

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

SIX MONTHS ENDED DECEMBER 31, 2010

(UNAUDITED)

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Management's Discussion and Analysis

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

This section of Rhode Island Housing's financial report presents Rhode Island Housing's management's discussion and analysis of the Corporation's financial position and performance as of and for the six months ended December 31, 2010 in relation to December 31, 2009 and the six months then ended. This discussion and analysis is intended to serve as an introduction to the Corporation's basic interim financial statements. The Corporation's basic interim financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Financial Highlights

The financial highlights of the Corporation as of and for the six months ended December 31, 2010, in relation to December 31, 2009 and the six months then ended, are as follows:

- Loans receivable had a minimal increase
- Investments increased \$52.4 million (23.9%)
- Cash and cash equivalents decreased \$74.7 million (-20.8%)
- Total assets decreased \$5.3 million (-.2%)
- Bonds and notes payable decreased \$68.3 million (-3.8%)
- Total fund equity increased \$10 million (3.6%)
- Total revenues decreased \$1.2 million (-2.3%)
- Total expenses decreased \$1.6 million (-3.1%)

Overview of the Financial Statements

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

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

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

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

Operating Activity of the Corporation

The following table summarizes the changes in operating income, before the adjustment required to record investments at fair value as required by Governmental Accounting Standards Board (GASB) Statement No. 31, for the six months ended December 31, 2010 (2011) and the six months ended December 31, 2009 (2010) (in thousands):

	<u>2011</u>	<u>2010</u>	<u>% Change</u>
Revenues:			
Interest income on loans	\$41,836	\$43,900	(4.7)
Interest on investments	4,406	3,474	26.8
Other	<u>5,578</u>	<u>5,780</u>	<u>(3.5)</u>
Total revenues	<u>\$51,819</u>	<u>\$53,154</u>	<u>(2.5)</u>
Expenses:			
Interest expense	\$32,697	\$33,369	(2.0)
Provision for loan losses	1,241	2,064	(39.9)
Amortization of deferred bond issuance costs	335	333	0.7
Early retirement of debt	471	59	697.7
Operating expenses	10,069	9,921	1.5
Other	<u>4,719</u>	<u>5,397</u>	<u>(12.6)</u>
Total expenses	<u>\$49,532</u>	<u>\$51,143</u>	<u>(3.1)</u>
Operating income, before adjusting investments to fair value	<u>\$ 2,287</u>	<u>\$ 2,011</u>	<u>13.7</u>

Operating income, after adjusting investments to fair value, increased from \$2.4 million to \$2.8 million from 2010 to 2011. GASB Statement No. 31, which requires investments to be recorded at fair value, caused an increase in operating income of \$510 thousand in 2011, compared to an increase of \$380 thousand in 2010. Operating income, excluding the unrealized gains and losses on investments, increased 13.7% from \$2.0 million in 2010 to \$2.3 million in 2011.

Net interest income (interest on loans and investments less interest expense) is the largest component of the Corporation's operating income. Net interest income decreased 3.3% from \$14.0 million in 2010 to \$13.5 million in 2011. Interest income on loans and investments decreased 2.4% from \$47.4 million in 2010 to \$46.2 million in 2011. Net interest income as a percentage of average bonds payable decreased from 1.66% in 2010 to 1.57% in 2011, on an annualized basis. Interest income on loans decreased from 5.11% in 2010 to 4.88% in 2011, while interest expense on bonds decreased from 3.96% in 2010 to 3.79% in 2011. This resulted in a net decrease in the spread margin (i.e., differential between loans and bonds) from 1.15% in 2010 to 1.09% in 2011.

Operating expenses associated with the operation of the Corporation (personnel services, other administrative expenses, and depreciation and amortization of other assets) amounted to \$10.1 million in 2011, an increase of 1.5% from \$10.0 million in 2010.

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

Because loans are assigned and pledged to the bond resolution that originally funded them, loans are not charged off until they are foreclosed and the property underlying the mortgage is sold. The reserve for loan losses provides the offset for such losses if they occur.

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

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

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

Financial Analysis of the Corporation

The following table summarizes certain financial information regarding the Corporation's financial position as of December 31, 2010 and December 31, 2009 (in millions):

	<u>2011</u>	<u>2010</u>	<u>% Change</u>
Loans receivable	1,727.79	1,727.71	0.0
Investments	271.33	218.97	23.9
Cash and cash equivalents	284.92	359.66	(20.8)
Other assets	26.74	9.72	175.1
Total assets	2,310.78	2,316.06	(0.2)
Bonds and notes payable	1,719.13	1,787.39	(3.8)
Total liabilities	2,022.34	2,037.65	(0.8)
Fund equity:			
Invested in capital assets	9.40	9.09	3.5
Restricted	235.33	224.98	4.6
Unrestricted	43.70	44.33	(1.4)

Total assets of the Corporation decreased .2% from the prior year to \$2.3 billion as of December 31, 2010. Total loans receivable had a minimal increase from the previous year to \$1.7 billion on December 31, 2010. Bonds and notes payable totaled \$1.7 billion on December 31, 2010, a decrease of \$68.3 million, or 3.8%, from December 31, 2009. For the six months ended December 31, 2010, \$50 million of bonds were issued to fund single-family loans and \$83.5 million of bonds were issued to fund multi-family loans. During the same period, \$24.8 million of single family bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments to be used for such purpose.

The equity-to-asset ratio was 12.5% and 12.0%, and the loan-to-asset ratio was 74.8% and 74.6% as of December 31, 2010 and 2009, respectively. These figures reflect the application of GASB Statement No. 31.

The Corporation's loan portfolio is primarily composed of single-family mortgage loans. As of December 31, 2010, single-family residential mortgages in bond resolutions totaled \$1.1 billion and multi-family loans in bond resolutions totaled \$378.8 million.

The Corporation invests funds according to an investment policy, the primary goal of which is the preservation of capital and the minimization of risk. Other investment policy objectives include liquidity and maximization of yield. Under its current investment policy, the Corporation invests substantially all

funds in United States Government and Agency securities rated 'AAA' or in guaranteed investment contracts with providers rated 'AA' or better.

