EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

DECEMBER 31, 2011

BATON ROUGE, LOUISIANA

CONTENTS

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June 25, 2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
East Baton Rouge Mortgage Finance Authority

We have audited the accompanying individual programs, unrestricted fund, and 2011 combined financial statements of the East Baton Rouge Mortgage Finance Authority (the Authority) as of and for the year ended December 31, 2011, as listed in the foregoing 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 East Baton Rouge Mortgage Finance Authority's 2010 financial statements dated June 15, 2011; an unqualified opinion was expressed by the prior auditor 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the East Baton Rouge Mortgage Finance Authority as of December 31, 2011, and the changes in financial position and cash flows thereof 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 a report dated June 25, 2012 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 14 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.

Respectfully submitted,

Harris T. Bourgeois, LLP

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, 2011 as well as commentary of general market trends, 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 audited financial statements presented beginning on page 15.

The Authority's basic financial statements include the totals of the similar accounts of each of the Authority's various bond programs and the Unrestricted Fund. Since the assets of each individual bond series are restricted by the respective bond resolution and trust indenture which authorized each 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 respective resolutions and indentures relating to each separate bond series. 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, OVERVIEW OF FINANCIAL STATEMENTS, FINANCIAL ANALYSIS OF THE AUTHORITY, CURRENT ECONOMIC FACTORS, THE AUTHORITY'S 2012 BUDGETS, AND THE AUTHORITY'S 2007, 2009 and 2010 MORTGAGE LENDING PROGRAMS

- Conventional mortgage loan interest rates have remained stable for the last several years. From January 1, 2003 through December 31, 2011 interest rates on the Authority's eight (8) mortgage lending programs originated during this time period ranged from a low of 3.75% to a high of 6.375% - a range of 2.625%. Conventional mortgage interest rates since the beginning of 2010 have gradually fallen to 4.00% or slightly lower as of June 25, 2012.

- From June, 2006 until September, 2007 (a 15 month time period) the Federal Reserve Bank (the "Fed") kept its federal funds target rate constant at 5.25%. Beginning in mid-September, 2007 the Fed, in response to the turmoil in the "residential sub-prime" mortgage market, began to reduce the fed funds target rate with a cut in its Fed funds target rate from 5.00% to 4.75% followed with two (2) more cuts at its subsequent meetings in 2007 and eight (8) more cuts in 2008 to a level of only 0.00% - 0.25%, (an all time historical low) on December 16, 2008, which historical low rate has continued for approximately the last 42 months. The Fed funds rate remains at a target of 0.00% to 0.25% as of June 25, 2012.

- 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 in 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 ("Fannie Mae") and the Federal Home Loan Mortgage Corp. ("Freddie Mac") by placing both government sponsored enterprises ("GSE's") into conservatorship on September 7, 2008. Both Fannie Mae and Freddie Mac currently remain in conservatorship by the federal government. 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 this 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 residential mortgage loan crisis turned into a panic as most all mortgage related assets not guaranteed by the GSE's suffered massive mark to market losses. At the same time the credit markets locked up and more or less stopped functioning.

- 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 both 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) 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 in 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. The mortgage interest rate of 5.375% offered on this mortgage lending program became non-competitive in 2010 as conventional mortgage interest rates continued to fall. As a result approximately $9.68 million of these funds were redeemed in February, 2011.

- The Authority sold $25 million in bonds on January 12, 2010 with the Government Sponsored Entities (the "GSE's") 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). Initially the GSE Bonds were issued as various short term interest rates convertible at the option of the Authority. The Authority converted the GSE bonds and locked in a maximum long term borrowing rate of 2.32% on September 22, 2011.

- The Authority is currently funding a mortgage lending program with a combination of its own funds and the proceeds of the GSE bonds.

- The mortgage loan rate currently being offered by the Authority is 3.75% 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 forgivable over a five (5) year period which has no monthly principal or interest payments.

FINANCIAL HIGHLIGHTS

2011 Mortgage Loan Principal Paydown

- Federal tax law prohibits the Authority from providing mortgage loan refinancings. During 2011 relatively low mortgage loan interest rates continued to decline, which contributed to an amount of $19.150 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 of 2006 - 10 as compared with the prior four (4) year period of 2002 - 05. Due to a continued decline in conventional mortgage rates, mortgage paydowns in 2009 - 10 showed increases over 2007 - 08. However there was a decline in 2011 to the amount of approximately $19.150 million as compared with 2006 - 08. (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)
2011	19.149	19.301	0.152
Totals	$ 372.057	$ 214.499	$ (157.558)

[*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.

2011 New Mortgage Loan Originations

- The Authority originated $19.301 million of new mortgage loans during 2011 as compared with $11.14 million in 2010 and only $3.368 million during 2009. The level of very low mortgage loan originations for 2009 and 2010 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 2011 resulted in a slight net increase of the Authority's net mortgage related assets by $152,000 (before the effect of any unrealized gains) as compared with a $17.576 million net decrease in 2010. (See above chart for the history of new mortgage loan originations for the last ten (10) year period.)

2011 Adjusted Net Asset Balance

- The Authority's assets exceeded its liabilities at the close of fiscal year 2011 by $52.391 million, which represents a $301,000 decrease from the 2010 amount of $52.692 million. (The Authority had a net cumulative increase of $9.611 million in fair market value of its assets as of December 31, 2011.
- Without giving effect to the adjustment for unrealized gains in the fair value of investments on a cumulative net basis, the Authority's assets exceeded its liabilities by $42.780 million in 2011 which represents an increase of $2.118 million from the 2010 adjusted amount of $40.662 million.

