,072	$ 39,842	$ 225,325	$ 230,333

See notes to financial statements.

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2010 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2009)
(In thousands)

	MRCMO Program	1992 C Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 (C1–C3) Program	1997 D Program	1998 B Program	1998 D Program	1999 A Program	2000 A&B Program	2000 CD&E Program
REVENUES:														
Income earned on mortgage loans receivable/ mortgage-backed securities	$ -	$ (1)	$ 126	$ 53	$ -	$ -	$ -	$ 13	$ 211	$ 235	$ 382	$ 48	$ 47	$ 331
Income earned on other investments			36	21				1	28	16	50			
Net increase (decrease) in the fair value of investments	266		46	42				6	71	160	162	(4)	(105)	(36)
Other income						2	1						5	4
Authority fee income														
Total	266	(1)	208	116	-	2	1	20	310	411	594	44	(53)	299
EXPENSES:														
Interest	222		128	24					182	210	349	36	42	(175)
Amortization of deferred financing costs			3	2					12	10	17	34	86	249
Amortization of DAP & AAP														128
Authority fees			2	1					13	14	7	2	2	5
Servicing fees														
Insurance costs				1										
Administrative fees			7	3					8	10	11	2	1	2
Operating expenses			8	5				2	7	2	3	2	3	2
Total	222	-	148	36	-	-	-	2	222	246	387	76	134	211
NET INCOME (LOSS)	44	(1)	60	80		2	1	18	88	165	207	(32)	(187)	88
TRANSFERS AMONG PROGRAMS		(2)			(9)	(376)	(265)	(2,446)				(746)	(322)	(822)
NET ASSETS — Beginning of year	734	3	993	1,049	9	374	264	2,428	1,023	1,941	1,866	778	509	734
NET ASSETS — End of year	$ 778	$ -	$ 1,053	$ 1,129	$ -	$ -	$ -	$ -	$ 1,111	$ 2,106	$ 2,073	$ -	$ -	$ -

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2010 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2009)
(In thousands)

	2002 A Program	2003 A Program	2004 A Program	2005 A Program	2006 A Program	2007 A Program	2007 B Program	2009 A Program	2009 GSE Program	Unrestricted Fund	2010 Combined	2009 Combined
REVENUES:												
Income earned on mortgage loans receivable/ mortgage-backed securities	$ 428	$ 555	$ 677	$ 943	$ 425	$ 483	$ 279	$ 566	$ -	$ 532	$ 6,333	$ 7,742
Income earned on other investments	61			18	377	1,202	179	252	32	914	3,187	5,542
Net increase (decrease) in the fair value of investments	167	222	200	473	146	110	15	211		758	2,910	3,177
Other income											12	17
Authority fee income										336	336	531
Total	656	777	877	1,434	948	1,795	473	1,029	32	2,540	12,778	17,009
EXPENSES:												
Interest	463	489	567	875	668	1,260	392	1,292		18	7,042	11,178
Amortization of deferred financing costs	24	28	42	14	17	28	16	39			621	416
Amortization of DAP & AAP	68	84	128	118	96	159	41				822	1,114
Authority fees	10	39	25		39	108	38	31			336	481
Servicing fees										1	1	6
Insurance costs										27	28	4
Administrative fees	13	15	19	28	21	43		25		383	591	614
Operating expenses	7	4	5	9	10	4	3	14	80	1,850	2,020	2,720
Total	585	659	786	1,044	851	1,602	490	1,401	80	2,279	11,461	16,533
NET INCOME (LOSS)	71	118	91	390	97	193	(17)	(372)	(48)	261	1,317	476
TRANSFERS AMONG PROGRAMS	475								197	4,316		
NET ASSETS — Beginning of year	527	1,064	1,121	1,358	1,354	2,512	1,570	1,907		27,257	51,375	50,899
NET ASSETS — End of year	$ 1,073	$ 1,182	$ 1,212	$ 1,748	$ 1,451	$ 2,705	$ 1,553	$ 1,535	$ 149	$ 31,834	$ 52,692	$ 51,375

See notes to financial statements.

