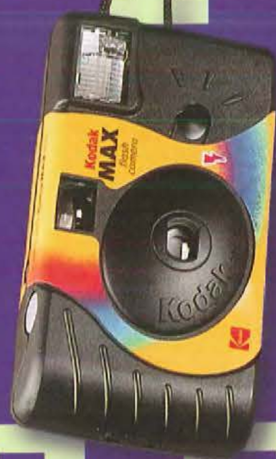
A DAY

This report highlights snapshots

IN THE

of the people



and places that

LIFE OF

MSHA touches in one day.

MSHA

Maine State Housing Authority 1998 Annual Report

MSHA Vision

Our vision is for Maine to be a state where all people have the opportunity to enjoy decent, safe, affordable housing.

To help Maine's low and moderate income people realize this vision, we will:

recognize and respond quickly and thoroughly to the state's urgent housing needs;

seek and make the most effective and efficient use of all resources;

promote, provide and oversee housing, assistance and services meeting individual needs and preferences;

promote understanding of housing issues;

provide information and advocacy for our customers;

develop and manage well-designed, quality programs;

maintain financial soundness and safeguard the integrity of all programs and operations;

establish and maintain an environment open to creative ideas and innovative thinking;

value the contributions of all employees, and of our partners and others with whom we work;

and encourage teamwork and participation by all.

Photographers

Governor Angus King

Bob Chadwick

Senator Phil Harriman

Bill Simpson

Ed Marsh and Susan Hurst, *Maine State Housing Authority*

Steve Mooers, *Penquis Community Action Program*

Linda Davis, *Millett Potvin Realty/ Mark Stimson Real Estate Network*

Tamara Hillman and Todd Blodgett, *Gardiner Savings Institution*

Donald Guild, *Central Maine Title Company*

Joan Maloney, *CHR Realty*

Mike Eisensmith, *Sanford Housing Authority*

David Beseda, *Community Housing of Maine, Inc.*

Sandra Prescott and Mike Bonzagni, *Washington Hancock Community Agency*

Ken Feller, *Aroostook County Action Program*

Rick Churchill, *Coastal Economic Development Corp.*

Dennis Lajoie, *Community Concepts, Inc.*

Nancie White, *The Housing Foundation*

Joy Mase, *Skowhegan Savings Bank*

Cindy Bunis, *Mid Maine Homeless Shelter*

Introduction

EVERY day in Maine, someone's housing situation improves. They buy their first home, improve their old home, or find an affordable rental more appropriate for them. Also every day, someone slips from having housing that is barely adequate or appropriate to having inadequate housing, or worse yet, no housing at all. Across the state, the Maine State Housing Authority (MSHA) works with a network of partners to try to ensure safe, decent, affordable housing for everyone in Maine.

It is a tall order for a state as economically and geographically diverse as Maine. From the troubled homeless people in Maine's largest cities to the rural poor living in substandard trailers, the housing needs of Maine people are many and varied. MSHA strives to develop programs that effectively address these varied challenges.

By looking closely at the work that happened on one day last year, this report outlines the ways in which MSHA worked to meet the very distinct needs of five groups of Maine residents: first-time homebuyers; owners of sub-standard homes; renters needing assistance; people with special needs; and people who are homeless.

Good housing is absolutely fundamental to health and well-being. In 1998 MSHA helped more than 60,000 Maine families gain better housing. In 1999, we will continue to improve our programs, helping move Maine's most needy individuals and families into homes that feel safe and affordable.

Wanting a snap shot of the many ways MSHA helps to improve the lives of Maine people in one day, we sent disposable cameras to people across the state. All of the photos were taken on a single, typical day — September 25, 1998.

Message to the people of Maine

THE Maine State Housing Authority will touch the lives of hundreds of Maine residents today. During the course of a year, more than 125,000 Maine people — about 10% of our population — will benefit directly from one of MSHA's programs.

Often the benefit is dramatic. It may be a low-interest rate mortgage enabling a working family to buy their first home. It could be a low cost loan helping a low-income family repair their home. It could be rental assistance, or money to help pay for heating costs. It could be helping to find a home with services, enabling a friend or relative with mental illness to secure a decent, affordable apartment. It could be providing shelter to someone who is homeless, or a safe haven for a victim of domestic abuse.

In 1998 MSHA helped more than 60,000 Maine families. This annual report focuses on just one day during the year. It documents just some of the housing activity around the state on September 25, 1998. While it is, by no means, inclusive of all housing activity in the state, or even all the activity at MSHA, it gives a snapshot of Maine housing from several different perspectives.

In reading this report it is easy to be sidetracked by the numbers, which are impressive. You will see statistics about the number of people helped, the dollars spent and leveraged, the types of housing needs addressed, and the housing need in Maine. The audited financial statement underscores the agency's remarkable financial strength.

Try to look beyond the numbers, to the people themselves, for they are what matter — not the statistics. Behind the solid, well-run agency are people from around the state helping thousands of others in Maine find safe, decent and affordable housing.

For MSHA, it is a typical day. For many of those helped, it will be one of the most important days of their lives.

Angus S. King, Jr.

Angus S. King, Jr.
Governor of the State of Maine

Message to the Governor

THIS past year was one of the Maine State Housing Authority's most effective ever. MSHA programs won national recognition. We met or exceeded most of the housing goals we established at the start of the year. We improved the lives of more than 60,000 Maine families. Financially, the highlights include obtaining the lowest interest rate ever for Maine people purchasing their first homes, and selling $200 million in bonds for affordable housing.

Looking at the year in review is always gratifying. But the most important work at MSHA is done day-to-day. Sometimes, amidst piles of paperwork and sawdust, it is easy to forget the importance of a single closing on a home, a long awaited renovation, one more night off the streets, or the added warmth of new insulation in an older person's home. The most critical housing situations pose daily risks, and MSHA has worked hard, on a daily basis, to bring people into homes that are safer, more comfortable and more appropriate.

Our 1998 Annual Report highlights the work MSHA did on just one day in 1998. It shows the hard work done by MSHA staff and our partners to help people in five distinct areas of need: first-time homebuyers; owners of sub-standard homes; renters needing assistance; people with special needs; and people who are homeless.

Although it is a snapshot, the report reflects the way MSHA helps Maine people move along the continuum of housing (one step at a time, generally) until they are in housing that satisfies their unique needs.

For many, the ultimate goal means owning their own home. But for others, moving up the continuum may mean finding affordable home repair loans to repair a house they already own, or finding a decent apartment in which they can live without spending most of their income on rent. It may mean finding housing that is linked with services they need, whether that need is for mental health services or homemaker services. It may even mean finding emergency shelter to prevent living on the streets.

As you'll see from these pages, MSHA doesn't work alone. We have a lot of help in bringing more than $250 million in housing assistance to the people of Maine annually. Our partners include the Maine Legislature and our representatives in Washington, lenders, real estate professionals, non-profit organizations, private developers, apartment housing owners and managers, other state and local government agencies, federal agencies, and many more. All of these partners make it possible for us to serve those who need our help in order to secure decent, affordable housing.

A special thanks this year to our volunteer photographers around the state, including you, Governor King, for taking time out from busy schedules to capture a moment in housing time.

David Lakari
Director and Chairman,
Maine State Housing Authority

First-Time Homebuyers

MSHA's First-Time Homebuyer program finances about one in every six home sales in the state.

FOR the third year in a row, MSHA helped more than 2,000 Maine families in 1998 achieve their dream of homeownership. It did so by providing home mortgage loans at interest rates below 6% (some of its lowest rates ever), and by offering program options that enabled working families to buy their first homes without large out-of-pocket expenses for downpayment and closing costs.

In 1998 MSHA made 2,018 loans totalling $137,000,000 to first-time homebuyers — at interest rates as low as 5.75%. Programs such as Down Home, targeted to buyers with incomes at or below 90% of the median income, allowed working families to become homeowners with as little as $750 in out-of-pocket expenses for their downpayment and closing costs.

Several other options made MSHA's program one of the most popular financing tools in the state. Purchase Plus Improvement enables buyers to borrow an additional amount, up to $15,000, as part of the mortgage for home repairs. An urban homestead program, New Neighbors, proved very popular in Portland, Maine's largest city. It enabled buyers to borrow up to 100% of the home cost for 2-4 unit homes located in inner-city neighborhoods. MSHA made 72 New Neighbor loans in 1998, helping families achieve homeownership and revitalizing urban neighborhoods.

MSHA's First-Time Homebuyer program finances about one in every six home sales in the state, and helped Maine achieve the highest rate of homeownership in the country (1997). Much of the program's success is due to the network of lenders and real estate professionals who work with MSHA in bringing the program to Maine people. During 1998, more than 40 lenders participated in the program. Additionally, more than 1,000 real estate professionals have taken specific courses in MSHA program financing and are designated MSHA*first!* agents.

The program's success notwithstanding, there remain an estimated 70,000 lower income households in the state who could become homeowners, with some assistance. MSHA's goal for 1999 is to help another 2,000 achieve their dream.

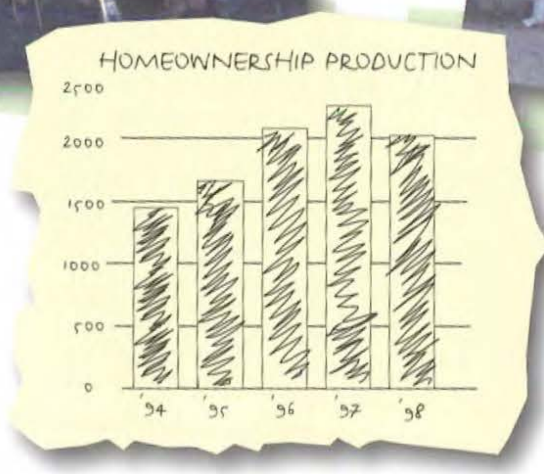
ROLLERSON REALTY AND CENTRAL MAINE TITLE CO. CLOSE ON A HOME WITH FIRST-TIME HOMEBUYERS

HOUSE BUILT BY WHCA HOUSING DEPARTMENT IN MACHIAS, PURCHASED THROUGH FIRST-TIME HOMEBUYER

ANN BEVER AT CHR REALTY IN BATH

HAPPY NEW HOMEOWNERS CLOSE THE DEAL

BUILT BY WHCA CAP FOR FIRST-TIME HOMEBUYER IN MACHIAS



LORI STROUT AT SKOWHEGAN SAVINGS BANK, ONE OF MSHA'S PARTICIPATING LENDERS

In September, MSHA made 236 First-Time Homebuyer loans.

Owners of Sub-Standard Homes

With one of the highest homeownership rates in the country, Maine also has one of the oldest housing stocks.

EVERY year the prestigious Innovations in American Government program, sponsored by the Ford Foundation and Harvard University's John F. Kennedy School of Government, selects the top government programs in the country from among hundreds of entries. In 1998, MSHA's FIX ME program was selected from among 1,500 initial entries as one of 25 finalists for this award.

FIX ME responds to a significant housing need in Maine. It helps low-income homeowners afford desperately needed home repairs. While Maine enjoys one of the highest homeownership rates in the nation, it also has one of the oldest housing stocks — and among the lowest per capita income. Consequently, many low-income families own old homes in need of repair, but lack the income to afford improvements using conventional loan sources.

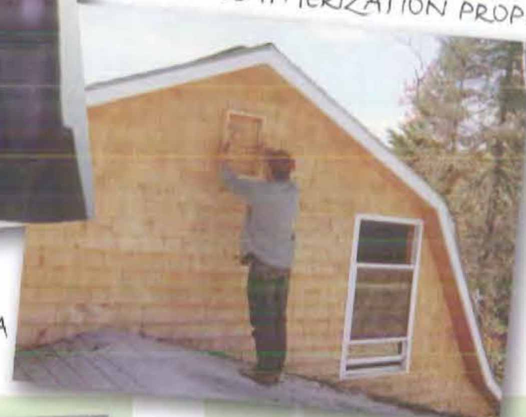
FIX ME is the first effective government home repair program offered in Maine. Operating through the network of regional Community Action Agencies in the state, the program provides loans of up to $15,000 at interest rates of 1% or 4% for basic home repairs.