2011 Adjusted Operating Revenues

- The Authority's adjusted revenues of $7.961 million in 2011 (exclusive of the $3.386 million in the fair value of investments as of December 31, 2011 which represented an unrealized gain in 2011) decreased by $1.907 million as compared to adjusted revenues of $9.868 million generated in 2010 (exclusive of the net increase in the fair value of investments of $2.910 million for 2010) which represented an unrealized gain in 2011 due to the following factors:
- The Authority generated income earned on mortgage loans receivable/mortgage backed securities of $6.648 million in 2011 as compared with $6.333 million in 2010 - an increase of $315,000.
- However, the Authority realized a $2.151 million decrease in income earned on other investments from $3.187 million in 2010 to $1.036 million in 2011.
- The Authority's Fee Income in 2011 decreased by $59,000 in 2011 to $277,000 from $336,000 in 2010.

2011 Operating Expenses

- The Authority's Total Operating 2011 Expenses of $11.648 increased by $187,000 from 2010 operating expenses of $11.461 million in 2010.
- Interest Expense declined by $1.238 million from $7.042 million in 2010 to $5.804 million in 2011.

- There was a decrease in the amortization of deferred financing costs of $259,000 in 2011 as compared with 2010.

- There was a decrease in the amortization of DAP/MLAP of $15,000 in 2011 as compared to 2010.

- There was an increase of $1.753 million in Operating Expenses in 2011 as compared to 2010, primarily as a result of an increase in the amount of grants awarded of approximately $1.708 million, from $1.518 million in 2010 to $3.226 million in 2011.

2011 Adjusted Net Operating Income

- The Authority experienced a net loss of $3.687 million in 2011 compared with a $1.593 million net loss in 2010 (excluding the effects of the unrealized gains in the fair value of investments for 2011 and 2010) before adjusting for the non-cash expense item categories of (a) the amortization of deferred financing costs and (b) the amortization of down-payment assistance program 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 $2.518 million in 2011 as compared with a net operating loss of $150,000 in 2010 – an increase of $2.368 million in the net operating loss in 2011 as compared with 2010.

2011 Unrestricted Net Assets

- As of December 31, 2011, the Authority had unrestricted net assets of $28.993 million as compared with unrestricted net assets of $31.834 million as of December 31, 2010 representing a decrease of $2.841 million. Excluding the effect of cumulative unrealized gains (or losses) for both periods the Authority had unrestricted net assets of $28.219 million as of December 31, 2011 as compared with $31.348 million as of December 31, 2010, representing a decrease in unrestricted net assets of $3.129 million in 2011 over the same period of 2010.

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, 2009, 2010 and 2011, are presented below:

Authority's Operating and Debt Ratios

	12/31/09	12/31/10	12/31/11
Moody's Rating	A3	A3	A3
Profitability *1	(6.80%)	1.52%	(31.63%)
Adjusted General Fund/Unrestricted Net Asset Fund Balance *2	$27.768 million	$31.348 million	$29.008 million
Outstanding Long and Short Term Bonds (including accrued interest)	$178.815 million	$172.552 million	$146.482 million
General Fund/Unrestricted Net Asset Fund Balance (as a % of Outstanding Short and Long Term Bonds including accrued interest) *2	15.53%	18.16%	19.80%
Combined Net Asset (Unrestricted and Restricted) Fund Balance *2	$35.758 million	$36.176 million	$32.497 million
Outstanding Long and Short Term Bonds (including accrued interest)	$178.815 million	$172.552 million	$146.482 million
Combined Net Asset Fund Balance (unrestricted and restricted) (as a % of Outstanding Bonds including accrued Interest) *2	20.00%	20.97%	22.18%

(*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 down-payment 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 down-payment 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 15 & 16) 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 17 & 18) 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 19 - 22) 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, 2011 AND 2010
(In Thousands)

	2011	2010	Change from Prior Year
Mortgage backed securities & mortgage loan receivable	$ 138,979	$ 137,047	$ 1,932
Guaranteed investment contracts and investments including cash & cash equivalents	35,885	59,336	(23,451)
U.S. Government and Agency Securities	19,104	23,722	(4,618)
Other non-cash assets	5,042	5,220	(178)
Total Assets	$ 199,010	$ 225,325	$ (26,315)
Other liabilities	$ 1,403	$ 1,568	$ (165)
Short-term debt outstanding	13,849	24,923	(11,074)
Long-term debt outstanding	131,367	146,142	(14,775)
Total Liabilities	146,619	172,633	(26,014)
Net assets:			
Investment in Capital Assets, Net of Related Debt	789	-	789
Restricted	22,609	20,858	1,751
Unrestricted	28,993	31,834	(2,841)
Total Net Assets	52,391	52,692	(301)
Total Liabilties and Net Assets	$ 199,010	$ 225,325	$ (26,315)

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 2011 by $52.391 million, which represents a $301,000 decrease from 2010. The Authority has a net cumulative increase in the fair value of its assets of $9.611 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 $42.780 million as of December 31, 2011.

2011 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 2011 as compared to 2010 were primarily a result of the following factors:

- An increase in income earned on mortgage loans receivable and/or MBS of $315,000;
- A decrease in income earned on other investments of $2.151 million from 2010 to 2011;
- A decrease in bond interest expense of $1.238 million.

2011 NET INCOME/LOSS

	2011 (millions)	2010 (millions)	Change from Prior Year (millions)
Revenues	$ 11.347	$ 12.778	$ (1.431)
Expenses	11.648	11.461	0.187
Net income/loss	$ (0.301)	$ 1.317	$ (1.618)

2011 Revenues

- The Authority's total revenues (exclusive of the net increase of $3.386 million in 2011 in the fair value of investments) decreased from $9.868 million in 2010 (exclusive of the net increase in the fair value of investments of $2.910 million which represented an unrealized gain) to $7.961 million in 2011 – a decrease of $1.907 million.
- Revenues from income earned on mortgage loans receivable/MBS increased $315,000 from $6.333 million in 2010 to $6.648 million in 2011.

- Authority Fee Income decreased $59,000 from $336,000 in 2010 to $277,000 in 2011.

- Revenues from income earned on other investments decreased $2.151 million from $3.187 million in 2010 to $1.036 million in 2011.

2011 Adjusted Expenses

- Bond interest expense decreased by $1.238 million from $7.042 million in 2010 to $5.804 million in 2011.