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2009)
(In thousands)

	MRCMO Program	1992 C Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 (C1–C3) Program	1997 D Program	1998 B Program	1998 D Program	1999 A Program	2000 A&B Program	2000 CD&E Program
CASH FLOWS FROM OPERATING ACTIVITIES:														
Cash received:														
Mortgage loans and mortgage-backed securities income	$ -	$ (1)	$ 126	$ 53	$ -	$ -	$ -	$ 13	$ 211	$ 235	$ 382	$ 48	$ 47	$ 331
Collection of mortgage loans and mortgaged-backed securities			489	201				809	599	668	1,169	3,112	2,566	4,964
Cash paid:														
Purchase of mortgage loans and mortgaged-backed securities														
Other items		1	(24)	(13)				1	(35)	(30)	(30)	(36)	(31)	(19)
Net cash provided by (used in) operating activities	-	-	591	241	-	-	-	823	775	873	1,521	3,124	2,582	5,276
CASH FLOWS FROM INVESTING ACTIVITIES:														
Investment purchases — net			48	(25)					233	57	161	6		
Income (loss) on other investments			36	21				1	28	16	50			
Net cash provided by (used in) investing activities	-	-	84	(4)	-	-	-	1	261	73	211	6	-	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:														
Bond financing costs														
Proceeds from bond issues														
Retirement of notes and bonds payable			(560)	(205)					(855)	(735)	(1,375)	(2,535)	(2,683)	(5,269)
Interest paid			(128)	(24)					(182)	(210)	(349)	(36)	(42)	175
Interfund activities		(2)			(9)	(376)	(265)	(2,446)				(746)	(322)	(822)
Net cash (used in) provided by noncapital financing activities	-	(2)	(688)	(229)	(9)	(376)	(265)	(2,446)	(1,037)	(945)	(1,724)	(3,317)	(3,047)	(5,916)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(2)	(13)	8	(9)	(376)	(265)	(1,622)	(1)	1	8	(187)	(465)	(640)
CASH AND CASH EQUIVALENTS — Beginning of year		2	34	11	9	376	265	1,622	15	90	29	187	465	640
CASH AND CASH EQUIVALENTS — End of year	$ -	$ -	$ 21	$ 19	$ -	$ -	$ -	$ -	$ 14	$ 91	$ 37	$ -	$ -	$ -

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2009)
(In thousands)

	2002 A Program	2003 A Program	2004 Program	2005 A Program	2006 A Program	2007 A Program	2007 B Program	2009 A Program	2009 GSE Program	Unrestricted Fund	2010 Combined	2009 Combined
CASH FLOWS FROM OPERATING ACTIVITIES:												
Cash received:												
Mortgage loans and mortgage-backed securities income	$ 428	$ 555	$ 677	$ 943	$ 425	$ 483	$ 279	$ 566	$ -	$ 532	$ 6,333	$ 10,935
Collection of mortgage loans and mortgaged-backed securities	1,245	1,767	2,653	2,443	3,698	8,788	2,931	1,405			39,507	58,463
Cash paid:												
Purchase of mortgage loans and mortgaged-backed securities								(339)		(12,497)	(12,836)	(35,983)
Other items	(39)	(59)	(48)	(55)	(92)	(234)	(63)	(87)	(80)	(1,869)	(2,842)	(1,766)
Net cash provided by (used in) operating activities	1,634	2,263	3,282	3,331	4,031	9,037	3,147	1,545	(80)	(13,834)	30,162	31,649
CASH FLOWS FROM INVESTING ACTIVITIES:												
Investment purchases — net	(158)			508	371	(200)	(103)	820	(25,032)		(23,314)	(8,203)
Income (loss) on other investments	61			18	377	1,202	179	252	32	914	3,187	2,897
Net cash provided by (used in) investing activities	(97)	-	-	526	748	1,002	76	1,072	(25,000)	914	(20,127)	(5,306)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:												
Bond financing costs												(460)
Proceeds from bond issues									24,923	7,944	32,867	29,875
Retirement of notes and bonds payable	(1,072)	(2,036)	(2,794)	(2,930)	(3,333)	(8,776)	(2,565)	(1,269)			(38,992)	(44,874)
Interest paid	(463)	(489)	(567)	(875)	(668)	(1,260)	(392)	(1,292)		(18)	(6,820)	(8,350)
Interfund activities	475								197	4,316		
Net cash (used in) provided by noncapital financing activities	(1,060)	(2,525)	(3,361)	(3,805)	(4,001)	(10,036)	(2,957)	(2,561)	25,120	12,242	(12,945)	(23,809)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	477	(262)	(79)	52	778	3	266	56	40	(678)	(2,910)	2,534
CASH AND CASH EQUIVALENTS — Beginning of year	3	327	389	566	114	246	727	29		3,911	10,057	7,523
CASH AND CASH EQUIVALENTS — End of year	$ 480	$ 65	$ 310	$ 618	$ 892	$ 249	$ 993	$ 85	$ 40	$ 3,233	$ 7,147	$ 10,057