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

External Influences

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

Requests for Information

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

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Balance Sheet
December 31, 2010
(Unaudited)

	Operating Fund	Single-Family Fund	Multi-Family Fund	Total
Assets				
Loans receivable	\$ 250,616,893	\$ 1,098,372,873	\$ 378,800,127	\$ 1,727,789,893
Less: allowance for loan losses	(32,933,849)	(3,739,368)		(36,673,217)
Loans receivable, net	<u>217,683,044</u>	<u>1,094,633,505</u>	<u>378,800,127</u>	<u>1,691,116,676</u>
Investments	108,793,763	110,182,778	52,352,797	271,329,338
Accrued interest-loans	526,865	3,847,095	1,664,201	6,038,161
Accrued interest-investments	48,841	615,625	265,223	929,689
Cash and cash equivalents	61,433,790	152,662,905	70,825,353	284,922,048
Accounts receivable	10,376,479			10,376,479
Deferred bond issuance costs, net	56,533	9,387,224	219,734	9,663,491
Other assets, net	19,056,718	17,347,826		36,404,544
Interfund receivable (payable)	(312,604)	(98,090)	410,694	-
Total assets	<u>\$ 417,663,429</u>	<u>\$ 1,388,578,868</u>	<u>\$ 504,538,129</u>	<u>\$ 2,310,780,426</u>
Liabilities and Fund Equity				
Bonds and notes payable	\$ 71,636,088	\$ 1,221,076,527	\$ 426,418,881	\$ 1,719,131,496
Accrued interest payable on bonds and notes	104,557	12,794,148	3,157,516	16,056,221
Accounts payable and accrued liabilities	5,772,999	956,208	3,059,376	9,788,583
Deferred fees	6,147,661	363,729		6,511,390
Escrow deposits	269,339,891	1,135	1,514,211	270,855,237
Total liabilities	<u>353,001,196</u>	<u>1,235,191,747</u>	<u>434,149,984</u>	<u>2,022,342,927</u>
Commitments and contingencies				
Fund equity:				
Invested in capital assets	9,404,205			9,404,205
Restricted	11,555,598	153,387,121	70,388,145	235,330,864
Unrestricted	43,702,430			43,702,430
Total fund equity	<u>64,662,233</u>	<u>153,387,121</u>	<u>70,388,145</u>	<u>288,437,499</u>
Total liabilities and fund equity	<u>\$ 417,663,429</u>	<u>\$ 1,388,578,868</u>	<u>\$ 504,538,129</u>	<u>\$ 2,310,780,426</u>

See accompanying notes.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statement of Revenues, Expenses and Changes in Fund Equity
For the six months ended December 31, 2010
(Unaudited)

	Operating Fund	Single-Family Fund	Multi-Family Fund	Total
Operating revenues:				
Interest income on loans	\$ 3,057,199	\$ 27,896,195	\$ 9,424,421	\$ 40,377,815
Interest income attributable to internal servicing activities	1,458,067			1,458,067
Total interest income on loans	<u>4,515,266</u>	<u>27,896,195</u>	<u>9,424,421</u>	<u>41,835,882</u>
Income on investments:				
Interest on investments	401,220	2,563,131	1,441,206	4,405,557
Net increase (decrease) in fair value of investments	89,460	693,603	(273,430)	509,633
Fees	5,105,143			5,105,143
Servicing fee income	472,645			472,645
Miscellaneous income				-
Total operating revenues	<u>10,583,734</u>	<u>31,152,929</u>	<u>10,592,197</u>	<u>52,328,860</u>
Operating expenses:				
Interest expense	701,661	25,801,537	6,193,905	32,697,103
Personnel services	6,914,698			6,914,698
Other administrative expenses	2,083,424	42,060	101,446	2,226,930
Housing initiatives	2,580,392	13,209		2,593,601
Provision for loan losses	240,766	1,000,002		1,240,768
Arbitrage rebate		123,672	753,360	877,032
Amortization of deferred bond issuance costs	11,246	312,205	12,045	335,496
Early retirement of debt		265,938	204,718	470,656
Depreciation and amortization of other assets	647,508	280,361		927,869
State Rental Subsidy Program	1,248,200			1,248,200
Total operating expenses	<u>14,427,895</u>	<u>27,838,984</u>	<u>7,265,474</u>	<u>49,532,353</u>
Operating income (loss)	(3,844,161)	3,313,945	3,326,723	2,796,507
Transfers in (out) of fund equity	<u>9,700,658</u>	<u>(2,650,939)</u>	<u>(7,049,719)</u>	<u>-</u>
Change in fund equity	5,856,497	663,006	(3,722,996)	2,796,507
Fund equity, beginning of period	<u>58,805,736</u>	<u>152,724,115</u>	<u>74,111,141</u>	<u>285,640,992</u>
Fund equity, end of period	<u>\$ 64,662,233</u>	<u>\$ 153,387,121</u>	<u>\$ 70,388,145</u>	<u>\$ 288,437,499</u>

See accompanying notes.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statement of Cash Flows
For the six months ended December 31, 2010
(Unaudited)

	Operating Fund	Single-Family Fund	Multi-Family Fund	Total
Cash flows from operating activities:				
Interest on loans receivable	\$ 4,573,671	\$ 28,095,501	\$ 9,358,566	\$ 42,027,738
Repayment of loans receivable	68,369,958	52,109,398	27,324,012	147,803,368
Fees collected	5,883,884	(29,116)	(66,750)	5,788,018
Other receipts (disbursements), net	33,246,728	833	196,882	33,444,443
Loans disbursed	(70,631,568)	(8,799,163)	(83,180,185)	(162,610,916)
Accounts receivable, net	(2,016,014)			(2,016,014)
Loss on loans receivable	(412,860)	(1,096,066)		(1,508,926)
Bond issuance costs	7,196	(236,180)		(228,984)
Personnel services	(6,914,698)			(6,914,698)
Other administrative expenses	(2,083,424)	(42,060)	(101,446)	(2,226,930)
Housing initiative expenses	(2,580,392)	(13,210)		(2,593,602)
Other assets	(706,311)	(4,857,192)		(5,563,503)
Arbitrage rebate		(123,672)	(753,360)	(877,032)
Accounts payable and accrued liabilities	152,485	(117,612)	477,783	512,656
State Rental Subsidy Program	(1,248,200)			(1,248,200)
Transfers from (to) other programs	(1,891,263)	(2,602,310)	4,493,573	-
Net cash provided by (used for) operating activities	<u>23,749,192</u>	<u>62,289,151</u>	<u>(42,250,925)</u>	<u>43,787,418</u>
Cash flows from noncapital financing activities:				
Proceeds from sale of bonds and notes	153,600,000	50,000,476	83,551,266	287,151,742
Payment of bond and note principal	(163,011,734)	(66,125,902)	(56,251,485)	(285,389,121)
Interest paid on bonds and notes	(701,737)	(26,083,683)	(6,132,845)	(32,918,265)
Net cash provided by (used for) noncapital financing activities	<u>(10,113,471)</u>	<u>(42,209,109)</u>	<u>21,166,936</u>	<u>(31,155,644)</u>
Cash flows from investing activities:				
Redemption of investments	5,629,721	14,080,572	636,337	20,346,630
Income on investments	400,849	2,557,707	1,437,529	4,396,085
Purchase of investments	(7,332,170)	(32,448,151)	(1,223,428)	(41,003,749)
Net cash provided by (used for) investing activities	<u>(1,301,600)</u>	<u>(15,809,872)</u>	<u>850,438</u>	<u>(16,261,034)</u>
Net increase (decrease) in cash and cash equivalents	12,334,121	4,270,170	(20,233,551)	(3,629,260)
Cash and cash equivalents at beginning of period	<u>49,099,669</u>	<u>148,392,735</u>	<u>91,058,904</u>	<u>288,551,308</u>
Cash and cash equivalents at end of period	<u>\$ 61,433,790</u>	<u>\$ 152,662,905</u>	<u>\$ 70,825,353</u>	<u>\$ 284,922,048</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statement of Cash Flows
For the six months ended December 31, 2010
(Unaudited)