Nearly 1,000 Maine families are benefiting from the program every year. In 1998 MSHA's FIX ME program provided $8 million in loans to help 893 families. MSHA provides other assistance to low-income homeowners as well. During 1998 it provided $1.7 million in Weatherization grants to help make 1,600 homes more energy efficient, thus reducing the owners' monthly utility bills. Weatherization grants can sometimes be linked with FIX ME loans so that more extensive repairs can be made to the home.

MSHA also distributes money to help pay heating bills for many low-income homeowners, and a small number of renters, through the federal low-income heating assistance program (LIHEAP). During the winter of '97-'98 MSHA distributed $13.1 million to aid about 36,000 low-income households.

STEPHEN MOOERS, DIRECTOR OF HOUSING SERVICES AT PENQUIS CAP IN BANGOR

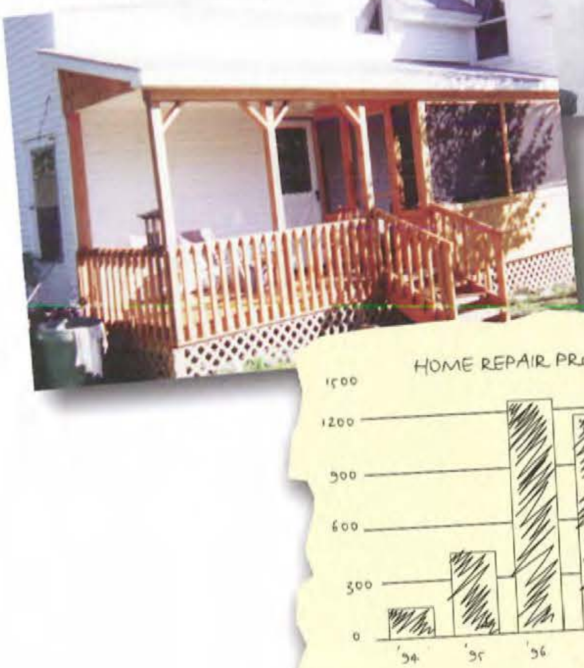
ON THE JOB AT AN AROOSTOOK COUNTY WEATHERIZATION PROPERTY

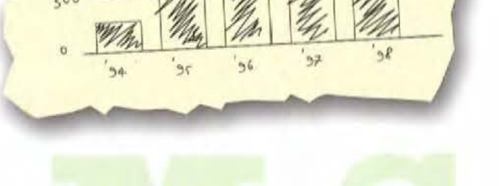


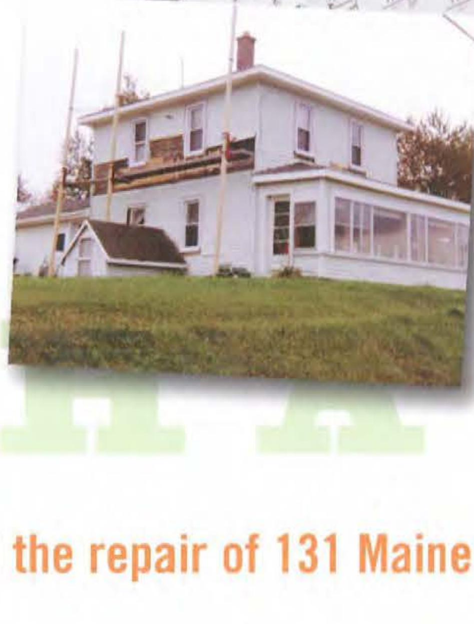
FIX ME LOAN WILL MAKE A NEW KITCHEN AND BATH POSSIBLE IN BANGOR

CONSTRUCTION WORKERS ON A FIX ME JOB IN BANGOR

A MSHA FIX ME LOAN PROVIDES FUNDS NEEDED TO REPAIR THE PORCH ON THIS BANGOR HOME







TWO FIX ME PROPERTIES IN AROOSTOOK COUNTY

In September, FIX ME loans financed the repair of 131 Maine homes.

Renters Needing Assistance

In 1998, NCSHA selected MSHA's New Lease program as the nation's most outstanding program for developing affordable rental housing.

EVERY year the National Council of State Housing Agencies (NCSHA) holds a national competition to select the best housing programs in the country. In 1998, NCSHA selected MSHA's New Lease program as the nation's most outstanding program for developing affordable rental housing.

New Lease provides developers with 4% interest rate loans to purchase and rehab rental properties with less than 20 units. To qualify for the low interest rate, developers must reserve most of the apartments for low and very low-income tenants. During 1998, entrepreneurs used New Lease to purchase and rehab 11 properties with 132 units, using $2.8 million in MSHA loan funds.

New Lease is only one program to encourage development of new low-income rental housing. MSHA also provides the Rental Loan Program (RLP) to stimulate development of affordable rental units. RLP is used for larger properties, 20 or more units, and is similar to New Lease.

The RLP offers below market rate housing loans, and it requires developers to reserve a percentage of the apartments for low-income tenants. In 1998 MSHA loaned $7.2 million through RLP to finance development of 259 units.

MSHA also distributes the federal housing tax credits in Maine, which developers use to raise equity for affordable rental housing. The tax credits often are combined with RLP loans to provide a deeper subsidy and lower rents for low-income tenants. In 1998 MSHA distributed $14 million in housing tax credits.

Financing development of additional low-income units is only half of MSHA's job in the rental housing area. MSHA also helps manage and maintain the affordable rental housing it already has financed through RLP, New Lease, and the many federal programs that MSHA used to create affordable housing in the 1970s and 1980s.

Overall, MSHA oversees 341 properties with 9,860 units. In order to maintain the low-income benefits on federally subsidized units where the subsidy is expiring, MSHA is refinancing and restructuring some loans. During 1998 MSHA used this Preservation program to refinance the debt on 11 properties with 246 low-income units, extending the low-income benefit in each by at least 15 years.

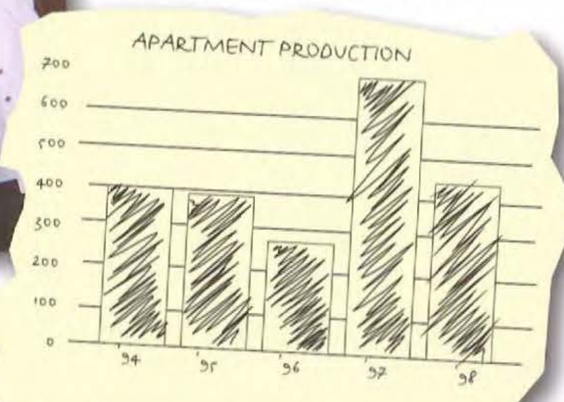
In addition to the properties, MSHA provides about 3,200 federal rental housing vouchers or certificates to very low-income families throughout Maine. MSHA recently secured an additional 100 units of rental assistance to help keep families together, and another 200 units for persons with mental illness.

REP. TOM BULL AND BETH EDMUNDS WITH SENATOR PHIL HARRIMAN AT THE KAPLAN HOUSE IN FREEPORT

STEEPLE SQUARE APARTMENTS IN WESTBROOK. A COMPLETE "GUT-REHAB" OF 73 UNITS

ST. ANDRES, HOUSING FOR SENIOR CITIZENS, IN BIDDEFORD

VOLUNTEERS, JANE LUIN, VIRGINIA DAVIS, RUTH COTE, AND GRACE JAKACKY AT THE PARKER DINING ROOM IN ORONO



ONE OF FOUR FOUNDATIONS FOR A 12 UNIT RENTAL PROPERTY IN SOUTH PARIS

MARY DYER ENJOYS HER YARD AT HASBROUCK COURT

NANCY BABCOCK AND DIANE DYMENT AT THE HOUSING FOUNDATION IN ORONO

On September 25th, 30,000 people lived in MSHA-assisted rental housing.

People With Special Needs

MSHA developed pilot programs to create more housing for senior citizens, one of the fastest growing segments of the Maine population.

WHEN a person has a special need, such as mental illness or mental retardation, we must look beyond nursing homes, hospitals and institutions for appropriate housing options. As a society, our goal is to help people with special needs live a life as independent and enjoyable as possible. MSHA helps fulfill this goal, and its own mission of satisfying unique housing needs, through a series of programs designed to provide housing linked with appropriate services.

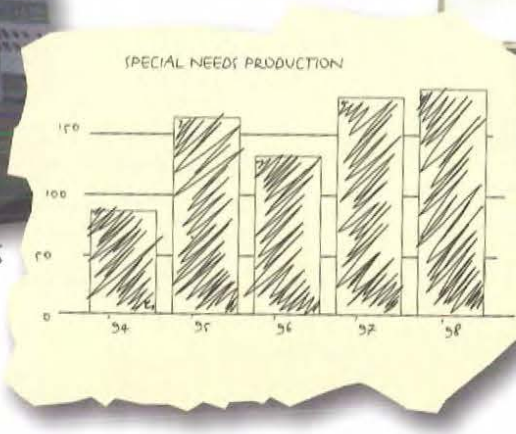
Much of this housing is financed under MSHA's Supportive Housing Program, which provides grants and below market rate loans for the development of special needs housing. The depth of the subsidy depends on the type of housing being financed.

MSHA has been a leader in bringing affordable housing to those with special needs. It helped persuade voters to approve two separate bond issues to subsidize housing for persons with mental illness, most recently in 1995. In 1998 MSHA used some of this money, in combination with its own bonds, to finance affordable housing for mental health consumers.

MSHA also developed pilot programs to create more housing for senior citizens, one of the fastest growing segments of the Maine population. Its Keeping Seniors Home demonstration program provided grants to repair the homes of senior residents — repairs that allowed the seniors to remain living in their home.

In 1998 MSHA financed a total of 183 units of special needs housing with nearly $4 million in loans. In addition to financing special needs housing, MSHA secured long-term federal rental assistance in 1998 for people with mental illness, enabling them to obtain a decent apartment at a cost they can afford.

DONNA BAKER OF MSHA'S MANAGEMENT DIVISION



HENRY BICKFORD AND RANDY POULTON, OF THE MSHA STAFF, REVIEW HOUSING PLANS

MSHA'S ED MARSH REVIEWS PLANS FOR A SPECIAL NEEDS PROJECT WITH DICK CURTIS AND BEN WALTER OF CURTIS WALTER STEWART ARCHITECTS

124 HOWE STREET, LEWISTON, A SPECIAL NEEDS FACILITY

INTERIOR OF HOWE STREET PROPERTY IN LEWISTON

On September 25th, MSHA supported special needs housing for 1750 people.

People Who Are Homeless

In 1998 MSHA provided more than $2 million in annual funding to emergency shelters through state and federal programs.

JUST how fragile the situation is for Maine's homeless people was demonstrated in late December, 1998, when the federal Department of Housing and Urban Development unexpectedly denied more than $3 million in new funding for various housing programs helping homeless people in the state.

The loss of the money, representing a large part of the federal funding for the homeless in Maine, focused considerable public attention and concern on the plight of homeless Maine people. While HUD eventually restored much of the money, the situation demonstrated just how fine the line homeless people walk between shelter and living on the streets.

MSHA has led the effort to provide suitable housing for homeless persons in Maine. It helped finance many of the state's network of emergency shelters in the late 1980s, when homelessness first came to public attention. It has conducted or led several studies of Maine's homeless citizens, and conducts annual surveys of Maine's homeless population.

In 1998 MSHA provided more than $2 million in annual funding to emergency shelters through state and federal programs. A 1998 study that recommended additional funding for emergency shelters convinced the Maine Legislature to more than double the state SOS funding amount, from $500,000 to $1,100,000.

The funds are used primarily to maintain existing emergency shelters by helping pay for operating costs and staff.

More recently MSHA focused efforts on developing long term solutions to the plight of homeless people. This includes securing funding for such things as transitional housing and rental housing with services. Such housing provides stability to the formerly homeless family or individual and enables them to secure services, such as job training or education, that will help them move up the housing continuum. In 1998, for example, MSHA secured funds to provide 200 units of rental assistance specifically for persons with mental illness.