See notes to financial statements.

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2009)
(In thousands)

	MRCMO Program	1992 C Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 (C1–C3) Program	1997 D Program	1998 B Program	1998 D Program	1999 A Program	2000 A&B Program	2000 CD&E Program
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:														
Net (loss) income	$ 44	$ (1)	$ 60	$ 80	$ -	$ 2	$ 1	$ 18	$ 88	$ 165	$ 207	$ (32)	$ (187)	$ 88
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:														
Unrealized (gain) loss on investments	(266)		(46)	(42)				(6)	(71)	(160)	(162)	4	105	36
Amortization of deferred financing costs			3	2					12	10	17	34	86	249
Amortization of downpayment and authority assistance programs														128
Interest expense	222		128	24					182	210	349	36	42	(175)
Income on other investments			(36)	(21)				(1)	(28)	(16)	(50)			
Purchases of mortgage loans and mortgage-backed securities														
Collections of loans and mortgage-backed securities			489	201				809	599	668	1,169	3,112	2,566	4,964
Other — net		1	(7)	(3)		(2)	(1)	3	(7)	(4)	(9)	(30)	(30)	(14)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ -	$ -	$ 591	$ 241	$ -	$ -	$ -	$ 823	$ 775	$ 873	$ 1,521	$ 3,124	$ 2,582	$ 5,276

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2009)
(In thousands)

	2002A Program	2003 A Program	2004 Program	2005 A Program	2006 A Program	2007 A Program	2007 B Program	2009 A Program	2009 GSE Program	Unrestricted Fund	2010 Combined	2009 Combined
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:												
Net income (loss)	$ 71	$ 118	$ 91	$ 390	$ 97	$ 193	$ (17)	$ (372)	$ (48)	$ 261	$ 1,317	$ 476
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:												
Unrealized (gain) loss on investments	(167)	(222)	(200)	(473)	(146)	(110)	(15)	(211)		(758)	(2,910)	(3,177)
Amortization of deferred financing costs	24	28	42	14	17	28	16	39			621	416
Amortization of downpayment and authority assistance programs	68	84	128	118	96	159	41				822	1,114
Interest expense	463	489	567	875	668	1,260	392	1,292		18	7,042	11,182
Income on other investments	(61)			(18)	(377)	(1,202)	(179)	(252)	(32)	(914)	(3,187)	(5,542)
Purchases of mortgage loans and mortgage-backed securities								(339)		(12,497)	(12,836)	(35,983)
Collections of loans and mortgage-backed securities	1,245	1,767	2,653	2,443	3,698	8,788	2,931	1,405			39,507	58,415
Other — net	(9)	(1)	1	(18)	(22)	(79)	(22)	(17)		56	(214)	4,748
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 1,634	$ 2,263	$ 3,282	$ 3,331	$ 4,031	$ 9,037	$ 3,147	$ 1,545	$ (80)	$ (13,834)	$ 30,162	$31,649

See notes to financial statements.