	Operating Fund	Single-Family Fund	Multi-Family Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (3,844,161)	\$ 3,313,945	\$ 3,326,723	\$ 2,796,507
Adjustments:				
Income on investments	(400,849)	(2,557,707)	(1,437,529)	(4,396,085)
Net (increase) decrease in fair value of investments	(89,461)	(693,603)	273,429	(509,635)
Interest paid on bonds and notes	701,737	26,083,683	6,132,845	32,918,265
Transfer of investments and/or fund balances	9,700,658	(2,650,939)	(7,049,719)	-
Change in assets and liabilities:				
(Increase) decrease in Loans receivable/Loss allowance	(2,433,704)	43,214,171	(55,856,172)	(15,075,705)
(Increase) decrease in Accrued Interest-Loans	58,405	199,306	(65,855)	191,856
(Increase) decrease in Accrued Interest-Investments	(371)	(5,424)	(3,677)	(9,472)
(Increase) decrease in Accounts Receivable	(2,016,014)			(2,016,014)
(Increase) decrease in Deferred Bond Issuance Costs	18,443	341,963	216,763	577,169
(Increase) decrease in Other Assets	(58,803)	(4,576,831)		(4,635,634)
(Increase) decrease in Interfund receivable (payable)	(11,591,921)	48,629	11,543,292	-
(Increase) decrease in Accrued Interest-Bonds/Notes	(76)	(282,147)	61,060	(221,163)
Increase (decrease) in Accounts Payable/Accrued Liabilities	152,484	(117,612)	477,783	512,655
Increase (decrease) in Deferred Fees	306,097	(29,116)	(66,750)	210,231
Increase (decrease) in Escrow Deposits	33,246,728	833	196,882	33,444,443
Total adjustments	<u>27,593,353</u>	<u>58,975,206</u>	<u>(45,577,648)</u>	<u>40,990,911</u>
Net cash provided by (used for) operating activities	<u>\$ 23,749,192</u>	<u>\$ 62,289,151</u>	<u>\$ (42,250,925)</u>	<u>\$ 43,787,418</u>

See accompanying notes.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statement of Fiduciary Net Assets - Private Purpose Trust Component Unit
December 31, 2010
(Unaudited)

	<u>Affordability Housing Trust</u>
<u>Assets</u>	
Loans receivable	\$ 40,196,303
Less: allowance for loan losses	<u>(1,320,729)</u>
Loans receivable, net	38,875,574
Investments	441,521
Accrued interest-loans	88,841
Accrued interest-investments	1,717
Cash and cash equivalents	22,815,444
Accounts receivable	190,478
Other assets, net	<u>3,618,738</u>
Total assets	<u>66,032,313</u>

<u>Liabilities</u>	
Accounts payable and accrued liabilities	
Deferred fees	2,012,780
Escrow deposits	
Total liabilities	<u>2,012,780</u>

Commitments and contingencies

<u>Net assets</u>	
Held in trust	\$ <u>64,019,533</u>

See accompanying notes.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Component Unit
For the six months ended December 31, 2010
(Unaudited)

	Affordability Housing Trust
Additions:	
Interest income on loans	\$ 901,084
Income on investments:	
Interest on investments	8,120
Net decrease in fair value of investments	1,304
Miscellaneous Income	509,885
Fees	
Total additions	<u>1,420,393</u>
Deductions:	
Other administrative expenses	
Provision for loan losses	<u>-</u>
Total deductions	<u>-</u>
Change in net assets	1,420,393
Net assets - beginning of period	<u>62,599,140</u>
Net assets - end of period	<u>\$ 64,019,533</u>

See accompanying notes.

Rhode Island Housing and Mortgage Finance Corporation

(A Component Unit of the State of Rhode Island)

Notes to Financial Statements

For the six months ended December 31, 2010

(Unaudited)

1. Organization and Summary of Significant Accounting Policies

a. Organization and Description of Financial Reporting Entity

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

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

The Corporation is exempt from federal and state income taxes.

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

b. Affordability Housing Trust

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

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

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

The Corporation classifies its business-type activities into funds, reported as separate columns within the enterprise fund financial statements, each representing a fiscal and accounting entity with a self-balancing set of accounts segregated to carry on specific activities in accordance with bond resolutions established under various trust indentures, special regulations, restrictions, or limitations. Substantially all interfund activity has been removed from the totals column in the accompanying financial statements.

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

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

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

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

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

d. Investments

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

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

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

e. Fees Earned

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

f. Amortization of Bond Premiums and Discounts

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

g. Bond Issuance Costs

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

h. Employee Benefit Plan

The Corporation has adopted an employee retirement plan created in accordance with Internal Revenue Code Section 401(a). The Corporation's 401(a) Money Purchase Pension Plan (the Plan) is a defined contribution plan, administered by ICMA Retirement Corporation. Regular full-time employees who meet certain requirements as to length of service are eligible. The Corporation contributes a set percentage of an employee's annual eligible compensation to the Plan. Contributions to the Plan for the six months ended December 31, 2010 totaled \$467,230. The assets of the Plan were placed under a separate trust agreement for the benefit of the applicable employees, and therefore are neither an asset nor a liability of the Corporation.

i. Postemployment Healthcare Plan

The Rhode Island Housing Retiree Healthcare Plan (RIHRHP) is a single-employer defined benefit healthcare plan administered by the Corporation. RIHRHP provides medical insurance benefits to eligible employees who retire from active full-time employment based on years of service and age. As of December 31, 2010, the plan included 10 retirees, 8 of which are receiving benefits, and 191 active employees. RIHRHP does not issue a stand-alone financial report.