- The total expenses of all programs and services (net of bond interest expense) for 2011 of $5.844 million represented an increase of $1.425 million from the comparable amount of $4.419 million in 2010 primarily due to a $1.753 million increase in operating expenses.

- Certain other expense items for 2011 and 2010 represent the amortization of the non-cash items such as amortization of deferred financing costs and amortization of DAP and MLAP costs, which totaled $1.169 million for 2011 and $1.443 million for 2010 respectively - a decrease of $274,000 in 2011 from 2010.

Authority Debt

- The Authority had $131.367 million in mortgage revenue bonds and a $13.849 million line of credit with the Federal Home Loan Bank of Dallas outstanding (excluding accrued interest) on December 31, 2011 as compared to $163.121 million in mortgage revenue bonds and $7.944 million line of credit with the Federal Home Loan Bank of Dallas outstanding as of December 31, 2010, as shown in the table below:

OUTSTANDING AUTHORITY DEBT AS OF DECEMBER 31, 2011 AND 2010

	2011 (millions)	2010 (millions)	Change from Prior Year (millions)
Mortgage Revenue Bonds	$131.367	$163.121	($31.754)
Line of Credit (FHLB of Dallas)	13.849	7.944	5.905
Outstanding Debt (as of December 31)	$145.216	$171.065	($25.849)

- Mortgage Revenue Bond Debt outstanding decreased by $31.754 million as of December 31, 2011 as compared with December 31, 2010. The Authority had an outstanding line of credit as of December 31, 2010 of $7.944 million with the Federal Home Loan Bank of Dallas as compared with a line of credit of $13.849 on December 31, 2011 an increase of $5.905 million.

- **Accounts Payable and Accrued Interest Payable**

  The Authority had accounts payable, accrued liabilities and accrued interest payable of $1.403 million outstanding on December 31, 2011 compared with $1.568 million for 2010 (a decrease of $165,000).

SUMMARY OF RECENT MORTGAGE LENDING PROGRAMS FROM 2007-2012

On both the Authority's 2007A and 2007B bonds, the bond proceeds were invested at rates in excess of the interest rates the Authority was paying on its bonds. However the Series 2009A bond proceeds were invested at rates significantly lower than the average interest rate on the Series 2009A Bonds thereby creating a 'negative' cost of carry on the Series 2009 A Bonds.

The GSE Bond proceeds are currently invested at rates significantly lower than the GSE Bonds interest rate of 2.32% thereby also creating a 'negative' cost of carry on the GSE bond proceeds.

As a result of this additional cost, the Authority (as it did on its 2002 mortgage lending program) utilized a line of credit at the Federal Home Loan Bank of Dallas ("FHLB") on its mortgage lending programs to finance the acquisition of the mortgage backed securities ("MBS") originated under the 2009A and GSE Bonds mortgage lending programs.

The Series 2009A bond proceeds were invested to a single future maturity date which resulted in a higher earnings rate than what was estimated to have been earned by the Authority with various multiple 'flexible' investment dates.

The Authority borrowed funds (pursuant to its line of credit with the FHLB) at very low short term interest rates to fund its acquisition of MBS) which allowed the Authority to realize a 'net' interest rate spread between its borrowing rate and the average pass thru rate on the mortgage backed securities originated by the 2009A mortgage lending program.

This 'net' interest rate spread was greater than the 'negative' spread between the average interest rate on the Series 2009A bonds and the rate of earnings on the Series 2009A bond proceeds.

The Authority is currently borrowing funds from the FHLB to finance its acquisition of MBS on the GSE mortgage lending program and also is currently earning a 'net' spread greater than the 'negative' cost of carry on the GSE bond proceeds.

In addition, the Authority currently intends to sell all or a portion of the MBS it currently holds at the FHLB as well as all or a portion of any future MBS it acquires under the GSE mortgage lending program.

It is anticipated that the proceeds realized by the Authority from the sale of any MBS will be 'recycled' for additional MBS purchases in connection with the GSE mortgage lending program.

In the past the Authority has successfully 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.

CURRENT ECONOMIC FACTORS AND THE AUTHORITY'S 2012 BUDGET

The Authority's Board of Trustees considered the following factors and indicators when the Authority adopted its 2012 Operating Budget. These factors and indicators include:

- The potential for the continuation of relatively low conventional mortgage loan interest rates continuing into 2012 for the ninth (9^{th}) consecutive year continuing to 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 currently expects to add at least $25 million in mortgage related assets in 2012 which the Authority expects will be an amount greater than the amount of mortgage loan payoffs.

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

AS OF DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2010)

(In Thousands)

	MRCMO Program	1993 A&B Program	1993 C Program	1997 D Program	1998 B Program	1998 D Program	2002 A Program	2003 A Program	2004 A Program
ASSETS									
Cash and Cash Equivalents	$ -	$ 20	$ 6	$ 19	$ 88	$ 94	$ 480	$ 141	$ 151
Guaranteed Investment Agreements	-	750	401	281	320	756	1,178	-	-
U.S. Government and Agency Securities	3,426	-	-	-	-	-	-	-	-
Mortgage-Backed Securities	-	2,045	820	3,013	4,571	6,585	5,642	8,594	8,924
Mortgage Loans Receivable - Net	-	-	52	-	-	-	-	-	-
Accrued Interest Receivable	-	18	9	20	26	38	45	42	47
Deferred Financing Costs	1	13	1	22	30	45	86	83	102
Downpayment and Authority Assistance Programs	-	-	-	-	-	-	69	169	257
Inter-Program Receivable (Payable)	-	-	-	(3)	(3)	(1)	(2)	(8)	(4)
Prepaid Insurance and Other Assets	-	-	-	-	-	-	-	-	-
Capital Assets (Net of Accumulated Depreciation)	-	-	-	-	-	-	-	-	-
Total Assets	$ 3,427	$ 2,846	$ 1,289	$ 3,352	$ 5,032	$ 7,517	$ 7,498	$ 9,021	$ 9,477
LIABILITIES AND NET ASSETS									
Liabilities:									
Accounts Payable and Accrued Liabilities	$ -	$ 3	$ 2	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1
Accrued Interest Payable	-	23	1	31	38	67	85	32	34
Bonds and Lines of Credit Payable - Net	2,732	1,745	110	2,170	2,820	5,145	6,475	7,755	8,277
Total Liabilities	2,732	1,771	113	2,202	2,859	5,213	6,561	7,788	8,312
Net Assets:									
Investment in Capital Assets, Net of Related Debt	-	-	-	-	-	-	-	-	-
Restricted	695	1,075	1,176	1,150	2,173	2,304	937	1,233	1,165
Unrestricted	-	-	-	-	-	-	-	-	-
Total Net Assets	695	1,075	1,176	1,150	2,173	2,304	937	1,233	1,165
Total Liabilities and Net Assets	$ 3,427	$ 2,846	$ 1,289	$ 3,352	$ 5,032	$ 7,517	$ 7,498	$ 9,021	$ 9,477