Overall in 1998 MSHA distributed about $1.9 million in funds to homeless shelters, as well as $250,000 in emergency funds to prevent homelessness, and used state and federal funds for transitional or other long term housing for homeless individuals or families. It also led and staffed a task force study of youth homelessness in Maine. That report will be presented to the Maine Legislature in 1999 with recommendations on ways Maine can better serve the homeless youth in the state.

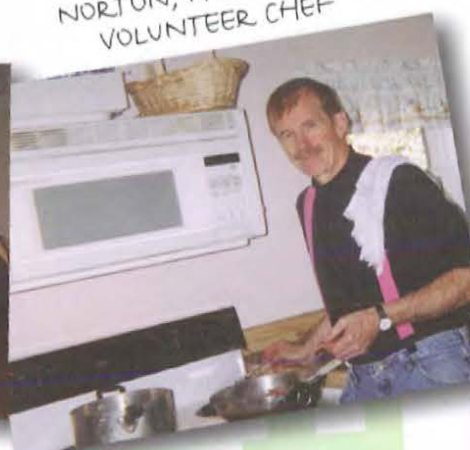
TODD, A VOLUNTEER AT MID-MAINE HOMELESS SHELTER

KYLE, A VALUABLE PINT SIZE VOLUNTEER

CRAIG, MANAGER AT THE MID-MAINE SHELTER

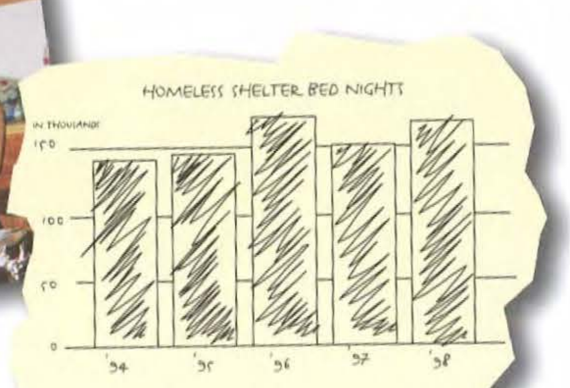
NORTON, A LONG TIME VOLUNTEER CHEF

A GUEST AT A SHELTER ENJOYS A CARD GAME



JIM, A DEDICATED SHELTER VOLUNTEER, BEST KNOWN FOR MAKING GUESTS FEEL COMFORTABLE

TEENAGERS AT A SHELTER SURVEY THE KITCHEN



On any given day, there are 500 homeless people in Maine.

1998 MSHA Commissioners

MSHA BUSINESS PARTNERS:

Independent Auditors:
Baker Newman & Noyes

Underwriters:
Goldman, Sachs & Co.;
PaineWebber Inc.

Bond Counsel:
Hawkins, Delafield & Wood

Trustee:
State Street Bank and Trust Co.

Marketing Consultant:
Hauptman & Partners
Communications, Inc.

DAVID LAKARI has been Director of the Maine State Housing Authority and Chair of the agency's Board of Commissioners since 1994. Prior to becoming Director, he was President of the Richmond Corporation, a real estate development and consulting firm. An attorney, he is a graduate of Goddard College and the University of Maine School of Law.

DALE McCORMICK, elected State Treasurer in December 1996, is a former State Senator and founder of Women Unlimited, a program that trains women on welfare for jobs in trades and technical occupations. She also started and operated two businesses. A carpenter and contractor for 24 years, Dale was the first woman in the country to complete a carpentry apprenticeship with the carpenter's union.

DENNIS P. KING is President and CEO of Spring Harbor Hospital, formerly known as Jackson Brook Institute. Spring Harbor is a subsidiary of Maine Medical Center. Prior to that, he was President of Acadia Hospital, and Eastern Maine Healthcare in Bangor. He holds a Master's degree in Public Administration from the University of Maine at Orono. King was nominated and confirmed to the Board in early 1997.

ELSIE MORRIS is retired and formerly worked as a teacher's aide in special education. She was born in London, England but came to the United States to live more than 30 years ago and currently lives in Bath. She was initially named to the Board in 1993 and was renamed to another four-year term in 1997.

DONALD PLOURDE is owner of the Mark Stimson Network/Plourde Real Estate Agency in Waterville. He is a licensed Real Estate Broker, a Certified Residential Specialist, and a member of both the Maine Association of Realtors and the National Association of Realtors. (Term ended February 1999)

WILLIAM RANDALL is President and CEO of Skowhegan Savings Bank. Prior to becoming President, he held several other positions at the bank, including Senior Vice-President and Treasurer. He is a graduate of the University of Maine and has completed a program at the Graduate School of Banking.

NATHAN SMITH is a partner in the Portland law firm of Bernstein, Shur, Sawyer and Nelson. He has specialized in commercial real estate and environmental land use law. He also has been active in housing organizations, serving as Director of the Cumberland County Affordable Housing Venture. Nathan is a graduate of the University of North Carolina at Chapel Hill and the Washington and Lee University School of Law.

1998 MSHA Staff

DEVELOPMENT

Henry Bickford
Gloria Campbellton
Michael DeVos
Carol Dudley
John Gallagher
Bill Glover
Valerie Iverson
Kim Leupold
Edward Marsh
Rosemary Moeykens
Bill Olsen
Randy Poulton
Linda Shapleigh
Susan Spinell

HOMEOWNERSHIP

Georgia Baillargeon
Pam Belanger
Cyndy Clark
Cilla Glover
Joe Hood
Debbie King-Johnson
Lisa Lavigne
Lisa Levesque
Laurie Murray
Tina Partidge

ENERGY & HOUSING SERVICES

JoAnn Choate
Warren Cunningham
Stephanie Flanary
Tony Gill
John Guimond
Betsy Mansir
Lori McPherson
David Ranslow
Peter Wintle

FINANCE

Pat Berube
Wendy Bonsant
Darren Brown
Tom Cary
Ann Crocker
Paula Ecker
Donna Ferenc
Kim Hall
Rita Jones
Kathy Kozma
Al Laiho
Joel LeVasseur
Bob McAtee
Mike Osborne
Cheryl Parkman
Barbara Stanley
Brenda Verrill
Mary Wade

MANAGEMENT

Joyce Achramowicz
Donna Baker
Margaret Bean
Jennifer Beaulieu
Arlene Brackett
Joanna Bragdon
Maureen Brown
Judy Carroll
Bob Conroy
Diane Davala
Vicky Dute
Maria Hassen
Cynthia Namer
Denise Paradis
Linda Poland
Jane Pronovost
Linnea Rogers
Marilyn Soper
Danny Towle
Sarah Tracy

ADMINISTRATIVE

Dan Brennan
Mathew Eddy
Shirley Foster
Jo Hersom
Susan Hurst
David Lakari
Roberta Letourneau
Peter Merrill
Eloise Peaslee
Erin Rodriguez
Jody Rollins
Linda Sears
Dan Simpson
Jodie Sullivan
Dana Totman
Bea Tondreau
Paula Weber

as of 12/98

Financial Summary

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997
(IN THOUSANDS OF DOLLARS)

BALANCE SHEET

	1998	1997
Assets:		
Cash and Investments	$365,865	$324,007
Mortgage and Other Notes Receivable, Net	1,155,147	1,078,447
All Other Assets	27,975	23,617
Total Assets	$1,548,987	$1,426,071
Liabilities and Fund Balances:		
Mortgage Bonds Payable, Net	$1,298,493	$1,197,338
All Other Liabilities	73,389	65,236
Total Liabilities	1,371,882	1,262,574
Fund Balances	177,105	163,497
Total Liabilities and Fund Balances	$1,548,987	$1,426,071

STATEMENT OF REVENUES AND EXPENSES

Revenues:		
Interest on Mortgages	$80,999	$74,955
Income from Investments	21,075	18,603
Grant and State Income	80,282	82,447
All Other Revenue	5,066	6,019
Total Revenues	187,422	182,024
Expenses:		
Operating Expenses	9,249	9,165
Interest Expense	79,842	73,801
Grant Expense	77,754	77,776
All Other Expenses	6,969	5,595
Total Expenses	173,814	166,337
Excess of Revenues over Expenses	$13,608	$15,687

Note: This page is for illustrative purposes and is not intended to present a complete financial picture of MSHA. For more information, please refer to the audited financial statements.

MSHA AUDITED FINANCIAL STATEMENTS

Year ended December 31, 1998

with Independent Auditors' Report of

Baker Newman & Noyes

Maine State Housing Authority 1998 Annual Report

BAKER NEWMAN & NOYES
LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Maine State Housing Authority

We have audited the accompanying balance sheets of Maine State Housing Authority as of December 31, 1998 and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 Maine State Housing Authority at December 31, 1998 and its revenues, expenses and changes in fund balances and cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 13, on January 1, 1998 the Authority adopted Statement No. 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* and changed its method of accounting for investments.

Baker Newman & Noyes

March 5, 1999 Limited Liability Company

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MAINE STATE HOUSING AUTHORITY
BALANCE SHEETS
DECEMBER 31, 1998
(IN THOUSANDS OF DOLLARS)

	Memorandum Only Combined Totals 1997	Memorandum Only Combined Totals 1998	Mortgage Purchase Fund Group	Mortgage Acquisition Fund Group	Housing Finance Revenue Fund Group	Bondholder Reserve Fund	General Fund	HOME Fund	Federal Programs Fund	Other Funds
ASSETS:										
Cash, principally time deposits (note 2)	$ 7,090	$8,180	$ 68	$ 0	$ 0	$ 8	$ 0	$ 0	$ 8,083	$ 21
Investments (notes 2, 4, 6, 8, and 13)	316,917	357,685	301,813	5,724	25,472	4,853	9,593	6,198	240	3,792
Accounts receivable - Federal	1,967	1,903	0	0	0	0	0	0	1,903	0
Accrued interest and other assets	15,821	20,286	12,144	225	250	68	24	946	6,623	6
Mortgage notes receivable, net (notes 3 and 4)	1,077,696	1,154,554	1,095,531	11,653	28,982	684	0	3,350	10,173	4,181
Other notes receivable, net (note 3)	751	593	0	0	87	0	0	56	0	450
Land, equipment and improvements, net	829	737	22	0	0	0	664	0	51	0
Other real estate owned	1,849	1,859	1,790	5	0	0	0	0	64	0
Unamortized debt issuance expense	3,151	3,190	2,878	22	290	0	0	0	0	0
Total Assets	1,426,071	1,548,987	1,414,246	17,629	55,081	5,613	10,281	10,550	27,137	8,450
LIABILITIES AND FUND BALANCES:										
Accrued interest payable	9,698	10,295	9,876	61	358	0	0	0	0	0
Excess arbitrage to be rebated (note 9)	304	304	304	0	0	0	0	0	0	0
Accounts payable - Federal	3,939	5,687	0	0	0	0	0	0	5,687	0
Accounts payable & accrued liabilities	20,652	23,181	224	0	1,023	14	4,672	64	10,858	6,326
Deferred income	30,643	32,456	13,758	56	8,969	0	0	560	6,841	2,272
Advance annual contributions	0	1,466	0	0	0	0	0	0	1,466	0
Interfund	0	0	(1,244)	76	(355)	(35)	(460)	695	1,791	(468)
Mortgage bonds payable, net (notes 4, 9, 11, and 12)	1,197,338	1,298,493	1,251,590	5,289	41,614	0	0	0	0	0
Total Liabilities	1,262,574	1,371,882	1,274,508	5,482	51,609	(21)	4,212	1,319	26,643	8,130
Commitments (note 7)										
Fund Balances	163,497	177,105	139,738	12,147	3,472	5,634	6,069	9,231	494	320
Total Liabilities and Fund Balances	$1,426,071	$1,548,987	$1,414,246	$17,629	$55,081	$5,613	$10,281	$10,550	$27,137	$8,450

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 1998
(IN THOUSANDS OF DOLLARS)