The Corporation's contribution requirements and benefit provisions are established by and may be amended by management of the Corporation, along with the Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. For the six months ended December 31, 2010, the Corporation contributed \$6,610 to the plan for current premiums, and plan members receiving benefits contributed \$2,634 as their required contribution.

The Corporation's other postemployment benefit (OPEB) cost is calculated based on the pro-rated annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. The following table shows the components of the Corporation's OPEB cost, the amount actually contributed to the plan, and changes in the Corporation's net OPEB obligation to RIHRHP for the six months ended December 31, 2010:

Required contribution	\$ 144,358
Adjustment to required contribution	<u>5,492</u>
OPEB cost	149,850
Contributions made	<u>(6,610)</u>
Increase in net OPEB obligation	143,240
Net OPEB obligation, beginning of period	<u>2,429,247</u>
Net OPEB obligation, end of period	<u>\$2,572,487</u>

As of June 30, 2008, the most recent actuarial valuation date, the actuarial accrued liability was \$1,882,457 with no plan assets, resulting in a total unfunded actuarial liability of \$1,882,457 and a funding ratio of 0%.

The actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the ARC are subject to continual revision as actual results are compared with past expectations. The ARC was calculated based on the

projected unit credit, level percent of payroll actuarial cost method. The assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 4.5% after ten years.

j. Cash and Cash Equivalents

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

k. Loans Receivable and Allowance for Loan Losses

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

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

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

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

l. Early Retirement of Debt

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

m. Use of Estimates

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

n. Other Real Estate Owned

The Corporation states its other real estate owned acquired through or in lieu of foreclosure, at the lower of cost or fair value at the date of foreclosure. Fair value of such assets is determined based on independent appraisals and other relevant factors. Other real estate owned in the Single-Family Fund are at least partially insured or guaranteed by outside parties and it is anticipated that the Corporation will recover substantially all of the balance of these assets through such insurance and from proceeds from the sale of the underlying properties. The Corporation holds such properties for subsequent sale in a manner that will allow maximization of value. Other real estate owned is included in other assets in the accompanying balance sheets. Other real estate owned totaled \$16,837,765 at December 31, 2010.

o. Other Assets

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

p. Interest Income on Loans

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

2. Fund Equity

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

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

the Corporation's management and such amounts are not specifically required to be retained within the bond program. At December 31, 2010, restricted fund equity in the Operating Fund, comprised of the amount of loans, investments, and cash/cash equivalents required to be pledged as collateral to a lender in excess of outstanding amounts borrowed, totaled \$11,555,598.

3. Cash and Cash Equivalents and Investments

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

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

Principally all cash and cash equivalents are categorized as Category A in the Single-Family Fund and the Multi-Family Fund and as Category C in the Operating Fund.

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

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

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

All investments in the Operating Fund meet the Board-approved investment policy.

While each of the bond resolutions contains investment policies which describe acceptable investments, there are no specific policies for percentage maximum investments with respect to the Single-Family Fund, Multi-Family Fund, and the Trust (collectively referred to as the Other Funds). Nonetheless, Rhode Island Housing attempts to match asset and liability maturities as closely as practicable. The Corporation manages interest rate risk by considering

many variables, such as mortgage prepayment frequency and expected asset lives and then utilizing interest sensitivity gap (segmented time distribution) and simulation analysis. Although Rhode Island Housing generally limits maturities to less than five years in all funds, sometimes it is necessary to invest in longer term securities in revenue and debt service accounts to better match the long-term fixed rate bond liabilities.

Included in investments are mortgage-backed securities backed by government-insured single-family mortgage loans originated under Rhode Island Housing's program guidelines. These securities are pass-through securities which require monthly payments by an FHA-approved or Fannie Mae-approved lender and are guaranteed by the Government National Mortgage Association (GNMA). The securities are subject to interest rate risk due to prepayments before maturities and the fair value of the securities varies with changes in market interest rates. The Corporation does not expect to realize a loss on the sale of the securities as they are intended to be held to maturity. The securities are held by the Single-Family Fund and are carried at a fair value of \$89,723,442 at December 31, 2010.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The current Board-approved policy requires all investments in the Operating Fund to be rated at least Single A by a nationally recognized rating agency. Each of the bonded resolutions in the Single-Family Fund and Multi-Family Fund contains policies that generally require investments that do not impair the existing ratings on the related bonds. The Trust has no minimum rating requirements.

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

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

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

Custodial credit risk is the risk that, in the event of the failure of the counterparty, Rhode Island Housing will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The policy in the Operating Fund is that all purchases are held in a safekeeping or custodial account at an approved safekeeping agent of the Corporation in the Corporation's name.

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

As established in the Board-approved investment policy, the Corporation has the ability to enter into interest rate swap agreements and other similar interest rate related derivative

instruments to reduce interest rate mismatches between its loan and investment assets and its bond and note liabilities. These types of derivative instruments expose the Corporation to certain risks including credit risk, interest rate risk, and counterparty risk. At December 31, 2010, the Corporation was not party to any such derivative instruments and has no intention to enter into any such agreements in the near future.

4. Bonds and Notes Payable

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

The Corporation obtains principally first and second mortgage liens on real property financed. The Corporation assigns such liens to the respective bonds when the mortgage loans are permanently financed using bond proceeds. Bonds and notes are secured by related revenues and assets of the respective programs in which the related bonds and notes payable are reported.

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

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

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

Bonds and notes payable at December 31, 2010 are as follows:

Operating Fund Bonds and Notes:

Federal Home Loan Bank:	
Due 2010, interest from .34% to .36%	\$ 21,000,000
General Obligation Bonds Series 2008:	
Mandatory tender bonds, due 2013, interest at 4.625%	5,000,000
Notes Payable, due 2027 to 2030, interest from 5.275 to 5.70%	3,636,088
Lines of Credit, payable on demand interest from 1.21% to 2.030%	<u>42,000,000</u>
Total Operating Fund	<u>71,636,088</u>