(Concluded)

1. ORGANIZATION

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

The Authority's operations consist primarily of single family mortgage purchase bond programs under which the Authority promotes residential home ownership through the acquisition of mortgage loans secured by first mortgage liens on single family residential housing. Under the 1987, 1992 A&B, 1992 C, 1993 A&B, 1993 C, 1994 A&B, 1995 B, 1996 B, 1997 C1–C3, 1997 D, 1998 B, 1998 D, 1999 A, 2000 A&B, 2000 C, D, & E, 2002 A, 2003 A, 2004 A, 2005 A, 2006 A, 2007 A , 2007B, and 2009A Programs, these loans are pooled and sold to the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) in exchange for mortgage-backed securities (MBS) on which GNMA, FNMA, or FHLMC guarantees payment of principal and interest when due. These securities are collateralized by the related loans. The Authority also issues short-term convertible program notes, which are securitized by government agency securities during the interim in preparation of long-term issues. The funds for the Authority's programs were obtained through the issuance of bonds in the following face value amounts (in thousands):

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

(Continued)

1997 D Program, dated June 1, 1997	$ 18,600
1997 F Program, dated September 25, 1997 (remarketed)	5,135
1998 A Program, dated June 1, 1998	12,920
1998 B Program, dated June 1, 1998	23,595
1998 C Program, dated December 1, 1998	41,180
1998 D Program, dated December 1, 1998	6,000
1999 A Program, dated July 15, 1999	12,000
1999 B Program, dated July 15, 1999	16,485
2000 A&B Program, dated May 31, 2000	57,208
2000 C Program, dated November 9, 2000 (remarketed from 2000 A&B Program)	10,000
2000 D Program, dated November 9, 2000 (remarketed from 2000 A&B Program)	6,294
2000 E Program, dated November 9, 2000	14,787
2000 CR Program, dated August 14, 2001 (remarketed from 2000 C Program)	5,200
2000 DR Program, dated August 14, 2001 (remarketed from 2000 D Program)	3,330
2000 ER Program, dated August 14, 2001 (remarketed from 2000 E Program)	7,710
2002 A Program, dated June 18, 2002	30,925
2003 A Program, dated September 16, 2003	21,940
2004 A Program, dated October 5, 2004	24,451
2005 A Program, dated December 20, 2005	30,000
2006 A Program dated July 25, 2006	20,000
2007 A Program, dated February 23, 2007	40,000
2007 B Program, dated December 28, 2007	20,000
2009 A Program, dated October 22, 2009	29,360
2009 GSE Program (Escrow bond), dated January 12, 2010	25,000

(Concluded)

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

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

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

2. SUMMARY OF SIGNIFICANT REPORTING AND ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

GASB Statement No. 31 — The GASB issued Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB Statement No. 31 became effective for the Authority for periods beginning after June 15, 1997 and was adopted by the Authority effective January 1, 1998. The statement requires that most investments be recorded at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties and has generally been based upon quoted values. This method of accounting causes fluctuations in reported investment values based on fluctuations in the investment market.

Fluctuations in the fair value of investments are recorded as income or expense in the statements of revenues, expenses, and changes in net assets, and the amount is disclosed in the statements of cash flows as unrealized gain (loss) on investments. The Authority applies the provisions of the Statement to U.S. Government securities and mortgage-backed securities. The sale of these investments by the Authority is generally subject to certain restrictions as described in the individual bond indentures.

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

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

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

3. CASH AND INVESTMENTS

In compliance with State laws, those deposits not covered by depository insurance are secured by bank owned securities specifically pledged to the Authority and held in joint custody by an independent custodian bank. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As a result of the pledging of additional securities by custodial banks in the Authority's name, the Authority does not have any custodial credit risk at December 31, 2010. The Authority recognizes all purchases of investments with a maturity of three months or less, except for short term repurchases agreements, as cash equivalents.