	Memorandum Only Combined Totals 1997	Memorandum Only Combined Totals 1998	Mortgage Purchase Fund Group	Mortgage Acquisition Fund Group	Housing Finance Revenue Fund Group	Bondholder Reserve Fund	General Fund	HOME Fund	Federal Programs Fund	Other Funds
REVENUES:										
Interest from mortgages and notes	$74,955	$80,999	$77,184	$1,409	$2,071	$304	$0	$22	$0	$9
Income from investments	18,603	21,075	17,737	672	1,555	252	427	417	0	15
Net increase (decrease) in the fair value of investments (note 13)	961	882	621	106	155	0	0	0	0	0
Fee income	3,870	3,615	34	0	0	0	112	0	3,469	0
Other revenue	1,188	569	407	15	0	3	134	0	8	2
Grant income	26,339	24,971	0	0	0	0	0	844	21,782	2,345
Income from State	3,159	3,687	0	0	0	0	0	3,687	0	0
Federal rent subsidy income	52,949	51,624	0	0	0	0	0	0	51,624	0
Total Revenues	182,024	187,422	95,983	2,202	3,781	559	673	4,970	76,883	2,371
EXPENSES:										
Operating expenses:										
Salaries and related benefits (note 5)	4,222	4,338	0	0	0	0	4,338	0	0	0
Other operating expenses	4,943	4,911	987	34	115	0	1,925	203	1,647	0
Mortgage servicing fees	2,856	3,028	2,851	51	126	0	0	0	0	0
Provision for losses on loans (note 3)	1,539	1,925	1,100	0	625	0	0	150	0	50
Losses on foreclosed real estate	688	583	580	3	0	0	0	0	0	0
Interest expense	73,801	79,842	76,621	929	2,292	0	0	0	0	0
Grant expense	24,827	26,130	0	0	0	0	92	2,816	20,879	2,343
Federal rent subsidy expense	52,949	51,624	0	0	0	0	0	0	51,624	0
Allocated operating costs	0	0	3,932	185	185	93	(5,974)	0	1,579	0
Total Expenses	165,825	172,381	86,071	1,202	3,343	93	381	3,169	75,729	2,393
Excess (deficiency) of revenues before extraordinary item	16,199	15,041	9,912	1,000	438	466	292	1,801	1,154	(22)
Extraordinary item - loss on bond redemption (note 11)	512	1,433	1,282	137	14	0	0	0	0	0
Excess (deficiency) of revenues after extraordinary item	15,687	13,608	8,630	863	424	466	292	1,801	1,154	(22)
Fund balances at beginning of year, as restated (note 13)	147,810	163,497	127,032	11,284	3,048	5,168	5,766	10,388	469	342
Transfers between funds, net (note 10)	0	0	4,076	0	0	0	11	(2,958)	(1,129)	0
Fund balances at end of year	$163,497	$177,105	$139,738	$12,147	$3,472	$5,634	$6,069	$9,231	$494	$320

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1998
(IN THOUSANDS OF DOLLARS)

	Memorandum Only Combined Totals 1997	Memorandum Only Combined Totals 1998	Mortgage Purchase Fund Group	Mortgage Acquisition Fund Group	Housing Finance Revenue Fund Group	Bondholder Reserve Fund	General Fund	HOME Fund	Federal Programs Fund	Other Funds
CASH FLOWS FROM OPERATING ACTIVITIES:										
Excess (deficiency) of revenues	$15,687	$13,608	$8,630	$863	$424	$466	$292	$1,801	$1,154	($22)
Adjustments to reconcile excess (deficiency) of revenues to net cash provided by operating activities:										
Depreciation and amortization	1,940	2,792	2,205	151	70	0	331	0	35	0
Accretion on capital appreciation bonds	1,446	1,347	1,215	0	132	0	0	0	0	0
Interest on bonds	71,245	77,266	74,238	920	2,108	0	0	0	0	0
Provision for losses on loans	1,539	1,925	1,100	0	625	0	0	150	0	50
Losses on foreclosed real estate	688	583	580	3	0	0	0	0	0	0
Interest income on investments	(18,603)	(21,075)	(17,737)	(672)	(1,555)	(252)	(427)	(417)	0	(15)
Net (increase) decrease in fair value of investments	(961)	(882)	(621)	(106)	(155)	0	0	0	0	0
Interest income on mortgages and notes	(74,955)	(80,999)	(77,184)	(1,409)	(2,071)	(304)	0	(22)	0	(9)
Decrease (increase) in:										
Other assets	(639)	(3,935)	(2,519)	(61)	0	19	(243)	(465)	(665)	(1)
Accounts receivable/payable-Federal	487	36	0	0	0	0	0	0	36	0
Increase (decrease) in:										
Accounts payable and accrued liabilities	1,852	2,591	(312)	0	1,001	(153)	1,569	64	1,154	(732)
Deferred income and other liabilities	8,366	1,813	2,053	(20)	1,233	0	0	(707)	201	(947)
Advance annual contributions	0	1,466	0	0	0	0	0	0	1,466	0
Interfund advances and transfers	0	0	4,975	48	160	53	(134)	(2,326)	(2,770)	(6)
Investment in mortgage and other notes	(180,278)	(165,213)	(153,420)	0	(8,381)	0	0	(1,307)	(1,548)	(557)
Mortgage & other note principal repayments:										
Scheduled	18,252	22,291	18,756	512	1,812	111	0	1,019	1	80
Prepayments	34,479	60,536	55,809	3,091	1,374	18	0	0	0	244
Interest received on mortgages	74,235	80,509	76,694	1,428	2,089	272	0	22	0	4
Receipt of federal rent subsidies	53,673	55,326	0	0	0	0	0	0	55,326	0
Payment of federal rent subsidies	(54,970)	(53,550)	0	0	0	0	0	0	(53,550)	0
Net cash provided by (used for) operating activities	(46,517)	(3,565)	(5,538)	4,748	(1,134)	230	1,388	(2,188)	840	(1,911)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:										
Payment of bond issuance costs	(627)	(578)	(471)	0	(107)	0	0	0	0	0
Proceeds from sale of bonds	214,777	200,820	188,947	0	11,873	0	0	0	0	0
Principal payments on bonds	(77,858)	(102,899)	(89,419)	(10,005)	(3,475)	0	0	0	0	0
Interest payments on bonds	(70,341)	(76,669)	(73,594)	(1,038)	(2,037)	0	0	0	0	0
Net cash provided by (used for) non-capital financing activities	65,951	20,674	25,463	(11,043)	6,254	0	0	0	0	0
CASH FLOWS FROM INVESTING ACTIVITIES:										
Proceeds from disposition of foreclosed real estate	1,938	3,106	3,041	65	0	0	0	0	0	0
(Purchase) maturity of short-term investments, net	(43,311)	(21,161)	(22,723)	4,474	(4,523)	(477)	(1,817)	1,763	244	1,898
Purchase of long-term investments	(24,500)	(56,750)	(51,750)	0	(5,000)	0	0	0	0	0
Sale of long-term investments	14,084	22,084	19,063	1,011	2,010	0	0	0	0	0
Maturity of long-term investments	12,448	15,941	15,000	41	900	0	0	0	0	0
Interest received on investments	18,599	20,761	17,447	704	1,493	252	429	421	0	15
Net cash provided by (used for) investing activities	(20,742)	(16,019)	(19,922)	6,295	(5,120)	(225)	(1,388)	2,184	244	1,913
Net increase (decrease) in cash	(1,308)	1,090	3	0	0	5	0	(4)	1,084	2
Cash at beginning of year	8,398	7,090	65	0	0	3	0	4	6,999	19
Cash at end of year	$7,090	$8,180	$68	$0	$0	$8	$0	$0	$8,083	$21
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:										
Real estate acquired through foreclosure	$3,798	$3,799	$3,667	$52	$0	$0	$0	$0	$80	$0

See accompanying notes to the financial statements

(1.) ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

AUTHORIZING LEGISLATION

The Authority was created by the Maine Housing Authorities Act, Title 30-A, Chapter 201, of the Maine Revised Statutes, as amended, as a public body corporate and politic and an instrumentality of the State of Maine.

The Authority is authorized to issue bonds for the purchase of notes and mortgages on single-family and multi-family residential units for the purpose of providing housing for persons and families of low income in the State of Maine.

In addition, the Authority presently acts as agent for the State of Maine in administering Federal weatherization, energy conservation, fuel assistance and homeless grant programs and collects and disburses Federal rent subsidies for low-income housing.

For financial reporting purposes, the Authority is considered a component unit of the State of Maine. As such, the financial condition and results of operations of the Authority are included in the State's general purpose financial statements.

ESTABLISHMENT OF FUNDS AND FUND GROUPS

To account for the various programs which it is empowered to administer, the Authority has established the funds and groups of funds as presented in these financial statements. The Mortgage Purchase Program, Mortgage Acquisition Program, and Housing Finance Revenue Program Fund Groups represent a consolidation of funds established by the respective bond resolutions governing those programs. A brief description of the funds and fund groups follows:

MORTGAGE PURCHASE FUND GROUP
This fund group consists of the funds and accounts established by the General Mortgage Purchase Bond Resolution. Pursuant to the Mortgage Purchase Program, the Authority is authorized to purchase or originate first lien mortgages on single-family and multi-family residential properties.

MORTGAGE ACQUISITION FUND GROUP
This fund group consists of the funds and accounts established by the General Single-Family Mortgage Acquisition Bond Resolution. Pursuant to the Mortgage Acquisition Program, the Authority is authorized to purchase mortgages on single-family residential properties.

HOUSING FINANCE REVENUE FUND GROUP
This fund group consists of the funds and accounts established by the General Housing Finance Revenue Bond Resolution. Pursuant to the Housing Finance Revenue Program, the Authority is authorized to purchase mortgages or notes in connection with single-family and multi-family residential properties.

BONDHOLDER RESERVE FUND
This fund, which has been established by the General Authority Bondholder Reserve Fund Resolution, is pledged to replenish any deficiency in the debt service reserve fund of any of the Authority's bond resolutions.

GENERAL FUND
The purpose of this fund is to record the receipt of revenues not directly pledged or attributable to a particular bond resolution or program and for the payment of expenses for the administration and operation of the Authority, and the receipt of cash transferred from time to time from other funds to the extent that such transfers are permitted by the applicable resolution or controlling legislation of those funds.

HOME FUND
The State Legislature authorized the creation of the Housing Opportunities for Maine ("HOME") Program to promote and create affordable housing. The program has been funded by a portion of the Real Estate Transfer Tax levied by the State of Maine and by appropriations. These funds may be used in conjunction with the Authority's other housing resources. To the extent that it is economically and socially reasonable the Authority may return to the HOME Fund, amounts which have been previously advanced to other funds once the bonds secured by the subsidized mortgage loans have been paid off. The Authority also administers in this fund several other programs funded by or in conjunction with the State of Maine.

FEDERAL PROGRAMS FUND
This Fund is the consolidation of several federal program funds which have been established in accordance with applicable Federal regulations governing programs administered by the Authority. The purpose of the Fund is to record the activity of various programs funded by the following:

U.S. Department of Housing and Urban Development
- Section 8
- Emergency Shelter Grant Program
- Home Investment Partnership Program
- Permanent Housing for the Handicapped Homeless Program
- Shelter Plus Care Program
- Supportive Housing Programs
- Training and Technical Assistance Grant Programs

U.S. Department of Energy
- Weatherization

U.S. Department of Health and Human Services
- Low Income Home Energy Assistance Program

OTHER FUNDS
The Authority administers various housing related and similar programs funded by or in conjunction with the State of Maine. During 1998 these programs consisted of:

Indian Housing Mortgage Insurance Program
Development Disabilities Revolving Fund
Natural Disaster Housing Assistance Fund
Municipal Land Acquisition Revolving Fund
Mental Health Facilities Program
Housing Opportunities Zones Fund
Maine Affordable Housing Land Trust Fund
Land Acquisition Program

ACCOUNTING METHOD
The Authority follows the accrual basis of accounting and accordingly recognizes revenues as earned and expenses as incurred.

As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority has elected not to comply with the Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

DEPRECIATION
The Authority records land, equipment and improvements at cost and provides for depreciation on the straight line method over the respective estimated useful lives of the assets.