**Single-Family Fund:
Homeownership Opportunity Bonds and Notes:**

Series 10-A: Term bonds, due 2022 to 2027, interest at 6.50%	2,000,000
Series 15-A: Term bonds, due 2024, interest at 6.85%	2,000,000
Series 25-A: Term bonds, due 2016, interest at 4.95%	2,965,000
Series 26-B: Term bonds, due 2026, interest at 5.40%	8,910,000
Series 27-B: Term bonds, due 2012, interest at 5.15%	1,210,000
Series 28-A: Serial bonds, due 2011 to 2012, interest from 4.80% to 4.90%	725,000
Term bonds, due 2018 to 2020, interest from 4.65% to 5.15%	<u>2,370,000</u>
	3,095,000
Series 29-A: Serial bonds, due 2011, interest at 4.75%	445,000
Term bonds, due 2015 to 2029, interest from 5.05% to 5.10%	<u>26,620,000</u>
	27,065,000
Series 30-B: Term bonds, due 2019, interest at 5.20%	3,230,000
Series 34-B: Term bonds, due 2020 to 2029, interest from 5.375% to 5.85%	2,075,000
Series 36-B: Term bonds, due 2019, interest at 4.65%	3,555,000
Series 37-B: Term bonds, due 2021, interest at 4.625%	2,085,000
Series 38-A: Term bonds, due 2027, interest at 5.50%	17,000,000
Series 39-A: Serial bonds, due 2013, interest at 4.50%	45,000
Series 39-B: Serial bonds, due 2012 to 2013, interest from 4.65% to 4.75%	1,655,000
Term bonds, due 2019 to 2022, interest from 4.50% to 5.25%	<u>15,325,000</u>
	16,980,000
Series 40-A: Serial bonds, due 2011 to 2016, interest from 3.70% to 4.50%	4,705,000
Term bonds, due 2022 to 2033, interest from 4.90% to 5.00%	<u>25,295,000</u>
	30,000,000

Series 41-A:	
Serial bonds, due 2012 to 2013, interest from 4.00% to 4.15%	1,065,000
Term bonds, due 2031, interest at 5.15%	<u>945,000</u>
	2,010,000
Series 41-B:	
Term bonds, due 2022, interest at 5.20%	7,155,000
Series 42-A:	
Serial bonds, due 2011 to 2013, interest from 3.40% to 3.65%	1,580,000
Term bonds, due 2017 to 2033, interest from 3.50% to 4.90%	<u>12,705,000</u>
	14,285,000
Series 43-A:	
Serial bonds, due 2011 to 2017, interest from 2.95% to 3.90%	3,885,000
Term bonds, due 2018 to 2033, interest from 3.25% to 4.375%	<u>7,665,000</u>
	11,550,000
Series 44-A:	
Serial bonds, due 2011 to 2013, interest from 3.65% to 4.00%	4,985,000
Term bonds, due 2017 to 2033, interest from 4.45% to 5.05%	<u>11,680,000</u>
	16,665,000
Series 45-A:	
Serial bonds, due 2011 to 2017, interest from 3.65% to 4.60%	9,550,000
Series 45-B:	
Term bonds, due 2020 to 2024, interest from 4.00% to 4.90%	18,560,000
Series 46-A:	
Serial bonds, due 2011 to 2014, interest from 3.25% to 3.85%	3,395,000
Term bonds, due 2019 to 2034, interest from 4.25% to 4.60%	<u>30,400,000</u>
	33,795,000
Series 46-T:	
Term bonds, due 2034, interest at variable rate	15,000,000
Series 47-A:	
Serial bonds, due 2011 to 2015, interest from 3.50% to 4.10%	4,220,000
Term bonds, due 2017, interest at 4.30%	<u>1,670,000</u>
	5,890,000
Series 47-B:	
Term bonds, due 2025 to 2033, interest from 5.00% to 5.15%	30,035,000
Series 48-A:	
Serial bonds, due 2011 to 2017, interest from 3.25% to 4.10%	6,100,000
Series 48-B:	
Term bonds, due 2025 to 2035, interest from 4.70% to 4.85%	19,820,000
Series 48-T:	
Term bonds, due 2034, interest at variable rate	15,000,000

Series 49-A:	
Serial bonds, due 2012 to 2015, interest from 3.55% to 4.10%	6,310,000
Term bonds, due 2017 to 2034, interest from 4.20% to 4.75%	<u>4,105,000</u>
	10,415,000
Series 49-B:	
Serial bonds, due 2011 to 2012, interest from 3.90% to 4.10%	2,510,000
Term bonds, due 2020 to 2035, interest from 4.40% to 4.80%	<u>29,085,000</u>
	31,595,000
Series 50-A:	
Serial bonds, due 2011 to 2014, interest from 3.50% to 3.85%	12,345,000
Term bonds, due 2017 to 2034, interest from 4.00% to 4.65%	<u>17,270,000</u>
	29,615,000
Series 50-B:	
Term bonds, due 2035, interest at 4.60%	38,365,000
Series 51-A:	
Serial bonds, due 2011 to 2017, interest from 3.60% to 4.125%	12,450,000
Term bonds, due 2026 to 2033, interest from 4.65% to 4.85%	<u>29,215,000</u>
	41,665,000
Series 51-B:	
Term bonds, due 2036, interest at 5.00%	5,060,000
Series 52-A:	
Serial bonds, due 2011 to 2018, interest from 3.80% to 4.30%	9,595,000
Term bonds, due 2021 to 2033, interest from 4.50% to 4.80%	<u>11,740,000</u>
	21,335,000
Series 52-B:	
Term bonds, due 2028 to 2036, interest from 4.90% to 5.00%	24,415,000
Series 53-A:	
Serial bonds, due 2011 to 2017, interest from 3.60% to 4.05%	16,865,000
Term bonds, due 2034, interest at 4.60%	<u>3,150,000</u>
	20,015,000
Series 53-B:	
Term bonds, due 2021 to 2046, interest from 4.70% to 5.00%	42,075,000
Series 54:	
Term bonds, due 2026 to 2046, interest from 4.65% to 4.90%	60,675,000
Series 55-A:	
Serial bonds, due 2013 to 2017, interest from 3.70% to 3.95%	8,345,000
Term bonds, due 2034, interest at 4.50%	<u>2,280,000</u>
	10,625,000
Series 55-B:	
Serial bonds, due 2011 to 2017, interest from 4.05% to 4.375%	4,265,000
Term bonds, due 2022 to 2047, interest from 4.55% to 4.85%	<u>59,945,000</u>
	64,210,000
Series 56-A:	
Serial bonds, due 2011 to 2015, interest from 4.30% to 4.65%	3,630,000
Term bonds, due 2017 to 2047, interest from 4.75% to 5.20%	<u>59,305,000</u>
	62,935,000