(CONTINUED)

EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2010)

(In Thousands)

	2005 A Program	2006 A Program	2007 A Program	2007 B Program	2009 A Program	2009 GSE Program	Unrestricted Fund	2011 Combined	2010 Combined
ASSETS									
Cash and Cash Equivalents	$ 1,515	$ 407	$ 246	$ 723	$ 366	$ 25,552	$ 953	$ 30,761	$ 7,147
Guaranteed Investment Agreements	-	-	708	243	487	-	-	5,124	52,189
U.S. Government and Agency Securities	-	-	-	-	-	-	15,678	19,104	23,722
Mortgage-Backed Securities	15,208	11,504	22,575	5,609	16,653	-	25,846	137,589	136,046
Mortgage Loans Receivable - Net	-	-	-	-	998	-	340	1,390	1,001
Accrued Interest Receivable	71	58	120	30	74	-	58	656	708
Deferred Financing Costs	50	45	54	22	194	143	-	891	1,109
Downpayment Assistance Programs	475	475	950	286	-	-	-	2,681	3,377
Inter-Program Receivable (Payable)	-	(7)	(20)	(7)	(10)	-	65	-	-
Prepaid Insurance and Other Assets	3	1	1	1	-	-	19	25	26
Capital Assets (Net of Accumulated Depreciation)	-	-	-	-	-	-	789	789	-
Total Assets	$ 17,322	$ 12,483	$ 24,634	$ 6,907	$ 18,762	$ 25,695	$ 43,748	$ 199,010	$ 225,325
LIABILITIES AND NET ASSETS									
Liabilities:									
Accounts Payable and Accrued Liabilities	$ 2	$ 2	$ 3	$ -	$ 2	$ -	$ 117	$ 137	$ 81
Accrued Interest Payable	176	131	252	67	184	145	-	1,266	1,487
Bonds and Lines of Credit Payable - Net	15,240	10,847	21,382	5,245	16,502	24,922	13,849	145,216	171,065
Total Liabilities	15,418	10,980	21,637	5,312	16,688	25,067	13,966	146,619	172,633
Net Assets:									
Investment in Capital Assets, Net of Related Debt	-	-	-	-	-	-	789	789	-
Restricted	1,904	1,503	2,997	1,595	2,074	628	-	22,609	20,858
Unrestricted	-	-	-	-	-	-	28,993	28,993	31,834
Total Net Assets	1,904	1,503	2,997	1,595	2,074	628	29,782	52,391	52,692
Total Liabilities and Net Assets	$ 17,322	$ 12,483	$ 24,634	$ 6,907	$ 18,762	$ 25,695	$ 43,748	$ 199,010	$ 225,325

The notes to the financial statements are an integral part of this statement.

EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)

(In Thousands)

	MRCMO Program	1993 A&B Program	1993 C Program	1997 D Program	1998 B Program	1998 D Program	2002 A Program	2003 A Program	2004 A Program
REVENUES:									
Income Earned on Mortgage Loans Receivable/ Mortgage Backed Securities	$ -	$ 105	$ 44	$ 178	$ 259	$ 341	$ 336	$ 476	$ 537
Income Earned on Other Investments	-	35	21	19	17	39	68	-	-
Net Increase (Decrease) in the Fair Value of Investments	195	5	4	10	5	177	(30)	143	49
Other Income	-	-	-	-	-	-	-	-	-
Authority Fee Income	-	-	-	-	-	-	-	-	-
Total	195	145	69	207	281	557	374	619	586
EXPENSES:									
Interest	277	104	13	140	171	289	388	416	427
Amortization of Deferred Financing Costs	1	4	1	7	9	11	27	18	37
Amortization of DAP & MLAP	-	-	-	-	-	-	69	84	129
Authority Fees	-	1	-	11	12	6	8	33	20
Servicing Fees	-	-	-	-	-	-	-	-	-
Insurance Costs	-	-	-	-	-	-	-	-	-
Administrative Fees	-	6	3	9	10	9	11	14	15
Operating Expenses	-	8	5	1	12	11	7	3	5
Total	278	123	22	168	214	326	510	568	633
Net Income (Loss)	(83)	22	47	39	67	231	(136)	51	(47)
Transfers Among Programs	-	-	-	-	-	-	-	-	-
Net Assets - Beginning of Year	778	1,053	1,129	1,111	2,106	2,073	1,073	1,182	1,212
Net Assets - End of Year	$ 695	$ 1,075	$ 1,176	$ 1,150	$ 2,173	$ 2,304	$ 937	$ 1,233	$ 1,165

(CONTINUED)

EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)

(In Thousands)