DISCOUNT AND ISSUANCE EXPENSE ON BONDS
Bond discount and debt issuance expense are amortized by the effective interest method over the lives of the bonds. Also, gains and losses on debt refundings are deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

INVESTMENTS
Investments are carried at fair value based on quoted market prices. Unrealized gains and losses due to fluctuations in market values and gains and losses realized upon sale are reported as net increase (decrease) in the fair value of investments.

MORTGAGE NOTES RECEIVABLE
Mortgages are carried at their original par less principal collections and are reflected on the balance sheets net of the allowance for losses on loans. The recording of interest income on problem loans ceases when collectibility within a reasonable period of time becomes doubtful.

ALLOWANCES FOR LOSSES ON LOANS
The Authority has established allowances for losses on mortgages and other notes receivable. The allowances are established through provisions for losses on loans charged to operations. Losses are charged against the allowances when the Authority believes that collection of the loan principal is unlikely.

The allowances are amounts that the Authority believes will be adequate to absorb losses based on evaluations of collectibility and prior loss experience. The evaluation takes into consideration such factors as the nature and volume of the portfolio, extent of available mortgage insurance, collateral, delinquencies and current and anticipated economic conditions that may affect the borrowers' ability to pay.

Funds received, including interest, for revolving loan programs are recorded as a liability in "accounts payable and accrued liabilities" on the balance sheet. Losses on loans in these programs are recognized by charging the amounts held under the revolving loan program liability accounts when the loans are forgiven or charged off.

LOAN ORIGINATION FEES AND COSTS
The Authority receives a fee at the time it purchases single-family mortgage loans. The fees received less the costs of origination are deferred and recognized as interest income using a method that results in a constant yield over the life of the mortgages.

The Authority may charge a fee at the time that a commitment is made to originate a mortgage on a multi-family project. These fees are recognized as interest income over the life of the mortgage on an accelerated basis approximating the interest method. The deferred fees are included in deferred income on the balance sheets.

OTHER REAL ESTATE OWNED
Other real estate owned consists of single-family and multi-family residential properties acquired through foreclosure, or acceptance of a deed in lieu of foreclosure.

Other real estate owned is carried at the lower of cost or fair value less estimated costs to sell. Losses arising from the acquisition of other real estate owned are charged to the allowance for loan losses. Operating expenses, subsequent provisions to reduce the carrying value, and any gain or loss on disposition of the property are reflected in the statement of revenues, expenses and changes in fund balance in the year incurred or realized.

GRANTS
Unrestricted grants are recorded as revenues over their terms. If no terms are specified, then they are recorded when received. Restricted grants are recorded as revenues upon compliance with the restrictions. Amounts due from the Federal government are accrued when due. Unearned grant income is included in deferred income.

STATEMENTS OF CASH FLOWS
The Authority considers cash to include cash on hand and held by banks in demand deposit and savings accounts.

MEMORANDUM ONLY
The "Memorandum Only" columns contain the totals of the similar accounts of the various Funds. Since the assets of the Funds are restricted, the combination of the accounts, including 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 separate Funds.

(2.) CASH AND INVESTMENTS

Cash Deposits

At December 31, 1998, the carrying amount of the Authority's deposits was $8,180 and the bank balance was $9,301. The difference between the carrying amount and the bank balance represents outstanding checks. Of the bank balance, $390 was covered by federal depository insurance, $1,005 was collateralized by repurchase agreements for which the securities are held by the bank's trustee in the Authority's name, and $7,906 was uninsured and uncollateralized.

Investments

	Category 1	Category 2	Category 3	Carrying Amount
Mortgage Purchase Program				
U.S. Treasury and Government Agency Securities	$122,750	$0	$0	$122,750
Repurchase Agreements	163,972	15,091	0	179,063
Total - Mortgage Purchase Program	286,722	15,091	0	301,813
Mortgage Acquisition Program				
U.S. Treasury and Government Agency Securities	2,026	0	0	2,026
Repurchase Agreements	2,563	0	1,135	3,698
Total - Mortgage Acquisition Program	4,589	0	1,135	5,724
Housing Finance Revenue Program				
U.S. Treasury and Government Agency Securities	10,353	0	0	10,353
Repurchase Agreements	14,958	0	161	15,119
Total - Housing Finance Revenue Program	25,311	0	161	25,472
Bondholder Reserve Fund				
Repurchase Agreements	4,853	0	0	4,853
General Fund				
Repurchase Agreements	3,569	6,024	0	9,593
HOME Fund				
Repurchase Agreements	6,198	0	0	6,198
Federal Programs Fund				
Repurchase Agreements	240	0	0	240
Other Funds				
Repurchase Agreements	3,792	0	0	3,792
Total -- All Funds	$335,274	$21,115	$1,296	$357,685

The Mortgage Purchase Program, Mortgage Acquisition Program and Housing Finance Revenue Program bond resolutions permit the Authority to invest in direct obligations of or obligations guaranteed by the United States of America, certain Federal agencies and the State of Maine (permissible investments). The resolutions also permit the Authority to invest in certificates of deposit and repurchase agreements providing that such investments are continuously and fully secured by permissible investments. It is the Authority's policy to require that collateral be in the possession of a trustee. The Authority follows a similar policy for the investments of all funds.

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at December 31, 1998. Category 1 includes permissible investments and repurchase agreements for which the securities are held by the Authority's trustees in the Authority's name. Category 2 includes repurchase agreements for which the securities are held by the broker, dealer or bank's trustee in the Authority's name. Category 3 includes repurchase agreements for which the securities are held by the broker, dealer or bank's trustee or agent not in the Authority's name.

(3.) MORTGAGE AND OTHER NOTES RECEIVABLE:

A summary of mortgage notes receivable at December 31, 1998, is as follows:

	Number of Notes	Principal Balance	Percent of Portfolio
MORTGAGE PURCHASE PROGRAM - SINGLE-FAMILY:			
VA guaranteed	2,012	$109,340	13.0%
FHA insured	4,199	245,956	29.3%
RD guaranteed	2,090	128,746	15.4%
Privately insured	4,885	257,998	30.8%
Non-insured	2,931	96,528	11.5%
Total Mortgage Purchase Program single-family	16,117	838,568	100.0%
MORTGAGE PURCHASE PROGRAM - MULTI-FAMILY:			
Federally assisted:			
Section 8 - FHA insured	3	6,853	2.6%
Section 8	194	138,659	52.0%
Section 236	3	709	0.3%
Non-insured	328	120,289	45.1%
Total Mortgage Purchase Program multi-family	528	266,510	100.0%
Less: Allowance for losses on loans		(9,547)	
Total Mortgage Purchase Program	16,645	1,095,531	
MORTGAGE ACQUISITION PROGRAM - SINGLE-FAMILY:			
VA guaranteed	48	1,172	10.1%
FHA insured	7	170	1.4%
Privately insured	369	10,311	88.5%
Total Mortgage Acquisition Program single-family	424	11,653	100.0%
HOUSING FINANCE REVENUE PROGRAM - HOME IMPROVEMENT LOANS:			
Non-insured	3,568	30,271	100.0%
Less: Allowance for losses on loans		(1,289)	
Total Housing Finance Revenue Program	3,568	28,982	
BONDHOLDER RESERVE FUND - MULTI-FAMILY:			
Non-insured	1	684	100.0%
Total Bondholder Reserve Fund	1	684	
HOME FUND MULTI-FAMILY:			
Non-insured	41	3,998	100.0%
Less: Allowance for losses on loans		(648)	
Total HOME Fund	41	3,350	
FEDERAL PROGRAMS FUND - SINGLE-FAMILY:			
Non-insured - revolving loans	44	391	3.8%
FEDERAL PROGRAMS FUND - MULTI-FAMILY:			
Non-insured - revolving loans	122	9,782	96.2%
Total Federal Programs Fund	166	10,173	100.0%

	Number of Notes	Principal Balance	Percent of Portfolio
OTHER FUNDS - MULTI-FAMILY:			
Non-insured - revolving loans	33	4,271	100.0%
Less: Allowance for losses on loans		(90)	
Total Other Funds	33	4,181	
Total mortgage notes receivable	20,878	1,154,554	

A summary of other notes receivable at December 31, 1998, is as follows:

HOUSING FINANCE REVENUE PROGRAM			
Non-insured	9	$112	100%
Less: Allowance for losses on loans		(25)	
Total Housing Finance Revenue Program	9	87	
HOME FUND:			
Non-insured	47	490	100%
Less: Allowance for losses on loans		(434)	
Total HOME Fund	47	56	
OTHER FUNDS:			
Non-insured	23	289	47.6%
Non-insured - revolving notes	9	318	52.4%
	32	607	100.0%
Less: Allowance for losses on loans		(157)	
Total Other Funds	32	450	
Total other notes receivable	88	$593	

A summary of the activity in the allowance for losses on loans is as follows:

	Mortgage Purchase Program	Housing Finance Revenue Program	HOME Fund	Other Funds
Balance - December 31, 1997	$8,886	$839	$931	$197
Provision	1,100	625	150	50
Loans charged off	(490)	(164)	0	0
Recoveries	51	14	1	0
Balance - December 31, 1998	$9,547	$1,314	$1,082	$247

(4.) MORTGAGE BONDS PAYABLE

The Single-Family (S/F), Multi-Family (M/F), and Home Improvement (HI) Mortgage Bonds Payable outstanding at December 31, 1998 are as follows:

	Original Amount Issued	Amount Outstanding December 31,1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
MORTGAGE PURCHASE PROGRAM							
1986 SERIES A BONDS (S/F):							
Serial Bonds	$10,500	$ 0	7.70%-7.80%				
Capital Appreciation							
Serial Bonds	1,200	0	8.50%				
Term Bonds	3,975	0	8.38%				
Term Bonds	12,000	0	7.65%				
Limited Interest							
Municipal Obligations	8,364	10,574	9.25%	2007-2017	305	-	1,865
	36,039	10,574					
1988 SERIES C BONDS (M/F):							
Term Bonds	2,050	2,050	8.20%	1999-2008	65	-	345
Term Bonds	6,550	1,695	8.30%	2009-2013	160	-	435
	8,600	3,745					
1988 SERIES D BONDS (S/F):							
1988 Series D-1							
Serial Bonds	2,630	640	7.60%-7.70%	1999-2000	310	-	330
Term Bonds	3,815	0	8.20%				
Term Bonds	16,555	0	8.30%				
Term Bonds	7,000	50	8.30%	2023		50	
1988 Series D-2							
Term Bonds	1,360	0	7.40%				
Term Bonds	2,410	1,340	7.75%	1999-2001	415	-	480
Term Bonds	7,560	7,560	8.00%	2002-2011	515	-	1,050
Term Bonds	11,965	11,965	8.10%	2012-2019	1,135	-	1,910
Term Bonds	6,705	6,705	8.10%	2020-2022	2,060	-	2,415
1988 Series D-3							
Term Bonds	1,360	0	7.10%				
Term Bonds	2,410	0	7.60%				
Term Bonds	7,560	0	8.15%				
Term Bonds	11,965	0	8.20%				
Term Bonds	6,705	0	8.20%				
1988 Series D-4							
Term Bonds	760	0	6.30%				
Term Bonds	1,630	905	6.90%	1999-2001	280	-	325
Term Bonds	5,070	5,070	7.45%	2002-2011	345	-	705
Term Bonds	8,040	315	7.55%	2012		315	
Term Bonds	4,500	4,500	7.55%	2020-2022	1,385	-	1,620
1988 Series D-5							
Term Bonds	380	0	6.30%				
Term Bonds	810	450	6.90%	1999-2001	140	-	160
Term Bonds	2,540	2,540	7.45%	2002-2011	175	-	350
Term Bonds	4,020	4,020	7.55%	2012-2019	380	-	640
Term Bonds	2,250	2,250	7.55%	2020-2022	690	-	810