Series 56-B1-T: Term bonds, due 2047, interest at 6.074%	6,420,000
Series 56-B2-T: Serial bonds, due 2011 to 2014, interest at 5.67%	1,760,000
Series 57-A: Serial bonds, due 2011 to 2017, interest from 3.80% to 4.25% Term bonds, due 2034, interest at 5.00%	10,150,000 <u>475,000</u> 10,625,000
Series 57-B: Term bonds, due 2022 to 2047, interest from 5.15% to 5.45%	56,135,000
Series 58-A: Term bonds, due 2023 to 2047, interest from 5.05% to 5.40%	58,540,000
Series 58-T: Term bonds, due 2013 to 2017, interest from 4.98% to 5.51%	8,150,000
Series 59-A: Serial bonds, due 2011 to 2017, interest from 2.875% to 4.125% Term bonds, due 2034, interest at 5.15%	16,370,000 <u>3,215,000</u> 19,585,000
Series 59-B: Term bonds, due 2022 to 2028, interest from 5.45% to 5.70%	22,620,000
Series 59-C: Demand bonds, due 2047, interest at variable rate	25,000,000
Series 60-A1: Serial bonds, due 2011 to 2017, interest from 3.15% to 4.30% Term bonds, due 2034, interest at 5.375%	11,010,000 <u>3,080,000</u> 14,090,000
Series 60-A2: Term bonds, due 2036 to 2038, interest from 5.50% to 5.625%	27,125,000
Series 60-B: Serial bonds, due 2017 to 2018, interest from 5.00% to 5.15%	1,840,000
Unamortized bond premium	<u>1,298,016</u>
Subtotal	<u>1,043,818,016</u>
Home Funding Bonds and Notes:	
Series 1-A: Serial bonds, due 2011 to 2021, interest from .90% to 4.125% Term bonds, due 2024 to 2027, interest from 4.25% to 4.625%	16,470,000 <u>12,905,000</u> 29,375,000
Series 1-B: Term bonds, due 2039, interest at 3.96%	44,900,000

Series 2:	
Term bonds, due 2041, interest at variable rate	53,000,000
Series 2A & 3:	
Serial bonds, due 2011 to 2020, interest from .45% to 3.20%	9,485,000
Term bonds, due 2025 to 2041, interest from .75% to 4.10%	<u>40,515,000</u>
	50,000,000
Unamortized bond discount	<u>(16,489)</u>
Subtotal	<u>177,258,511</u>
 Total Single-Family Fund	 <u>1,221,076,527</u>
 Multi-Family Fund:	
Multi-Family Housing Bonds:	
1995 Series A:	
Term bonds, due 2017, interest at 6.15%	840,000
1998 Series A:	
Serial bonds, due 2011 to 2012, interest from 5.05% to 5.10%	175,000
Term bonds, due 2018 to 2033, interest from 5.375% to 5.50%	<u>3,550,000</u>
	<u>3,725,000</u>
Subtotal	<u>4,565,000</u>
 Housing Bonds:	
2001 Series A:	
Serial bonds, due 2011 to 2013, interest from 5.00% to 5.15%	670,000
Term bonds, due 2015, interest at 5.30%	<u>1,490,000</u>
	2,160,000
2001 Series B-1B:	
Serial bonds, due 2011 to 2013, interest from 4.30% to 4.55%	3,250,000
Term bonds, due 2022 to 2031, interest from 5.15% to 5.25%	<u>14,155,000</u>
	17,405,000
2001 Series B-2T:	
Term bonds, due 2031, interest at variable rate	3,790,000
2002 Series A:	
Serial bonds, due 2011 to 2012, interest from 4.35% to 4.55%	335,000
Term bonds, due 2016 to 2032, interest from 5.00% to 5.55%	<u>8,620,000</u>
	8,955,000
2003 Series A-1:	
Serial bonds, due 2011 to 2013, interest from 3.875% to 4.10%	255,000
Term bonds, due 2018 to 2035, interest from 4.625% to 4.95%	<u>7,455,000</u>
	7,710,000
2003 Series A-2T:	
Term bonds, due 2034, interest at variable rate	21,745,000
2003 Series B-1A:	
Serial bonds, due 2011 to 2016, interest from 4.35% to 4.90%	2,230,000
Term bonds, due 2024 to 2034, interest from 5.375% to 5.50%	<u>9,100,000</u>
	11,330,000

2003 Series B-1B:	
Serial bonds, due 2011, interest at 4.35%	90,000
Term bonds, due 2024 to 2034, interest from 5.375% to 5.55%	<u>2,700,000</u>
	2,790,000
2003 Series B-2T:	
Term bonds, due 2035, interest at variable rate	9,050,000
2003 Series C-1A:	
Serial bonds, due 2011 to 2014, interest from 3.65% to 4.10%	1,245,000
Term bonds, due 2023 to 2034, interest from 4.85% to 5.00%	<u>15,695,000</u>
	16,940,000
2003 Series C-1B:	
Serial bonds, due 2011 to 2014, interest from 3.65% to 4.10%	110,000
Term bonds, due 2023 to 2035, interest from 4.85% to 5.00%	<u>1,370,000</u>
	1,480,000
2004 Series A-1A:	
Serial bonds, due 2011 to 2016, interest from 3.85% to 4.50%	995,000
Term bonds, due 2025 to 2033, interest from 5.00% to 5.10%	<u>6,335,000</u>
	7,330,000
2004 Series A-1B:	
Term bonds, due 2016 to 2045, interest from 4.50% to 5.35%	3,180,000
2004 Series A-2T:	
Term bonds, due 2025, interest at 6.10%	3,595,000
2004 Series B-1A:	
Serial bonds, due 2011 to 2015, interest from 3.20% to 3.70%	65,000
Term bonds, due 2025 to 2045, interest from 4.55% to 4.85%	<u>1,890,000</u>
	1,955,000
2004 Series B-1B-1:	
Serial bonds, due 2011 to 2015, interest from 3.60% to 4.10%	620,000
Term bonds, due 2045, interest at 4.90%	<u>12,875,000</u>
	13,495,000
2004 Series B-1B-2:	
Serial bonds, due 2011 to 2015, interest from 3.60% to 4.10%	120,000
Term bonds, due 2025 to 2035, interest from 4.65% to 4.90%	<u>860,000</u>
	980,000
2004 Series B-2T:	
Term bonds, due 2011 to 2045, interest from 4.85% to 5.77%	8,890,000
2005 Series A-1A:	
Serial bonds, due 2011 to 2015, interest from 3.90% to 4.25%	1,930,000
Term bonds, due 2025 to 2035, interest from 4.75% to 4.875%	<u>17,230,000</u>
	19,160,000
2005 Series A-1B:	
Term bonds, due 2035, interest at 4.90%	270,000
2005 Series A-2T:	
Term bonds, due 2015 to 2035, interest from 5.14% to 5.76%	7,430,000