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

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

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

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

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

The Authority has no investment policy that would further limit its investment choices beyond the restrictions imposed by the State. At December 31, 2010, the Authority's investments in MBS with GNMA, FNMA, and FHLMC are rated AAA by Standard and Poor's and Aaa by Moody's Investors Services. The Authority has no limit on the amount it may invest in any one issuer so long as the State's restrictions are followed.

The Authority has a portion of its assets as of December 31, 2010, invested in GNMA, FNMA, and FHLMC obligations including MBS totaling approximately $146.244 million. GNMA is an instrumentality of the Federal government. Its obligations carry the full faith and credit of the United States of America. Neither FNMA nor FHLMC are instrumentalities of the federal government and as such do not carry the full faith and credit of the United States of America. FNMA is a federally chartered and stockholder-owned corporation. FNMA was originally established in 1938 as a United States government agency and was transformed into a stockholder-owned and privately managed corporation in 1968. FHLMC is a stockholder-owned government sponsored corporation created in 1970. The Authority's total investment in FNMA and FHLMC obligations (including MBS) as of December 31, 2010, was approximately $67.261 million. Any potential downgrade in the credit rating of either FNMA and/or FHMLC could have an adverse impact on the market value of the obligations of FNMA and/or FHLMC (including MBS) owned by the Authority. In connection with the approximately $67.262 million of FNMA and FHLMC MBS, which the Authority has pledged to bondholders pursuant to separate trust indentures authorizing various bond issues, the asset portion of these various balance sheets could be adversely affected while the liabilities are not since the liabilities are not marked to market. However, any financial risk to the Authority is entirely mitigated since the bond indentures authorizing the Authority's bonds do not provide any acceleration of the Authority's bonded debt as a result of potential downgrade of either FNMA and/or FHLMC credit rating.

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

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

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

Custodial Risk — For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2010, the Authority is not exposed to custodial credit risk with respect to its investments because all investments are either insured by federal depository insurance, registered in the name of the Authority, or collateralized by other investments pledged in the name of the Authority.

4. MORTGAGE LOANS RECEIVABLE AND MORTGAGE-BACKED SECURITIES

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

1993 C Program	7.125 %
1997 C1–C3 Program	8.5 %
2009A Program	6.0 %
Unrestricted Fund	8.40% - 10.95%

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

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

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

	Term	Pass Through Interest Rate
1993 A&B Program	30 years	4.75%–6.50 %
1993 C Program	30 years	4.50%
1997 D Program	30 years	5.875%–6.625%
1998 B Program	30 years	5.125%–8.35%
1998 D Program	30 years	4.25%–6.125%
2002 A Program (1992 A&B)	30 years	7.00%
2003 A Program	33 years	4.76%–5.25%
2004 A Program	32 years	4.90%–5.20%
2005 A Program	30 years	4.875%
2006 A Program	30 years	5.375%
2007 A Program	32 years	3.6%–5.4%
2007 B Program	32 years	3.3%–5.45%
2009 A Program	30 years	4.875%-7.1%
Unrestricted Fund	30 years	5.625%–7.755%

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

As discussed in Note 2, nonrefundable commitment fees received from originating financial institutions and certain direct loan origination costs are amortized over the lives of the mortgage-backed securities owned by the 1993 A&B, 1996 B, 1997 D, 1998 B, 1998 D, 1999 A, 2000 A&B, 2000 C, D, & E, 2002 A, 2003 A, 2004 A, 2005 A, 2006 A, 2007 A, 2007 B and 2009A Programs as a yield adjustment.