	Original Amount Issued	Amount Outstanding December 31,1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1988 Series D-6							
Term Bonds	1,140	0	5.55%				
Term Bonds	2,440	1,355	6.50%	1999-2001	420	-	485
Term Bonds	7,615	7,615	7.15%	2002-2011	520	-	1,060
Term Bonds	12,050	12,050	7.25%	2012-2019	1,145	-	1,925
Term Bonds	6,755	6,755	7.25%	2020-2022	2,075	-	2,435
	150,000	76,085					
1989 SERIES A BONDS (S/F):							
1989 Series A-1							
Serial Bonds	7,740	3,120	7.15%-7.30%	1999-2002	700	-	865
Term Bonds	16,760	1,680	7.63%	2017-2018	80	-	1,600
1989 Series A-2							
Term Bonds	20,000	14,725	7.15%	2003-2012	1,110	-	1,925
Term Bonds	5,000	5,000	7.30%	2015-2016	2,410	-	2,590
	49,500	24,525					
1989 SERIES B BONDS (M/F):							
1989 Series B-1							
Serial Bonds	2,075	1,005	7.20%-7.45%	1999-2002	225	-	280
Term Bonds	6,425	4,720	7.85%	2003-2013	300	-	590
1989 Series B-2							
Term Bonds	7,000	1,270	7.60%	2016-2017	515	-	755
	15,500	6,995					
1989 SERIES C BONDS (M/F):							
Serial Bonds	1,280	350	6.90%-7.00%	1999-2000	170	-	180
Term Bonds	10,440	10,440	7.70%	2001-2022	195	-	930
	11,720	10,790					
1990 SERIES A BONDS (S/F):							
1990 Series A-1							
Term Bonds	13,090	0	7.50%				
Term Bonds	5,820	0	7.80%				
1990 Series A-2							
Serial Bonds	5,025	0	6.40%-7.25%				
Term Bonds	10,000	10	8.13%	2023		10	
Term Bonds	4,385	0	8.00%				
Term Bonds	21,680	0	8.10%				
1990 Series A-4							
Serial Bonds	10,405	5,410	5.20%-5.60%	1999-2002	1,215	-	1,500
Term Bonds	11,695	6,455	6.38%	2003-2009	555	-	1,185
Term Bonds	15,825	8,665	6.40%	2019-2021	2,705	-	3,040
Term Bonds	24,175	0	6.40%				
Term Bonds	37,900	37,900	6.40%	2013-2024	1,755	-	8,180
1990 Series A-5							
Term Bonds	8,090	8,090	6.20%	2011-2016	1,110	-	1,610
1990 Series A-6							
Serial Bonds	5,710	0	2.75%-5.10%				
Term Bonds	6,090	1,505	6.25%	2001-2004	140	-	490
Term Bonds	30,110	4,500	6.35%	2011-2015	405	-	1,150
	210,000	72,535					
1991 SERIES A BONDS (M/F):							
Serial Bonds	5,730	1,950	6.35%-6.55%	1999-2001	610	-	690
Term Bonds	10,395	10,395	7.45%	2002-2011	735	-	1,405
Term Bonds	24,495	23,665	7.50%	2012-2022	1,510	-	2,900
	40,620	36,010					

	Original Amount Issued	Amount Outstanding December 31, 1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1991 SERIES B BONDS (S/F):							
Serial Bonds	8,565	4,005	5.90%-6.20%	1999-2002	915	-	1,090
Capital Appreciation							
Serial Bonds	2,497	2,207	6.60%-6.75%	2003-2005		1,090	
Term Bonds	11,940	11,940	7.10%	2009-2016	1,160	-	1,875
	23,002	18,152					
1992 SERIES A BONDS (M/F):							
Serial Bonds	2,470	1,320	5.95%-6.40%	1999-2003	230	-	300
Term Bonds	2,940	2,940	6.85%	2004-2010	315	-	525
Term Bonds	1,160	1,160	6.90%	2011-2012	560	-	600
Term Bonds	9,930	9,815	7.00%	2013-2023	635	-	1,155
	16,500	15,235					
1992 SERIES B BONDS (S/F):							
1992 Series B-4							
Term Bonds	7,000	6,630	6.90%	2017-2026	510	-	865
1992 SERIES C BONDS (M/F):							
Serial Bonds	9,835	4,130	5.60%-6.00%	1999-2002	540	-	1,265
Term Bonds	10,425	10,425	6.55%	2008-2012	1,830	-	2,360
Term Bonds	4,200	4,200	6.65%	2013-2024	235	-	490
	24,460	18,755					
1992 SERIES D BONDS (M/F):							
Term Bonds	7,020	7,020	6.45%	2002-2007	800	-	1,410
1993 SERIES A BONDS (S/F):							
1993 Series A-1							
Serial Bonds	14,020	9,770	4.25%-5.15%	1999-2007	920	-	1,280
Term Bonds	10,000	5,705	4.50%	2008-2014	230	-	1,015
Term Bonds	15,980	15,980	5.55%	2008-2018	1,095	-	1,870
1993 Series A-2							
Term Bonds	10,000	10,000	5.10%	2019-2024	1,455	-	1,890
	50,000	41,455					
1993 SERIES B BONDS (M/F):							
1993 Series B-1							
Term Bonds	4,145	4,145	5.70%	2008-2013	600	-	790
Term Bonds	4,680	4,680	5.75%	2014-2018	835	-	1,045
Term Bonds	7,660	7,430	5.80%	2019-2024	1,105	-	1,385
1993 Series B-2							
Term Bonds	1,415	1,415	5.60%	2005-2007	445	-	500
	17,900	17,670					
1994 SERIES A BONDS (S/F-M/F):							
Serial Bonds	15,540	15,540	4.35%-5.20%	2000-2008	750	-	3,600
Term Bonds	23,650	23,650	5.55%	2009-2014	2,485	-	4,700
Term Bonds	36,615	36,615	5.65%	2014-2020	2,480	-	6,530
Term Bonds	32,250	32,250	5.70%	2020-2026	2,100	-	7,290
Term Bonds	2,000	2,000	5.75%	2027-2033	240	-	335
	110,055	110,055					
1994 SERIES B BONDS (S/F):							
1994 Series B-1							
Serial Bonds	6,775	6,775	4.65%-5.15%	2003-2008	1,000	-	1,275
Term Bonds	9,270	9,270	5.55%	2009-2014	1,340	-	1,765
Term Bonds	3,955	3,025	4.38%	2015-2016	1,170	-	1,855
1994 Series B-2							
Serial Bonds	3,290	1,780	4.20%-4.60%	1999-2002	415	-	475
Term Bonds	24,710	23,995	5.80%	2017-2024	2,530	-	3,545
Term Bonds	2,000	0	5.85%				
	50,000	44,845					

	Original Amount Issued	Amount Outstanding December 31, 1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1994 SERIES C BONDS (S/F):							
1994 Serial C-1							
Serial Bonds	22,715	22,715	5.40%-6.20%	1999-2007	2,095	-	3,030
Term Bonds	13,535	13,535	6.50%	2008-2011	3,130	-	3,645
Term Bonds	17,000	7,335	5.90%	2012-2013	3,465	-	3,870
1994 Series C-2							
Term Bonds	43,000	38,085	6.87%	2016-2023	2,110	-	6,555
Term Bonds	3,000	215	7.00%	2032		215	
	99,250	81,885					
1994 SERIES D BONDS (M/F):							
Term Bonds	6,320	6,320	6.70%	2006-2015	520	-	765
Term Bonds	6,180	6,180	6.80%	2016-2025	400	-	875
	12,500	12,500					
1994 SERIES E BONDS (M/F):							
Term Bonds	3,515	3,515	6.30%	1999-2002	795	-	965
Term Bonds	3,280	3,280	6.60%	2003-2005	1,025	-	1,165
	6,795	6,795					
1995 SERIES A BONDS (S/F):							
1995 Series A-1							
Term Bonds	2,725	2,725	6.30%	2009-2011	855	-	965
Term Bonds	3,275	3,275	6.38%	2012-2014	1,025	-	1,160
1995 Series A-2							
Serial Bonds	12,200	10,080	5.30%-6.20%	1999-2008	780	-	1,285
Term Bonds	30,800	30,525	6.65%	2015-2025	1,985	-	3,555
Term Bonds	1,000	130	6.75%	2026-2027	60	-	70
	50,000	46,735					
1995 SERIES B BONDS (S/F):							
1995 SERIES B-1							
Term Bonds	2,940	2,940	5.10%	2002 - 2005	70	-	1,005
Term Bonds	7,060	7,060	6.05%	2012 - 2016	480	-	1,790
1995 SERIES B-2							
Serial Bonds	6,500	6,500	4.55%-5.80%	1999 - 2008	750	-	1,175
Term Bonds	4,980	4,980	6.13%	2009 - 2012	1,015	-	1,405
Term Bonds	5,685	5,685	6.25%	2017 - 2024	10	-	2,290
Term Bonds	6,835	6,210	5.70%	2016 - 2025	105	-	1,965
Term Bonds	15,000	14,625	6.30%	2017 - 2026	15	-	3,125
Term Bonds	1,000	540	6.35%	2027 - 2032	60	-	110
	50,000	48,540					
1995 SERIES C BONDS (M/F):							
1995 Series C-1							
Term Bonds	4,575	4,575	6.05%	2017 - 2026	225	-	605
1995 Series C-2							
Serial Bonds	940	940	4.80%-5.30%	2000 - 2005	140	-	175
Term Bonds	2,935	2,935	6.15%	2006 - 2017	130	-	335
	8,450	8,450					
1995 SERIES D BONDS (M/F):							
Term Bonds	4,000	4,000	6.72%	2001 - 2005	700	-	910
Term Bonds	5,000	5,000	7.02%	2006 - 2010	870	-	1,140
	9,000	9,000					
1996 Series A BONDS (S/F):							
1996 Series A-1							
Serial Bonds	5,195	4,875	4.70%-6.05%	1999-2009	335	-	575
Term Bonds	3,475	3,475	6.40%	2010-2014	610	-	785
Term Bonds	14,455	14,055	6.50%	2015-2026	830	-	1,560
Term Bonds	1,775	1,775	6.50%	2027		1,775	
Term Bonds	100	100	6.55%	2035		100	

	Original Amount Issued	Amount Outstanding December 31, 1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1996 Series A-2							
Adjustable Rate Term Bonds	5,000	5,000	3.80%	1999		5,000	
1996 Series A-3							
Adjustable Rate Term Bonds	10,000	10,000	3.85%	1999		10,000	
	40,000	39,280					
1996 Series B BONDS (S/F):							
1996 Series B-1							
Serial Bonds	3,900	3,900	5.50%-5.60%	2007-2008	1,915	-	1,985
Term Bonds	17,790	17,790	6.10%	2009-2015	2,105	-	3,000
Term Bonds	4,760	4,760	6.13%	2016-2017	2,070	-	2,690
1996 Series B-2							
Serial Bonds	5,660	5,660	4.75%-5.55%	2000-2006	585	-	1,035
Term Bonds	5,930	4,140	5.80%	2017-2018	1,665	-	2,475
Term Bonds	18,860	16,405	6.45%	2019-2025	1,750	-	2,980
Term Bonds	8,000	8,000	6.45%	2026-2028	1,570	-	3,265
Term Bonds	100	100	6.45%	2035		100	
	65,000	60,755					
1996 SERIES C BONDS (S/F):							
1996 Series C							
Serial Bonds	4,245	4,245	4.35%-5.50%	1999-2008	340	-	525
Term Bonds	5,505	5,505	6.10%	2009-2016	555	-	840
Term Bonds	15,150	14,590	6.15%	2017-2028	890	-	1,615
Term Bonds	100	100	6.25%	2037		100	
	25,000	24,440					
1997 SERIES A BONDS (S/F):							
1997 Series A-1							
Term Bonds	2,200	2,200	5.70%	2009-2013	390	-	490
1997 Series A-2							
Serial Bonds	4,685	4,685	4.55%-5.50%	2000-2008	425	-	630
Term Bonds	5,450	4,950	5.38%	2014-2019	530	-	980
Term Bonds	1,145	1,145	6.15%	2020-2026	140	-	195
Term Bonds	5,000	5,000	6.15%	2020-2027	480	-	935
Term Bonds	16,420	16,420	6.10%	2020-2028	1,420	-	2,285
Term Bonds	100	100	6.20%	2037		100	
	35,000	34,500					
1997 SERIES B BONDS (S/F):							
Term Bonds	25,000	25,000	6.10%	2007-2029	490	-	1,970
1997 SERIES C BONDS (S/F):							
1997 Series C-1							
Serial Bonds	900	900	5.15%-5.25%	2007-2008	440	-	460
Term Bonds	4,100	4,100	5.70%	2009-2015	485	-	710
1997 Series C-2							
Serial Bonds	1,860	1,860	4.90%-5.20%	2002-2006	340	-	395
Term Bonds	4,000	4,000	5.30%	2016-2021	575	-	765
Term Bonds	2,010	2,010	5.95%	2016-2022	10	-	385
Term Bonds	12,420	12,420	6.05%	2022-2028	1,465	-	2,105
Term Bonds	4,610	4,610	6.05%	2029-2030	2,235	-	2,375
Term Bonds	100	100	6.05%	2037		100	
	30,000	30,000					
1997 SERIES D BONDS (S/F):							
1997 Series D-1							
Serial Bonds	13,780	13,780	4.65%-5.15%	2004-2010	520	-	2,700
Term Bonds	17,815	16,090	5.05%	2010-2016	745	-	3,020