	2005A Program	2006 A Program	2007 A Program	2007 B Program	2009 A Program	2009 GSE Program	Unrestricted Fund	2011 Combined	2010 Combined
REVENUES:									
Income Earned on Mortgage Loans									
Receivable/ Mortgage Backed Securities	$ 823	$ 616	$ 1,237	$ 336	$ 922	$ -	$ 438	$ 6,648	$ 6,333
Income Earned on Other Investments	-	-	37	9	37	22	732	1,036	3,187
Net Increase (Decrease) in the Fair Value									
of Investments	266	115	289	64	790	-	1,304	3,386	2,910
Other Income	-	-	-	-	-	-	-	-	12
Authority Fee Income	-	-	-	-	-	-	277	277	336
Total	1,089	731	1,563	409	1,749	22	2,751	11,347	12,778
EXPENSES:									
Interest	769	514	976	285	812	200	23	5,804	7,042
Amortization of Deferred Financing Costs	11	14	15	11	196	-	-	362	621
Amortization of DAP & MLAP	119	95	158	41	112	-	-	807	822
Authority Fees	-	31	85	28	42	-	-	277	336
Servicing Fees	-	-	-	-	-	-	1	1	1
Insurance Costs	-	-	-	-	-	-	5	5	28
Administrative Fees	24	17	34	-	21	-	446	619	591
Operating Expenses	10	8	3	2	27	-	3,671	3,773	2,020
Total	933	679	1,271	367	1,210	200	4,146	11,648	11,461
Net Income (Loss)	156	52	292	42	539	(178)	(1,395)	(301)	1,317
Transfers Among Programs	-	-	-	-	-	657	(657)	-	-
Net Assets - Beginning of Year	1,748	1,451	2,705	1,553	1,535	149	31,834	52,692	51,375
Net Assets - End of Year	$ 1,904	$ 1,503	$ 2,997	$ 1,595	$ 2,074	$ 628	$ 29,782	$ 52,391	$ 52,692

The notes to the financial statements are an integral part of this statement.

EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)

(In Thousands)

	MRCMO Program	1993 A&B Program	1993 C Program	1997 D Program	1998 B Program	1998 D Program	2002 A Program	2003 A Program	2004 A Program
Cash Flows From Operating Activities:									
Cash Receipts for:									
Mortgage Loans and Mortgage-Backed Securities Income	$ -	$ 105	$ 44	$ 178	$ 259	$ 341	$ 336	$ 476	$ 537
Collection of Mortgage Loans and Mortgage-Backed Securities	-	413	252	455	730	700	1,521	1,291	2,488
Cash Payments for:									
Purchase of Mortgage Loans and Mortgage-Backed Securities	-	-	-	-	-	-	-	-	-
Other Items	-	(15)	(7)	(21)	(34)	(26)	(25)	(50)	(40)
Net Cash Provided by (Used in) Operating Activities	-	503	289	612	955	1,015	1,832	1,717	2,985
Cash Flows From Capital and Related Financing Activities:									
Acquisition of Capital Assets	-	-	-	-	-	-	-	-	-
Net Cash Used in Capital and Related Financing Activities	-	-	-	-	-	-	-	-	-
Cash Flows From Investing Activities:									
Investment Purchases - Net	-	(51)	24	47	(65)	177	380	-	-
Income (Loss) on Other Investments	-	35	21	19	17	39	68	-	-
Net Cash Provided by (Used in) Investing Activities	-	(16)	45	66	(48)	216	448	-	-
Cash Flows From Noncapital Financing Activities:									
Bond Financing Costs	-	-	-	-	-	-	-	-	-
Proceeds from Bond Issues / Line of Credit	-	-	-	-	-	-	-	-	-
Retirement of Notes and Bonds Payable	-	(380)	(330)	(525)	(730)	(875)	(1,945)	(1,220)	(2,669)
Interest Paid	-	(108)	(17)	(148)	(180)	(299)	(335)	(421)	(475)
Interfund Activities	-	-	-	-	-	-	-	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	-	(488)	(347)	(673)	(910)	(1,174)	(2,280)	(1,641)	(3,144)
Net Increase (Decrease) in Cash and Cash Equivalents	-	(1)	(13)	5	(3)	57	-	76	(159)
Cash and Cash Equivalents at Beginning of Year	-	21	19	14	91	37	480	65	310
Cash and Cash Equivalents at End of Year	$ -	$ 20	$ 6	$ 19	$ 88	$ 94	$ 480	$ 141	$ 151

(CONTINUED)

EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)

(In Thousands)

	2005A Program	2006 A Program	2007 A Program	2007 B Program	2009 A Program	2009 GSE Program	Unrestricted Fund	2011 Combined	2010 Combined
Cash Flows From Operating Activities:									
Cash Receipts for:									
Mortgage Loans and Mortgage-Backed Securities Income	$ 823	$ 616	$ 1,237	$ 336	$ 922	$ -	$ 438	$ 6,648	$ 6,333
Collection of Mortgage Loans and Mortgage-Backed Securities	3,492	2,396	3,450	834	-	-	217	18,239	39,507
Cash Payments for:									
Purchase of Mortgage Loans and Mortgage-Backed Securities	-	-	-	-	(8,012)	-	(9,099)	(17,111)	(12,836)
Other Items	(35)	(57)	(127)	(31)	(72)	(286)	(3,782)	(4,608)	(2,842)
Net Cash Provided by (Used in) Operating Activities	4,280	2,955	4,560	1,139	(7,162)	(286)	(12,226)	3,168	30,162
Cash Flows From Capital and Related Financing Activities:									
Acquisition of Capital Assets	-	-	-	-	-	-	(789)	(789)	-
Net Cash Used in Capital and Related Financing Activities	-	-	-	-	-	-	(789)	(789)	-
Cash Flows From Investing Activities:									
Investment Purchases - Net	-	-	990	81	20,450	25,032	4,778	51,843	(23,314)
Income (Loss) on Other Investments	-	-	37	9	37	22	732	1,036	3,187
Net Cash Provided by (Used in) Investing Activities	-	-	1,027	90	20,487	25,054	5,510	52,879	(20,127)
Cash Flows From Noncapital Financing Activities:									
Bond Financing Costs	-	-	-	-	-	143	-	143	-
Proceeds from Bond Issues / Line of Credit	-	-	-	-	-	24,922	5,905	30,827	32,867
Retirement of Notes and Bonds Payable	(2,585)	(2,835)	(4,445)	(1,200)	(11,850)	(24,923)	-	(56,512)	(38,992)
Interest Paid	(798)	(605)	(1,145)	(299)	(1,194)	(55)	(23)	(6,102)	(6,820)
Interfund Activities	-	-	-	-	-	657	(657)	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(3,383)	(3,440)	(5,590)	(1,499)	(13,044)	744	5,225	(31,644)	(12,945)
Net Increase (Decrease) in Cash and Cash Equivalents	897	(485)	(3)	(270)	281	25,512	(2,280)	23,614	(2,910)
Cash and Cash Equivalents at Beginning of Year	618	892	249	993	85	40	3,233	7,147	10,057
Cash and Cash Equivalents at End of Year	$ 1,515	$ 407	$ 246	$ 723	$ 366	$ 25,552	$ 953	$ 30,761	$ 7,147