The net unamortized balances of the deferred net fees for such programs have been deducted from the balances of mortgage-backed securities in the accompanying balance sheets. The following is a summary of the balances of deferred net fees at December 31, 2010 and 2009 (in thousands):

	Unamortized Deferred Net Fees	
	2010	**2009**
1993 A&B Program	$ -	$ 1
1996 B Program		1
1997 D Program	3	4
1998 B Program	4	5
1998 D Program	8	10
1999 A Program		3
2000 A&B Program		7
2000 C, D, & E Program		255
2002 A Program	4	5
2003 A Program	57	72
2004 A Program	123	161
2005 A Program	135	165
2006 A Program	15	19
2007 A Program	240	337
2007 B Program	62	91
2009 A Program	90	99
Total	$ 741	$ 1,235

5. BONDS AND LINES OF CREDIT PAYABLE

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

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

Outstanding bonds and lines of credit payable consist of the following at December 31, 2010 and 2009 (in thousands):

	2010
MRCMO Program:	
Zero coupon bonds due 2014, priced to yield 9.33% at maturity	$ 3,500
Less unamortized bond discount	(1,011)
Total — MRCMO Program	2,489
1993 A&B Program due serially and term from 2007 through 2025, bearing interest at 4.45% to 5.50% payable semiannually	2,125
1993 C Program due serially and term from 2007 through 2025, bearing interest at 4.55% to 5.50% payable semiannually	440
1997 D Program due serially and term from 2007 through 2030, bearing interest at 4.60% to 5.90% payable semiannually	2,695
1998 B Program due serially and term from 2007 through 2030, bearing interest at 4.15% to 5.45% payable semiannually	3,550
1998 D Program due serially and term from 2007 through 2033, bearing interest at 3.90% to 5.25% payable semiannually	6,020
2002 A Program:	
Serial and term bonds due from 2007 through 2033, bearing interest at 2.30% to 5.60% payable semiannually	8,420
Less unamortized bond discount	(70)
Total — 2002 A Program	8,350
2003 A Program due serially and term 2007 through 2036, bearing interest at 4.70% to 5.25% payable semiannually	8,975
2004 A Program due serially and term from 2007 through 2036, bearing interest at 4.90% to 5.20% payable semiannually	10,861
Plus unamortized bond premium	122
Total — 2004 A Program	10,983

(Continued)

	2010
2005 A Program, due serially and term from 2007 through 2038, bearing interest at 3.45% to 4.80% payable semiannually	17,825
2006 A Program, due serially and term 2007 through 2038 bearing interest at 4.9% payable semiannually	13,500
Plus unamortized bond premium	239
Total — 2006 A Program	13,739
2007 A Program, due serially and term 2009 through 2038 bearing interest at 3.6% to 5.40% payable semiannually	25,488
Plus unamortized bond premium	468
Total — 2007 A Program	25,956
2007 B Program, due serially and term 2009 through 2038 bearing interest at 3.30% to 5.45% payable semiannually	6,445
2009 A Program, due serially and term 2010 through 2040 bearing interest at 0.85% to 5.25% payable semiannually	28,115
Plus unamortized bond premium	491
Total — 2009 A Program	28,606
2009 GSE Program (Escrow bond), due 2011 bearing interest at 0.10% payable monthly	24,923
Unrestricted Fund Line of Credit bearing interest at 0.26% to 0.56% payable monthly	7,944
	$ 171,065

(Concluded)

	2009
MRCMO Program:	
Zero coupon bonds due 2014, priced to yield 9.33% at maturity	$ 3,500
Less unamortized bond discount	(1,232)
Total — MRCMO Program	2,268
1993 A&B Program due serially and term from 2007 through 2025, bearing interest at 4.45% to 5.50% payable semiannually	2,685
1993 C Program due serially and term from 2007 through 2025, bearing interest at 4.55% to 5.50% payable semiannually	645
1997 D Program due serially and term from 2007 through 2030, bearing interest at 4.60% to 5.90% payable semiannually	3,550
1998 B Program due serially and term from 2007 through 2030, bearing interest at 4.15% to 5.45% payable semiannually	4,285
1998 D Program due serially and term from 2007 through 2033, bearing interest at 3.90% to 5.25% payable semiannually	7,395
1999 A Program due serially and term from 2007 through 2033, bearing interest at 4.00% to 5.70% payable semiannually	2,535
2000 A&B Program:	
Capital appreciation bonds due serially and term from 2013 to 2032, priced to yield 6.10% to 6.83% at maturity	12,360
Less unamortized bond discount	(9,677)
Total — 2000 A&B Program	2,683
2000 C, D, & E Program:	
Capital appreciation bonds due serially and term from 2014 to 2034, priced to yield 5.80% to 6.50% at maturity	
Serial and term bonds due from 2007 through 2027,	16,035
bearing interest at 4.50% to 5.95% payable semiannually	1,355
Less unamortized bond discount	(12,121)
Total — 2000 C, D, & E Program	5,269