	Original Amount Issued	Amount Outstanding December 31, 1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1997 Series D-2							
Term Bonds	17,635	17,635	5.80%	2010-2016	1,750	-	3,520
Term Bonds	1,195	1,195	5.90%	2024-2025	595	-	600
Term Bonds	9,475	9,475	5.90%	2025-2029	700	-	2,385
Term Bonds	100	100	5.90%	2036-2037		50	
	60,000	58,275					
1997 SERIES E BONDS (S/F):							
1997 Series E							
Term Bonds	9,125	9,125	6.44%	2003-2007	1,595	-	2,070
Term Bonds	12,765	12,765	6.71%	2008-2012	2,215	-	2,915
Term Bonds	18,110	18,110	6.81%	2013-2017	3,125	-	4,160
	40,000	40,000					
1997 SERIES F BONDS (M/F):							
1997 Series F-1							
Term Bonds	8,580	8,580	5.50%	2018-2029	510	-	965
1997 Series F-2							
Term Bonds	3,825	3,825	5.50%	2008-2017	285	-	490
	12,405	12,405					
1997 SERIES G BONDS (M/F):							
1997 Series G							
Term Bonds	2,000	2,000	6.71%	2002-2006	345	-	455
Term Bonds	7,000	7,000	6.71%	2002-2007	980	-	1,365
Term Bonds	6,000	6,000	7.26%	2020-2027	575	-	950
	15,000	15,000					
1998 SERIES A BONDS (S/F):							
1998 Series A-1							
Serial Bonds	7,970	7,970	4.25%-4.85%	2003-2010	850	-	1,170
Term Bonds	6,835	6,835	5.15%	2011-2015	1,230	-	1,510
1998 Series A-2							
Term Bonds	6,540	6,540	5.30%	2016-2018	2,070	-	2,290
Term Bonds	7,000	7,000	4.70%	2016-2020	1,265	-	1,540
Term Bonds	5,470	5,470	5.35%	2019-2021	500	-	2,550
Term Bonds	11,085	11,085	5.33%	2027-2032	1,350	-	2,110
Term Bonds	100	100	5.40%	2038		100	
	45,000	45,000					
1998 SERIES B BONDS (S/F):							
1998 Series B							
Term Bonds	10,000	10,000	6.94%	2021-2027	340	-	1,855
1998 SERIES C BONDS (S/F):							
1998 Series C-1							
Term Bonds	9,000	9,000	5.15%	2010-2015	1,315	-	1,700
1998 Series C-2							
Serial Bonds	6,000	6,000	4.35%-4.90%	2003-2009	750	-	980
Term Bonds	8,600	8,600	4.75%	2016-2019	1,280	-	2,555
Term Bonds	605	605	5.38%	2016-2029	30	-	60
Term Bonds	13,220	13,220	5.25%	2016-2030	600	-	1,235
Term Bonds	12,575	12,575	5.38%	2016-2031	455	-	2,365
	50,000	50,000					
1998 SERIES D BONDS (S/F):							
1998 Series D							
Term Bonds	10,000	10,000	6.35%	2003-2013	710	-	1,095
1998 SERIES E BONDS (M/F):							
1998 Series E							
Term Bonds	12,675	12,675	6.04%	2003-2012	960	-	1,625
Term Bonds	12,325	12,325	6.43%	2013-2018	1,750	-	2,385
	25,000	25,000					

	Original Amount Issued	Amount Outstanding December 31, 1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding		
1998 SERIES F BONDS (S/F):							
1998 Series F-1							
Term Bonds	8,000	8,000	5.13%	2008-2015	830	-	1,190
1998 Series F-2							
Serial Bonds	1,790	1,790	4.25%-4.50%	2005-2007	370	-	725
Term Bonds	5,425	5,425	4.65%	2016-2020	350	-	1,355
Term Bonds	10,000	10,000	5.25%	2020-2027	800	-	1,530
Term Bonds	195	195	5.35%	2031		195	
Term Bonds	15,090	15,090	5.35%	2020-2032	270	-	2,385
	40,500	40,500					
1998 SERIES G BONDS (S/F):							
1998 Series G							
Term Bonds	10,000	10,000	5.96%	2000-2008	865	-	1,390
		1,265,136					
Less: Unamortized Bond Discount		(13,546)					
Total Mortgage Purchase Program Bonds Payable	1,601,816	1,251,590					
MORTGAGE ACQUISITION PROGRAM							
1991 SERIES 1 BONDS (S/F):							
Serial Bonds	2,055	1,450	6.20%-6.50%	1999-2002	330	-	395
Term Bonds	2,415	2,415	6.90%	2003-2007	420	-	550
Term Bonds	2,620	1,475	7.10%	2008-2011	330	-	410
Term Bonds	10,775	0	7.15%				
	17,865	5,340					
		5,340					
Less: Unamortized Bond Discount		(51)					
Total Mortgage Acquisition Program Bonds Payable	17,865	5,289					
HOUSING FINANCE REVENUE PROGRAM							
1995 SERIES I BONDS (HI):							
1995 Series I-1							
Serial Bonds	2,235	2,235	4.65%-5.00%	2005 - 2008	520	-	600
Term Bonds	2,765	2,765	5.38%	2009 - 2012	635	-	750
1995 Series I-2							
Serial Bonds	2,000	1,875	3.95%-4.80%	1999 - 2004	140	-	490
1995 Series I-4							
Serial Bonds	1,350	1,255	4.00%-5.10%	1999 - 2008	100	-	155
Term Bonds	2,120	2,120	5.70%	2009 - 2018	165	-	265
Term Bonds	4,530	4,530	5.75%	2019 - 2030	280	-	495
	15,000	14,780					
1996 SERIES I BONDS (HI):							
1996 Series I							
Serial Bonds	7,455	7,455	4.50%-5.70%	1999 - 2008	595	-	930
Term Bonds	5,540	5,540	6.15%	2013 - 2018	475	-	1,250
Capital Appreciation Serial Bonds	2,005	2,257	6.00%-6.30%	2009 - 2014	510	-	985
	15,000	15,252					
1998 SERIES I BONDS (HI):							
1998 Series I							
Serial Bonds	2,690	2,690	4.40%-5.00%	2004-2010	290	-	575
Term Bonds	2,435	2,435	5.30%	2011-2013	760	-	865

	Original Amount Issued	Amount Outstanding December 31, 1998	Annual Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Annual Requirements on Bonds Outstanding
Term Bonds	6,680	6,680	5.45%	2014-2017	1,545 - 1,795
Term Bonds	195	195	5.45%	2018	195
	12,000	12,000			
	42,000	42,032			
Less: Unamortized Bond Discount		(418)			
Total Housing Finance Revenue Bonds Payable	42,000	41,614			
Total Bonds Payable	$ 1,661,681	$ 1,298,493			

Interest is payable semi-annually. Scheduled principal payments on bonds are due November 15 for the Mortgage Purchase Program and November 1 for the Mortgage Acquisition Program and the Housing Finance Revenue Program.

The debt service principal payments for the five years subsequent to December 31, 1998, are as follows:

YEAR	Mortgage Purchase Program	Mortgage Acquisition Program	Housing Finance Revenue Program
1999	$14,210	$330	$ 835
2000	$17,265	$350	$ 880
2001	$19,135	$375	$ 935
2002	$21,980	$395	$1,240
2003	$27,725	$420	$1,305

The reserve funds of the Mortgage Purchase Program and Housing Finance Revenue Program are secured by a non-binding appropriation by the State to replenish any deficiency in such reserve funds. The Authority was authorized to have bonds outstanding for these programs in an aggregate amount not to exceed $1,650,000 as of December 31, 1998. Of that amount, $1,307,168 was outstanding at December 31, 1998. In addition, at December 31, 1998 the Authority was authorized to have up to $300,000 in bonds outstanding that were secured by a reserve fund not subject to a non-binding state appropriation for replenishment of any deficiency in such fund. Under this authorization, the Authority had Mortgage Acquisition Program bonds of $5,340 outstanding at December 31, 1998 and $24,000 of conduit debt (see footnote 12).

The bonds are a special obligation of the Authority and shall not be deemed to constitute a debt or liability of the State of Maine. The bonds are secured in accordance with the various resolutions. Security generally includes the mortgage loans made or purchased under the Resolution and all monies and investments in the funds and accounts pledged under the resolutions. Bonds may be redeemed in excess of the annual maturities in accordance with the terms of the various resolutions.

(5.) EMPLOYEE BENEFIT PLANS

The Authority has established a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or their designated beneficiaries until termination, retirement, death, or unforeseeable emergency. The assets and income of the plan are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The Authority's contribution to, and expense for, the Section 457 plan was $77 for the year ended December 31, 1998.

The Authority also has a defined contribution plan created under the provisions of the Internal Revenue Code Section 401(a). Substantially all employees of the Authority are eligible to participate in this plan, which is administered by the Authority. The Authority's contribution to, and expense for, the 401(a) plan was $124 for the year ended December 31, 1998.

(6.) AVAILABLE BOND PROCEEDS

MORTGAGE PURCHASE FUND GROUP

The following amounts are invested in the various bond proceed sub-accounts of the Bond Proceeds Fund of the Mortgage Purchase Program:

1996 Series A-2	$ 5,794
1996 Series A-3	11,616
1998 Series C-1	3,713
1998 Series C-2	912
1998 Series D	6,072

1998 Series F-1	5,315
1998 Series F-2	30,124
1998 Series G	8,908
	$72,454

Original bond proceeds for the purchase of single-family mortgages amounted to $69,545 at December 31, 1998, of which $54,545 and $15,000 represented the proceeds of fixed rate bonds and adjustable rate bonds, respectively. The Authority expects to make the proceeds of the adjustable rate bonds available for the purchase of single-family loans when such bonds are converted to fixed rate bonds. Amounts in the Bond Proceeds Fund attributable to income from investments totaled $2,909 at December 31, 1998, all of which is available to pay debt service when necessary.

HOUSING FINANCE REVENUE FUND GROUP

Original bond proceeds for the purchase of Home Improvement loans amounted to $4,492 of fixed rate bonds from Series 1998I.

(7.) COMMITMENTS

Mortgage commitments are agreements to lend provided there is no violation of any term or condition established in the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as the Authority deems necessary.

MORTGAGE PURCHASE PROGRAM
At December 31, 1998, the Authority had outstanding commitments to purchase multi-family mortgage loans of approximately $8,907.

GENERAL FUND
The Authority is committed to a lease expiring July 31, 1999, on approximately 27,000 square feet of office space. The lease contains an annual renewal option through July 31, 2006. Rental expense under this lease for the year ended December 31,1998 was approximately $315.