(CONTINUED)

EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)

(In Thousands)

	MRCMO Program	1993 A&B Program	1993 C Program	1997 D Program	1998 B Program	1998 D Program	2002 A Program	2003 A Program	2004 A Program
Reconciliation of Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:									
Net Income (Loss)	$ (83)	$ 22	$ 47	$ 39	$ 67	$ 231	$ (136)	$ 51	$ (47)
Adjustments to Reconcile Net (Loss) Income to Net Cash Provided by (Used in) Operating Activities:									
Unrealized (Gain) Loss on Investments	(195)	(5)	(4)	(10)	(5)	(177)	30	(143)	(49)
Amortization of Deferred Financing Costs	1	4	1	7	9	11	27	18	37
Amortization of Downpayment and Authority Assistance Programs	-	-	-	-	-	-	69	84	129
Interest Expense	277	104	13	140	171	289	388	416	427
Income on Other Investments	-	(35)	(21)	(19)	(17)	(39)	(68)	-	-
Purchase of Mortgage Loans and Mortgage-Backed Securities	-	-	-	-	-	-	-	-	-
Collections of Loans and Mortgage-Backed Securities	-	413	252	455	730	700	1,521	1,291	2,488
Other - Net	-	-	1	-	-	-	1	-	-
Net Cash Provided by (Used in) Operating Activities	$ -	$ 503	$ 289	$ 612	$ 955	$ 1,015	$ 1,832	$ 1,717	$ 2,985

EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)

(In Thousands)

	2005A Program	2006 A Program	2007 A Program	2007 B Program	2009 A Program	2009 GSE Program	Unrestricted Fund	2011 Combined	2010 Combined
Reconciliation of Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:									
Net Income (Loss)	$ 156	$ 52	$ 292	$ 42	$ 539	$ (178)	$ (1,395)	$ (301)	$ 1,317
Adjustments to Reconcile Net (Loss) Income to Net Cash Provided by (Used in) Operating Activities:									
Unrealized (Gain) Loss on Investments	(266)	(115)	(289)	(64)	(790)	-	(1,304)	(3,386)	(2,910)
Amortization of Deferred Financing Costs	11	14	15	11	196	-	-	362	621
Amortization of Downpayment and Authority Assistance Programs	119	95	158	41	112	-	-	807	822
Interest Expense	769	514	976	285	812	200	23	5,804	7,042
Income on Other Investments	-	-	(37)	(9)	(37)	(22)	(732)	(1,036)	(3,187)
Purchase of Mortgage Loans and Mortgage-Backed	-								
Securities	-	-	-	-	(8,012)	-	(9,099)	(17,111)	(12,836)
Collections of Loans and Mortgage-Backed Securities	3,492	2,396	3,450	834	-	-	217	18,239	39,507
Other - Net	(1)	(1)	(5)	(1)	18	(286)	64	(210)	(214)
Net Cash Provided by (Used in) Operating Activities	$ 4,280	$ 2,955	$ 4,560	$ 1,139	$ (7,162)	$ (286)	$ (12,226)	$ 3,168	$ 30,162

The notes to the financial statements are an integral part of this statement.

(1) Summary of Significant Accounting Policies -

(A) Organization of Authority

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 1993 A&B, 1993C, 1997 D, 1998 B, 1998 D, 2002 A, 2003 A, 2004 A, 2005 A, 2006 A, 2007 A, 2007 B, and 2009 A 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	Closed	$ 15,450
1988 C&D Program, dated August 1, 1988	Closed	26,975
1988 E&F Program, dated June 22, 1989	Closed	40,000
Municipal Refunding Collateralized Mortgage Obligations (MRCMO) Program, dated January 25, 1989		67,905
1990 Program, dated August 1, 1990	Closed	56,000
1992 A&B Program, dated April 1, 1992	Closed	25,000
1992 C Program, dated April 1, 1992	Closed	38,310
1992 D Program, dated April 1, 1992	Closed	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	Closed	31,210
1994 C Program, dated December 29, 1994 (remarketed)	Closed	13,250
1995 A Program, dated February 23, 1995 (remarketed)	Closed	8,840
1995 B Program, dated October 5, 1995	Closed	12,500

1995 C Program, dated September 28, 1995 (remarketed)	Closed	5,820
1996 A Program, dated February 29, 1996 (remarketed)	Closed	9,765
1996 B program, dated October 24, 1996	Closed	12,500
1996 C Program, dated September 27, 1996 (remarketed)	Closed	6,390
1997 B Program, dated March 27, 1997 (remarketed)	Closed	10,755
1997 C1-C3 Program, dated December 31, 1997	Closed	101,400
1997 D Program, dated June 1, 1997		18,600
1997 F Program, dated September 25, 1997 (remarketed)	Closed	5,135
1998 A Program, dated June 1, 1998	Closed	12,920
1998 B Program, dated June 1, 1998		23,595
1998 C Program, dated December 1, 1998	Closed	41,180
1998 D Program, dated December 1, 1998		6,000
1999 A Program, dated July 15, 1999	Closed	12,000
1999 B Program, dated July15, 1999	Closed	16,485
2000 A&B Program, dated May 31, 2000	Closed	57,208
2000 C Program, dated November 9, 2000 (remarketed from 2000 A&B Program)	Closed	10,000
2000 D Program, dated November 9, 2000 (remarketed from 2000 A&B Program)	Closed	6,294
2000 E Program, dated November 9, 2000	Closed	14,787
2000 CR Program, dated August 14, 2001 (remarketed from 2000 C Program)	Closed	5,200
2000 DR Program, dated August 14, 2001 (remarketed from 2000 D Program)	Closed	3,330
2000 ER Program, dated August 14, 2001 (remarketed from 2000 E Program)	Closed	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 dated November 22, 2011		25,000

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.