(Continued)

	2009
2002 A Program:	
Serial and term bonds due from 2007 through 2033, bearing interest at 2.30% to 5.60% payable semiannually	$ 9,560
Less unamortized bond discount	(138)
Total — 2002 A Program	9,422
2003 A Program due serially and term 2007 through 2036, bearing interest at 4.70% to 5.25% payable semiannually	11,011
2004 A Program due serially and term from 2007 through 2036, bearing interest at 4.90% to 5.20% payable semiannually	13,619
Plus unamortized bond premium	158
Total — 2004 A Program	13,777
2005 A Program, due serially and term from 2007 through 2038, bearing interest at 3.45% to 4.80% payable semiannually	20,755
2006 A Program, due serially and term 2007 through 2038 bearing interest at 4.9% payable semiannually	16,765
Plus unamortized bond premium	307
Total — 2006 A Program	17,072
2007 A Program, due serially and term 2009 through 2038 bearing interest at 3.6% to 5.40% payable semiannually	34,115
Plus unamortized bond premium	617
Total — 2007 A Program	34,732
2007 B Program, due serially and term 2009 through 2038 bearing interest at 3.30% to 5.45% payable semiannually	9,010
2009 A Program, due serially and term 2010 through 2040 bearing interest at 0.85% to 5.25% payable semiannually	29,360
Plus unamortized bond premium	515
Total — 2009 A Program	29,875
	$ 176,969

(Concluded)

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

A summary of changes in debt during the year ended December 31, 2010 and 2009, is as follows:

	2010	2009
Balance — January 1	$ 176,969	$ 192,939
Proceeds from new issuances	32,867	29,875
Repayments and other	(38,771)	(45,845)
Balance — December 31	$ 171,065	$ 176,969

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

Scheduled principal payments for the years subsequent to December 31, 2010, are as follows (in thousands):

	2011	2012	2013	2014	2015	Thereafter	Total
MRCMO Program	$ -	$ -	$ -	$ 3,500	$ -	$ -	$ 3,500
1993 A&B Program						2,125	2,125
1993 C Program						440	440
1997 Lending Program						2,695	2,695
1998 B Program						3,550	3,550
1998 D Program						6,020	6,020
2002 A Program	55	55	120	115	100	7,975	8,420
2003 A Program					0	8,975	8,975
2004 A Program					0	10,861	10,861
2005 A Program	265	280	230	240	260	16,550	17,825
2006 A Program					0	13,500	13,500
2007 A Program	370	390	415	260	265	23,788	25,488
2007 B Program	100	95	105	110	100	5,935	6,445
2009 A Program	305	305	325	330	330	26,520	28,115
2009 GSE Program (Escrow bond)	24,923						24,923
Unrestricted Fund Line of Credit	7,944						7,944
	$ 33,962	$ 1,125	$ 1,195	$ 4,555	$ 1,055	$ 128,934	170,826
Less unamortized bond discount							(1,081)
Plus unamortized premium							1,320
Total outstanding — December 31, 2010							$ 171,065

Scheduled interest payments for the years subsequent to December 31, 2010, are as follows (in thousands):