2006 Series A-1:	
Serial bonds, due 2011 to 2016, interest from 3.80% to 4.05%	1,510,000
Term bonds, due 2022 to 2043, interest from 4.50% to 4.75%	<u>19,680,000</u>
	21,190,000
2006 Series A-2T:	
Term bonds, due 2048, interest at 5.88%	4,415,000
2007 Series A-1:	
Serial bonds, due 2011 to 2017, interest from 3.90% to 4.35%	2,070,000
Term bonds, due 2027 to 2048, interest from 4.80% to 5.00%	<u>29,680,000</u>
	31,750,000
2007 Series A-2T:	
Term bonds, due 2027, interest at 5.608%	4,480,000
2007 Series B-1A/B:	
Serial bonds, due 2011 to 2017, interest from 3.90% to 4.50%	1,550,000
Term bonds, due 2022 to 2049, interest from 5.00% to 5.50%	<u>24,405,000</u>
	25,955,000
Unamortized bond premium	<u>88,881</u>
Subtotal	<u>257,518,881</u>
Multi-Family Funding Bonds:	
2009 Series A:	
Escrow bonds, due 2041, interest at variable rate	14,100,000
2009 Series A-1 & 2010A	
Serial bonds, due 2011 to 2021, interest from .50% to 4.00%	5,760,000
Term bonds, due 2025 to 2051, interest from 3.01% to 5.25%	<u>66,550,000</u>
	<u>72,310,000</u>
Subtotal	<u>86,410,000</u>
Multi-Family Development Bonds:	
2010 Series 1:	
Serial bonds, due 2011 to 2021, interest from .50% to 4.25%	2,950,000
Term bonds, due 2025 to 2051, interest from 4.75% to 5.875%	<u>8,285,000</u>
	<u>11,235,000</u>
Multi-Family Mortgage Revenue Bonds:	
1998 Series A:	
Term bonds, due 2028, interest at variable rate	2,040,000
Series 2006 (University Heights Project):	
Term bonds, due 2039, interest at variable rate	26,700,000
Series 2006 (Sutterfield Project):	
Term bonds, due 2039, interest at variable rate	7,000,000
Series 2006 (The Groves):	
Term bonds, due 2040, interest at variable rate	<u>30,950,000</u>
Subtotal	<u>66,690,000</u>

TOTAL BONDS AND NOTES PAYABLE\$1,719,131,496

Notes payable principally consist of the Operating Fund's lines of credit which were established with financial institutions primarily to make funds available for the origination, or purchase from participating originating lenders, of single-family loans prior to the time such loans are funded by bond proceeds received by the issuance of bonds under the Single-Family Fund. At December 31, 2010, the Corporation may borrow up to a maximum of \$40,000,000 under one revolving loan agreement expiring November 2011, up to a maximum of \$19,500,000 under another revolving loan agreement expiring May 2011, and up to a maximum of \$15,000,000 under a third revolving loan agreement expiring January 2012. Borrowings under the lines of credit are payable on demand and unsecured.

5. Commitments and Contingencies

The Corporation is a party to financial instruments with off-balance-sheet risk in connection with its commitments to provide financing. Such commitments expose the Corporation to credit risk in excess of the amounts recognized in the accompanying balance sheet. The Corporation's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of such instruments. The Corporation uses the same credit policies in making commitments as it does for on-balance-sheet instruments. Total credit exposure as a result of loan commitments at December 31, 2010 is as follows:

Fund	Commitments
Operating Fund	\$41,013,443
Single-Family Fund	\$3,604,185
Multi-Family Fund	\$1,119,338

Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. The Corporation evaluates each borrower's credit worthiness on a case-by-case basis. Interest rates on approved loan commitments are principally fixed rates.

The Corporation is party to a standby letter of credit agreement whereby the Corporation guarantees payment of principal and interest to bondholders in the event of nonperformance by the borrower. The Corporation's exposure to credit loss is represented by the contractual amount of the letter of credit, up to a maximum of \$2,067,666 at December 31, 2010. The Corporation also entered into a confirming letter of credit agreement with a financial institution whereby the financial institution guarantees payment of principal and interest to bondholders in the event of nonperformance by both the borrower and the Corporation. The Corporation holds a marketable security as collateral to support this confirming letter of credit with a fair value of \$2,583,526 at December 31, 2010.

The Corporation is party to certain claims and lawsuits which are being contested, certain of which Rhode Island Housing and respective legal counsel are unable to determine the likelihood of an unfavorable outcome or the amount or range of potential loss. In the opinion of management, the ultimate liability with respect to these actions and claims will not have a material adverse effect on either the financial position or the results of operations of Rhode Island Housing.

Rhode Island Housing is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God for which Rhode Island Housing carries commercial insurance. Neither Rhode Island Housing nor its insurers have settled any claims which exceeded Rhode Island Housing's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year. Rhode Island Housing also is self-insured for unemployment compensation, and no accrual has been recorded in the accompanying financial statements for claims expected to arise from services rendered on or before December 31, 2010 because Rhode Island Housing officials are of the opinion that, based on prior experience, any claims will not be material.

6. Debt Compliance

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

7. Loans Receivable

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

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

Private Mortgage Insurance	\$629,505,816
FHA Insurance	161,113,344
VA Guaranteed	17,701,956
USDA/RD Guaranteed	4,539,999
Uninsured	<u>285,511,758</u>
Total	<u>\$1,098,372,873</u>

The FHA program insures the repayment of the unpaid principal amount of the mortgage upon foreclosure and conveyance of title to the Secretary of Housing and Urban Development (HUD). The insurance proceeds are usually paid in cash, but at the discretion of the Secretary may be settled through issuance of twenty-year debentures. The VA mortgage loan guarantee covers from 25% up to 50% of the original principal amount of a loan up to a maximum of \$60,000, depending on the loan amount. Private mortgage insurers must be qualified to insure mortgages purchased by the Federal Home Loan Mortgage Corporation or Fannie Mae and must be authorized to do business in the State. Private mortgage insurance typically covers between 6% and 35% of claims, depending upon the premium plan and coverage selected when the loan is originated. The risk exists that if these private mortgage insurance companies are not able to

honor claims, these loans would be considered uninsured. To date, all claims have been paid in accordance with contractual terms.