(B) **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 in 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 improvements 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 invested in capital assets, net of related debt, or 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.

(2) 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, 2011.

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, 2011, the Authority's investments in MBS with GNMA, FNMA, and FHLMC are rated AA+ 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, 2011, invested in GNMA, FNMA, and FHLMC obligations including MBS totaling approximately $125.718 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, 2011, was approximately $40.595 million. Any potential downgrade in the credit rating of either FNMA and/or FHLMC 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 $40.595 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.

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, 2011, 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.

(3) 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%
2009 A Program	6.00%
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	3.60% - 5.40%
2007 B Program	32 years	3.30% - 5.45%
2009 A Program	30 years	4.875% - 7.10%
2009 GSE Program	30 years	2.32%
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 1, 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, 1997 D, 1998 B, 1998 D, 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, 2011 and 2010 (in thousands):

	Unamortized Deferred Net Fees	
	2011	2010
1993 A&B Program	$ -	$ -
1997 D Program	2	3
1998 B Program	3	4
1998 D Program	6	8
2002 A Program	3	4
2003 A Program	47	57
2004 A Program	87	123
2005 A Program	110	135
2006 A Program	12	15
2007 A Program	240	240
2007 B Program	41	62
2009 A Program	48	90
Total	$ 599	$ 741

(4) Changes in Capital Assets

Capital asset activity for the year ended December 31, 2011(in thousands):

Governmental Activities	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
Capital Assets not being Depreciated:				
Land	$ -	$ 631	$ -	$ 631
Total	-	631	-	631
Capital Assets being Depreciated:				
Building	-	158	-	158
Total	-	158	-	158
Less Accumulated Depreciation for:				
Building	-	-	-	-
Total Accumulated Depreciation:	-	-	-	-
Total Capital Assets being Depreciated, Net	-	158	-	158
Capital Assets, Net	$ -	$ 789	$ -	$ 789

Depreciation expense was not charged for the year ended December 31, 2011 as the building was not placed in service as of December 31, 2011.

(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, 2011 and 2010 (in thousands):

		2011
MRCMO Program		
Zero coupon bonds due 2014, priced to yield 9.33% maturity	$	3,500
Less unamortized bond discount		(768)
Total-MRCMP Program		2,732
1993 A&B Program, due serially and term from 2021 through 2025, and bearing interest at 5.00% to 5.50% payable semiannually		1,745
1993 C Program, due serially and term of 2016, bearing interest at 4.63% payable semiannually		110
1997 D Program, due serially and term from 2016 through 2030, bearing interest at 5.65% to 5.90% payable semiannually		2,170
1998 B Program, due serially and term from 2016 through 2030, bearing interest at 5.20% to 5.35% payable semiannually		2,820
1998 D Program, due serially and term from 2018 through 2033, bearing interest at 5.13% to 5.25% payable semiannually		5,145
2002 A Program:		
Serial and term bonds due from 2012 through 2033, bearing interest at 3.95% to 5.60% payable semiannually		6,475
2003 A Program, due serially and term of 2036, bearing interest at 4.70% to 5.25% payable semiannually		7,755
2004 A Program, due serially and term of 2036, bearing interest at 4.90% to 5.20% payable semiannually		8,192
Plus unamortized bond premium		85
Total-2004 A Program		8,277
2005 A Program, due serially and term from 2012 through 2038, bearing interest at 3.95% to 4.80% payable semiannually		15,240

(CONTINUED)

	2011
2006 A Program, due serially and term of 2038,	
bearing interest at 4.90% payable semiannually	10,665
Plus unamortized bond premium	182
Total-2006 A Program	10,847
2007 A Program, due serially and term 2012 through 2038,	
bearing interest at 3.80% to 5.40% payable semiannually	21,043
Plus unamortized bond premium	339
Total-2007 A Program	21,382
2007 B Program, due serially and term from 2012 through 2039,	
bearing interest at 3.50% to 5.45% payable semiannually	5,245
2009 A Program, due serially and term from 2012 through 2040,	
bearing interest at 1.70% to 5.25% payable semiannually	16,265
Plus unamortized bond premium	237
Total-2009 A Program	16,502
2009 GSE Program, due 2041,	
bearing interest at 2.32% payable monthly	25,000
Less unamortized bond discount	(78)
Total-2009 GSE Program	24,922
Unrestricted Fund Line of Credit, due April 2012	
bearing interest at 0.16% to 0.56% payable monthly	13,849
	$ 145,216

(CONTINUED)

		2010
MRCMO Program		
Zero coupon bonds due 2014, priced to yield 9.33% maturity	$	3,500
Less unamortized bond discount		(1,011)
Total-MRCMP Program		2,489
1993 A&B Program, due serially and term from 2007 through 2025, and 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 2025, 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 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 from 2007 through 2038, bearing interest at 4.90%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 3.60% 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 from 2007 through 2038, bearing interest at 3.30% to 5.45% payable semiannually	6,445
2009 A Program, due serially and term from 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

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 years ended December 31, 2011 and 2010 (in thousands), is as follows:

	2011	2010
Balance-January 1	$ 171,065	$ 176,969
Proceeds from New Issuances	30,827	32,867
Repayments and Other	(56,676)	(38,771)
Balance-December 31	$ 145,216	$ 171,065

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, 2011, are as follows (in thousands):