(8.) RESERVE FUNDS

MORTGAGE PURCHASE PROGRAM - HOUSING RESERVE FUND

On or before December 1 of each year, the Authority is required to value the Housing Reserve Fund and verify to the Governor of the State of Maine that the sum of money in the fund equals or exceeds the Housing Reserve Fund Minimum Requirement. The Housing Reserve Fund Minimum Requirement equals the amount of principal and interest maturing and coming due in the next succeeding calendar year on bonds outstanding. The Housing Reserve Fund Minimum Requirement as of December 31, 1998 is $90,786.

When issuing bonds the Authority must also meet the Housing Reserve Fund Maximum Requirement. The Housing Reserve Fund Maximum Requirement equals the maximum debt service required in any subsequent year. The Housing Reserve Fund Maximum Requirement as of December 31, 1998 is $106,028.

At December 31, 1998, valuation of the investments in the Housing Reserve Fund, computed at the lower of par or cost in accordance with the General Mortgage Purchase Program Bond Resolution was $110,922.

MORTGAGE ACQUISITION PROGRAM - CAPITAL RESERVE FUND

The Capital Reserve Requirement equals the greatest amount of Principal installments and interest maturing and becoming due in the current or any succeeding bond year on bonds outstanding. At December 31, 1998, the valuation of the investments in the Capital Reserve Fund computed at amortized value, in accordance with the General Single-Family Mortgage Acquisition Bond Resolution, was $1,625. The Capital Reserve Requirement as of December 31, 1998, was $696.

HOUSING FINANCE REVENUE PROGRAM - CAPITAL RESERVE FUND
On or before December 1 of each year, the Authority is required to value the Capital Reserve Fund and verify to the Governor of the State of Maine that the sum of money in the fund equals or exceeds the Capital Reserve Fund Minimum Requirement. The Capital Reserve Fund Minimum Requirement equals the amount of principal and interest maturing and coming due in the next succeeding calendar year on bonds outstanding. The Capital Reserve Fund Minimum Requirement as of December 31, 1998 is $2,981.

When issuing bonds the Authority must also meet the Capital Reserve Fund Maximum Requirement. The Capital Reserve Fund Maximum Requirement equals the maximum debt service required in any subsequent year. The Capital Reserve Fund Maximum Requirement as of December 31, 1998 was $3,936.

At December 31, 1998, valuation of the investments in the Capital Reserve Fund computed at amortized value in accordance with the General Housing Finance Revenue Bond Resolution was $5,027.

(9.) **EXCESS ARBITRAGE TO BE REBATED**

Bonds issued by the Authority are subject to a variety of Internal Revenue Service (IRS) regulations which limit the amount of income which may be earned with non-mortgage investments to an amount not greater than that amount which would have been earned had the funds been invested at the yield on the bonds as defined by the IRS. Excess earnings must be rebated either annually, or every five years, depending on the date and type of bond issue.

At December 31, 1998, the estimated present value of future arbitrage rebates in the Mortgage Purchase Fund Group was $304. There are no other arbitrage liabilities to be rebated in the other fund groups at December 31, 1998.

10.) **FUND TRANSFERS**

During the year ended December 31, 1998, monies were transferred between Funds. The following is a summary of transfers in (out):

	Mortgage Purchase Fund Group	General Fund	HOME Fund	Federal Programs Fund
Interest Subsidies	$2,016	$ 0	$(1,387)	$ (629)
Loan Subsidies	2,060	0	(1,560)	(500)
Other	0	11	(11)	0
Net Transfers	$4,076	$11	$(2,958)	$(1,129)

(11.) **REDEMPTION OF BONDS**

The Authority redeemed $79,523, $9,695 and $2,405, of its Mortgage Purchase Program bonds, Mortgage Acquisition Program bonds and Housing Finance Revenue Fund Group bonds, respectively, from reserve funds, mortgage prepayments and surplus revenues. Mortgage Purchase Program, Mortgage Acquisition Program and Housing Finance Revenue Fund Group losses of $1,282, $137 and $14 were attributable to recognition of the redemption premium, bond discount and debt issuance expenses associated with the redeemed bonds.

The following is a summary of bonds redeemed:

	Interest Rate(s)	Maturity/ Maturities	Amount Redeemed	Redemption Price
Mortgage Purchase Program				
1986 Series A LIMO Bonds	9.25%	2017	$2,413	100%
1987 Series A-3 Term Bonds	6.90%	1998	350	100%
1988 Series A Serial Bonds	7.10%	1999	260	100%
1988 Series A Serial Bonds	7.10%-7.25%	1999-2000	625	102%
1988 Series A Term Bonds	7.65%-8.10%	2008-2015	830	100%
1988 Series A Term Bonds	7.65%-8.10%	2008-2015	8,235	102%
1988 Series B Serial Bonds	7.30%	1999	170	100%
1988 Series B Serial Bonds	7.30%-7.40%	1999-2000	770	102%
1988 Series B Term Bonds	8.00%	2015	2,440	100%
1988 Series B Term Bonds	7.90%-8.00%	2006-2015	4,885	102%
1988 Series D-3 Term Bonds	7.60%-8.20%	2001-2022	12,015	100%
1988 Series D-4 Term Bonds	7.55%	2019	7,725	100%
1989 Series A-1 Term Bonds	7.63%	2024	5,365	100%
1989 Series A-2 Term Bonds	7.15%	2014	1,995	100%
1989 Series B-2 Term Bonds	7.60%	2022	140	100%
1990 Series A-4 Term Bonds	6.40%	2023	5,675	100%
1991 Series A Term Bonds	7.50%	2022	830	100%
1992 Series B-4 Term Bonds	6.90%	2026	370	100%
1993 Series A-1 Term Bonds	4.50%	2017	2,000	100%
1993 Series B-1 Term Bonds	5.80%	2024	230	100%
1994 Series B-2 Term Bonds	5.80%-5.85%	2024-2034	2,715	100%
1994 Series C-1 Term Bonds	5.90%	2015	3,925	100%
1994 Series C-2 Term Bonds	6.88%-7.00%	2023-2032	6,395	100%
1995 Series A-2 Term Bonds	6.65%	2025	275	100%
1995 Series B-2 Term Bonds	5.70%-6.35%	2025-2035	1,460	100%
1996 Series A-1 Term Bonds	6.50%	2026	400	100%

	Interest Rate(s)	Maturity/ Maturities	Amount Redeemed	Redemption Price
1996 Series B-2 Term Bonds	5.80%-6.45%	2019-2026	4,245	100%
1996 Series C Term Bonds	6.15%	2028	560	100%
1997 Series A-2 Term Bonds	5.38%	2019	500	100%
1997 Series D-1 Term Bonds	5.05%	2016	1,725	100%
			$79,523	
Mortgage Acquisition Program				
1991 Series 1 Term Bonds	7.10%-7.15%	2011-2021	$9,695	100%
Housing Finance Revenue Fund Group				
1992 Series I Serial Bonds	6.00%-6.30%	1999-2001	$2,405	100%

(12.) CONDUIT DEBT

In 1997, the Authority issued revenue bonds to make a loan to a developer to finance the acquisition and rehabilitation of a multi-family rental housing project and to pay costs of issuance of the bonds. An irrevocable direct-pay letter of credit held by the Trustee will pay the principal and interest due on the bonds. The provider of this letter of credit will be reimbursed solely from the revenues of the project and other assets of the mortgagee. Therefore, these bonds do not constitute a debt or liability of the Authority. Accordingly, the bonds and any related assets are not reported as liabilities or assets in the accompanying financial statements.

At December 31, 1998, one series in the amount of $24,000 was outstanding.

(13.) ADOPTION OF NEW ACCOUNTING STANDARD

Effective January 1, 1998, the Authority adopted Statement No. 31 of the Governmental Accounting Standards Board (GASB 31), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* GASB 31 requires investments held by governmental entities to be reported on the balance sheet at fair value, with changes in fair value being recognized in the statement of revenues, expenses and changes in fund balances.

In 1997, investments were recorded at amortized cost. As a result of the adoption of GASB 31, the financial statements as of and for the year ended December 31, 1997, have been restated as follows:

Balance Sheets as of December 31, 1997:	**As Previously Reported**	**Effect of Restatement**	**As Restated**
Mortgage Purchase Program:			
Investments	$257,051	$3,731	$260,782
Fund Balance	$123,301	$3,731	$127,032
Mortgage Acquisition Program:			
Investments	$10,798	$346	$11,144
Fund Balance	$10,938	$346	$11,284
Housing Finance Revenue Program:			
Investments	$18,476	$228	$18,704
Fund Balance	$2,820	$228	$3,048

Statements of Revenues, Expenses, and Changes in Fund Balances for the year ended December 31, 1997:	**As Previously Reported**	**Effect of Restatement**	**As Restated**
Mortgage Purchase Program:			
Excess of revenues before extraordinary item	$7,979	$1,524	$9,503
Mortgage Acquisition Program:			
Excess of revenues before extraordinary item	$1,330	$(1,352)	$(22)
Housing Finance Revenue Program:			
Excess of revenues before extraordinary item	$54	$205	$259

(14.) **SUBSEQUENT EVENTS**

On February 23, 1999, the Authority has issued $14,955 in 1999 Series A-1 and A-2 bonds as follows:

Mortgage Purchase Program	Interest Rate	Maturity/Maturities	Amount
1999 Series A-1 Term Bonds	5.05%-5.12%	2018-2025	$ 7,255
1999 Series A-2 Serial Bonds	4.05%-4.70%	2005-2012	2,595
1999 Series A-2 Term Bonds	5.25%	2032	5,105
			$14,955

The Authority has also sold, and on March 24, 1999 expects to issue, $80,000 of its 1999 Series B-1 and B-2 bonds as follows:

Mortgage Purchase Program	Interest Rate	Maturity/Maturities	Amount
1999 Series B-1 Term Bonds	5.00%	2012-2014	$ 7,000
1999 Series B-2 Serial Bonds	4.15%-4.80%	2004-2010	14,430
1999 Series B-2 Term Bonds	4.70%-5.30%	2014-2032	58,570
			$80,000

Finally, the Authority will also redeem on March 31, 1999, at a premium, $3,745 of its Mortgage Purchase Program Bonds as follows:

Mortgage Purchase Program	Interest Rate	Maturity/Maturities	Amount	Redemption Price
1988 Series C Term Bonds	8.20%-8.30%	2008-2020	$3,745	102%

(15.) **YEAR 2000 ISSUE (Unaudited)**

The Authority is currently addressing the Year 2000 (Y2K) issue. The Y2K issue arises because some computer systems were originally programmed using two digits rather than four digits to identify the applicable year. Unless corrected, in the year 2000 such computer systems could interpret the year as 1900 rather than 2000. Y2K affects both computer hardware and software and could impact upon both the ability to enter data into computer systems and the ability of such systems to correctly process data. Y2K affects computer applications of the Authority and those of the Authority's vendors, servicers, mortgagors, issuers, investment providers and bond trustees.

The Authority has developed a comprehensive plan to address the Y2K issue. This plan consists of three phases which are briefly described below.

Awareness Phase - Involves defining the Y2K issue and developing an overall strategy, and the necessary resources, to perform compliance work. This phase has been completed.

Assessment Phase - Consists of assessing the size and complexity of the problems and detailing the magnitude of the efforts necessary to address the Y2K issue. The Authority has prepared an inventory of all its significant hardware and software and an assessment has been made to determine the potential Y2K impact on each system. This phase has been completed.

Validation and Remediation Phase - Involves testing all significant systems (financial and communications) and modifying or replacing all necessary hardware and software to be Y2K compliant. This phase is approximately 85% complete at December 31, 1998.

The Authority has relationships with vendors, servicers, customers and other third parties who rely on computer hardware and software. The Authority has solicited information regarding the status of Y2K assessment and the testing and remediation of computer systems of certain third parties whose Y2K compliance could affect the Authority. With respect to such third parties, Y2K compliance matters will not be within the Authority's direct control. There can be no such assurance that Y2K compliance failures by such third parties will not have a material adverse affect on the Authority's operations or financial condition.

The Authority is not presently aware of any costs to achieve Y2K compliance that will have a material negative impact on the Authority's operations or financial condition. However, because of the unprecedented nature of the Y2K issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Authority is or will be Y2K ready or that the Authority's remeditation efforts will be successful in whole or in part.