	2011	2012	2013	2014	2015	Thereafter	Total
MRCMO Program	$ 242	$ 266	$ 292	$ 210	$ 210	$ -	$ 1,220
1993 A&B Program	113	113	113	113	113	978	1,543
1993 C Program	20	20	20	20	20	15	115
1997 Lending Program	156	156	156	156	156	1,480	2,260
1998 B Program	189	189	189	189	189	2,271	3,216
1998 D Program	315	315	315	315	315	4,573	6,148
2002 A Program	434	432	433	434	434	5,510	7,677
2003 A Program	445	445	445	445	445	9,060	11,285
2004 A Program	543	543	543	543	543	11,055	13,770
2005 A Program	811	800	791	781	781	14,674	18,638
2006 A Program	662	662	662	662	662	15,060	18,370
2007 A Program	1,214	1,199	1,183	1,172	1,172	22,207	28,147
2007 B Program	325	322	318	314	5,702	5,702	12,683
2009 A Program	1,370	1,365	1,358	1,349	1,349	24,982	31,773
Unrestricted Fund Line of Credit	3						3
	$ 6,842	$ 6,827	$ 6,818	$ 6,703	$ 12,091	$ 117,567	$ 156,848

6. OPERATING EXPENSES

The members of the Authority's Board of Trustees receive a per diem fee for all committee and board meetings attended. For the years ended December 31, 2010 and 2009, payments to the Authority's Board members were as follows:

Board Member	2010	2009
Astrid Clements	$ 7,400	$ 5,200
Dennis Blunt	2,000	
Robert Gaston, III	4,400	4,200
William G. Gauthier	2,800	7,200
Sidney W. Longwell, Sr.	1,800	5,200
Jake L. Netterville	3,600	3,400
Matt Mckay	1,200	
Helena Cunningham	6,000	3,600
Loretta Pourciau		1,600
Cheri Ausberry	4,400	4,600
Valerie Schexnayder	3,200	
Norman Chenevert	6,200	3,800
Total	$ 43,000	$ 38,800

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

7. AUTHORITY FEES

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

8. DOWNPAYMENT ASSISTANCE AND AUTHORITY ASSISTANCE PROGRAMS

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

Costs related to these programs are capitalized and are being amortized over the lives of the related assets as yield adjustments based upon the average lives of the underlying assets. The remaining unamortized balances are classified on the accompanying balance sheets in the same caption as the related assets. A summary of the activity with respect to these programs during the years ended December 31, 2010 and 2009, is as follows (in thousands):

	December 31, 2009	Paid In 2010	2010 Amortization	December 31, 2010
2000 C, D, & E Program	$ 128	$ -	$ (128)	$ -
2002 A Program	206		(68)	138
2003 A Program	338		(84)	254
2004 A Program	514		(128)	386
2005 A Program	712		(118)	594
2006 A Program	666		(96)	570
2007 A Program	1,267		(159)	1,108
2007 B Program	368		(41)	327
	$ 4,199	$ -	$ (822)	$ 3,377

	December 31, 2008	Paid In 2009	2009 Amortization	December 31, 2009
2000 A&B Program	$ 132	$ -	$ (132)	$ -
2000 C, D, & E Program	256		(128)	128
2002 A Program	275		(69)	206
2003 A Program	422		(84)	338
2004 A Program	643		(129)	514
2005 A Program	831		(119)	712
2006 A Program	761		(95)	666
2007 A Program	1,399	185	(317)	1,267
2007 B Program		409	(41)	368
	$ 4,719	$ 594	$ (1,114)	$ 4,199

9. TRANSFERS AMONG PROGRAMS

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

10. SUBSEQUENT EVENTS

No events have occurred subsequent to December 31, 2010 through June 15, 2011, the date on which the financial statements are available to be issued, that require consideration as adjustments to, or disclosures in, the financial statements.

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OTHER INFORMATION

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

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

We have audited the individual programs and unrestricted fund financial statements of East Baton Rouge Mortgage Finance Authority (the "Authority"), as of and for the year ended December 31, 2010, and have issued our report thereon dated June 15, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

Deloitte & Touche LLP

June 15, 2011