	2012	2013	2014	2015	2016	Thereafter	Total
MRCMO Program	$ -	$ -	$ 3,500	$ -	$ -	$ -	$ 3,500
1993 A&B Program	-	-	-	-	-	1,745	1,745
1993 C Program	-	-	-	-	110	-	110
1997 D Program	-	-	-	-	375	1,795	2,170
1998 B Program	-	-	-	-	485	2,335	2,820
1998 D Program	-	-	-	-	-	5,145	5,145
2002 A Program	35	-	-	-	-	6,440	6,475
2003 A Program	-	-	-	-	-	7,755	7,755
2004 A Program	-	-	-	-	-	8,192	8,192
2005 A Program	255	220	230	230	-	14,305	15,240
2006 A Program	-	-	-	-	-	10,665	10,665
2007 A Program	350	365	235	240	250	19,603	21,043
2007 B Program	90	90	90	90	85	4,800	5,245
2009 A Program	280	290	295	150	330	14,920	16,265
2009 GSE Program	-	-	-	-	-	25,000	25,000
Unrestricted Fund Line of Credit	13,849	-	-	-	-	-	13,849
	$ 14,859	$ 965	$ 4,350	$ 710	$ 1,635	$ 122,700	145,219

(CONTINUED)

	2012	2013	2014	2015	2016	Thereafter	Total
Less Unamortized Bond Discount							(846)
Plus Unamortized Premium							843
Total Outstanding - December 31, 2011							$ 145,216

Scheduled interest payments for the years subsequent to December 31, 2011, are as follows: (in thousands)

	2012	2013	2014	2015	2016	Thereafter	Total
MRCMO Program	$ 266	$ 292	$ 210	$ -	$ -	$ -	$ 768
1993 A&B Program	93	93	93	93	93	710	1,175
1993 C Program	5	5	5	5	4	-	24
1997 D Program	126	126	126	126	126	1,107	1,737
1998 B Program	150	150	150	150	150	1,719	2,469
1998 D Program	269	269	269	269	269	3,638	4,983
2002 A Program	337	336	336	336	336	4,127	5,808
2003 A Program	384	384	384	384	384	7,430	9,350
2004 A Program	409	409	409	409	409	7,920	9,965
2005 A Program	705	695	686	676	666	11,929	15,357
2006 A Program	523	523	523	523	523	11,374	13,989
2007 A Program	1,009	996	982	972	963	17,206	22,128
2007 B Program	269	266	262	259	256	4,461	5,773
2009 A Program	790	785	779	771	767	12,185	16,077
2009 GSE Program	580	580	580	580	580	14,945	17,845
Unrestricted Fund Line of Credit	7	-	-	-	-	-	7
	$ 5,922	$ 5,909	$ 5,794	$ 5,553	$ 5,526	$ 98,751	$ 127,455

(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, 2011 and 2010, payments to the Authority's Board members were as follows:

Board Member	2011	2010
Cheri Ausberry	$ 7,000	$ 4,400
Dennis Blunt	4,200	2,000
Astrid Clements	10,400	7,400
Norman Chenevert	8,600	6,200
Helena Cunningham	7,000	6,000
Robert Gaston, III	7,200	4,400
William G. Gauthier	-	2,800
Sidney W. Longell, Sr.	-	1,800
Carol Marcantel	-	-
Matt McKay	4,400	1,200
Jake Netterville	6,800	3,600
Mary Roper	-	-
Valerie Shexnayder	6,000	3,200
Total	$ 61,600	$ 43,000

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 Downpaynent 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, 2011 and 2010, is as follows (in thousands):

	December 31, 2010	Paid in 2011	2011 Amortization	December 31, 2011
2002 A Program	$ 138	$ -	$ (69)	$ 69
2003 A Program	254	-	(85)	169
2004 A Program	386	-	(129)	257
2005 A Program	594	-	(119)	475
2006 A Program	570	-	(95)	475
2007 A Program	1,108	-	(158)	950
2007 B Program	327	-	(41)	286
	$ 3,377	$ -	$ (696)	$ 2,681

	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

(9) Commitments

The East Baton Rouge Mortgage Finance Authority promotes economic development in the parish through its community grants program for non-profit organizations. The program provides grant funds and capital funds to be used for projects by non-profit organizations that advance the Authority's mission in increasing home ownership. Grants are awarded to organizations and agencies within East Baton Rouge Parish for use in East Baton Rouge Parish. Below is a schedule of commitments (in thousands):

	Commitments As of 12/31/10	Additions	Payments	Remaining Commitment As of 12/31/11
East Baton Rouge Redevelopment Authority	$ 1,000	$ 4,500	$ 1,950	$ 3,550
Baton Rouge Area Chamber	2,250	-	450	1,800
Gulf Coast Housing Partnership	300	-	100	200
Capital Area Transit System	-	500	500	-
Partners for Progress	-	200	200	-
Other	26	-	26	-
Total	$ 3,576	$ 5,200	$ 3,226	$ 5,550

(10) 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.

(11) Subsequent Events

The Authority evaluated subsequent events through June 25, 2012, the date on which the financial statements are available to be issued.

The Authority is purchasing mortgage-backed securities for the 2009 GSE program using the line of credit at the Federal Home Loan Bank of Dallas. The funds on deposit in the FHLB are a part of the Authority's Unrestricted Fund. The Authority has purchased approximately $25 million dollars in mortgage-backed securities, at some point prior to April, 2015 it will transfer those securities to the 2009 GSE program for the $25 million of bond proceeds the program currently has in cash and cash equivalents. It will pay down the line of credit at the FHLB with those bond proceeds.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH <u>GOVERNMENT AUDITING STANDARDS</u>

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June 25, 2012

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

We have audited the individual programs, unrestricted fund, and 2011 combined financial statements of the East Baton Rouge Mortgage Finance Authority (the "Authority"), as of and for the year ended December 31, 2011, and have issued our report thereon dated June 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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.

Respectfully submitted,

Harris T. Bourgeois, LLP

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2011

A. Internal Control Over Financial Reporting

None

B. Compliance and Others Matters

None

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS

DECEMBER 31, 2011

A. Internal Control Over Financial Reporting

None

B. Compliance and Others Matters

None