The Corporation has entered into a risk-sharing agreement with HUD whereby HUD will provide partial mortgage insurance on affordable multi-family housing developments financed by the Corporation. The risk of loss to the Corporation varies from 50% to 90% of the loan principal amount, depending on the level of participation by HUD. In the Multi-Family Fund and Operating Fund, loan balances at December 31, 2010 of \$210,918,149 and \$8,714,592, respectively, are insured under such agreements subject to maximum participation limits.

In both the Single-Family Fund and the Multi-Family Fund, 98% of each loan portfolio is in first lien position at December 31, 2010. In the Operating Fund and the Affordable Housing Trust, 32% and 47%, respectively, of the loan portfolio is in first lien position.

The payment of interest by borrowers on certain loans recorded in the Corporation's Operating Fund, Single-Family Fund and Multi-Family Fund is deferred and is payable by borrowers only from available cash flow, as defined in the loan agreements, or other specified sources. Interest income on such loans is recorded only when received from the borrower. For the six months ended December 31, 2010, interest received under such deferred loan arrangements was \$284,050 in the Operating Fund and \$36,225 in the Single-Family Fund. At December 31, 2010, principal outstanding under such deferred loan agreements is as follows:

Operating Fund:	
Single-family loans	\$ 37,372,017
Multi-family loans	<u>135,745,171</u>
Subtotal	173,117,188
Single-Family Fund:	
Single-family loans	<u>9,468,839</u>
Total	<u>\$182,586,027</u>

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

Operating Fund:	
Single-family loans	\$ 3,932,940
Multi-family loans	<u>2,177,826</u>
Subtotal	6,110,766
Single-Family Fund:	
Single-family loans	105,971,513
Multi-Family Fund:	
Multi-family loans	<u>3,480,000</u>
Total	<u>\$115,562,279</u>

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

Balance at beginning of period	\$36,941,375
Loans charged off, net of recoveries	(1,268,158)
Provision for loan losses	<u>1,000,000</u>
Balance at end of period	<u>\$36,673,217</u>

In addition to the allowance for loan losses, the Corporation maintains an escrow account funded by certain mortgage lenders (the "Mortgage Lenders Reserve Account"). This Mortgage Lenders Reserve Account equals a percentage of the outstanding principal balance of certain mortgage loans purchased from an applicable mortgage lender and is available to the Corporation in the event the proceeds realized upon the default and foreclosure of any covered mortgage loan is less than the amount due the Corporation. At December 31, 2010, the Mortgage Lenders Reserve Account totaled \$1,120,501.

8. State Rental Subsidy Program

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

9. Restricted Assets

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

At December 31, 2010, all assets in the Corporation's Single-Family and Multi-Family Funds; and \$167,102,733 of investments and cash and cash equivalents and \$134,792,758 of loans receivable in the Corporation's Operating Fund are restricted.

10. Segment Information

The Corporation has issued various revenue bonds to finance the activities of its Single-Family Fund and Multi-Family Fund. Investors in each revenue bond rely solely on the revenue stream generated from the activities associated with the specific revenue bonds for repayment. Segment information relating to these identifiable activities is presented in the accompanying balance sheet, statement of revenues, expenses and changes in fund equity and statement of cash flows.

11. Subsequent Events

On February 15, 2011, the Corporation redeemed the following bonds outstanding:

Program	Principal Outstanding
Housing Bond Program	\$25,580,000

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheet - Single-Family Fund
December 31, 2010
(Unaudited)

	Homeownership Opportunity Bond Program	Home Funding Bond Program	Single- Family Fund Total
Assets			
Loans receivable	\$ 1,056,790,238	\$ 41,582,635	\$ 1,098,372,873
Less: allowance for loan losses	(3,739,368)		(3,739,368)
Loans receivable, net	<u>1,053,050,870</u>	<u>41,582,635</u>	<u>1,094,633,505</u>
Investments	39,501,561	70,681,217	110,182,778
Accrued interest-loans	3,722,245	124,850	3,847,095
Accrued interest-investments	359,748	255,877	615,625
Cash and cash equivalents	80,166,698	72,496,207	152,662,905
Accounts receivable			-
Deferred bond issuance costs, net	8,368,406	1,018,818	9,387,224
Other assets, net	17,287,985	59,841	17,347,826
Interfund receivable (payable)	(196,012)	97,922	(98,090)
Total assets	<u>\$ 1,202,261,501</u>	<u>\$ 186,317,367</u>	<u>\$ 1,388,578,868</u>
Liabilities and Fund Equity			
Bonds and notes payable	\$ 1,043,818,016	\$ 177,258,511	\$ 1,221,076,527
Accrued interest payable on bonds and notes	11,902,159	891,989	12,794,148
Accounts payable and accrued liabilities	956,208		956,208
Deferred fees	363,729		363,729
Escrow deposits		1,135	1,135
Total liabilities	<u>1,057,040,112</u>	<u>178,151,635</u>	<u>1,235,191,747</u>
Fund equity, restricted	145,221,389	8,165,732	153,387,121
Total liabilities and fund equity	<u>\$ 1,202,261,501</u>	<u>\$ 186,317,367</u>	<u>\$ 1,388,578,868</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statement of Revenues, Expenses and Changes in Fund Equity - Single-Family Fund
For the six months ended December 31, 2010
(Unaudited)

	Homeownership Opportunity Bond Program	Home Funding Bond Program	Single- Family Fund Total
Operating revenues:			
Interest income on loans	\$ 27,149,229	\$ 746,966	\$ 27,896,195
Interest income attributable to internal servicing activities			-
Total interest income on loans	<u>27,149,229</u>	<u>746,966</u>	<u>27,896,195</u>
Income on investments:			
Interest on investments	1,202,483	1,360,648	2,563,131
Net increase (decrease) in fair value of investments	(127,605)	821,208	693,603
Fees			-
Servicing fee income			-
Miscellaneous income			-
Total operating revenues	<u>28,224,107</u>	<u>2,928,822</u>	<u>31,152,929</u>
Operating expenses:			
Interest expense	24,200,429	1,601,108	25,801,537
Personnel services			-
Other administrative expenses	42,060		42,060
Housing initiatives	13,209		13,209
Provision for loan losses	1,000,002		1,000,002
Arbitrage rebate	123,672		123,672
Amortization of deferred bond issuance costs	289,011	23,194	312,205
Early retirement of debt	200,907	65,031	265,938
Depreciation and amortization of other assets	178,674	101,687	280,361
State Rental Subsidy Program			-
Total operating expenses	<u>26,047,964</u>	<u>1,791,020</u>	<u>27,838,984</u>
Operating income	2,176,143	1,137,802	3,313,945
Transfers in (out) of fund equity	<u>(2,950,000)</u>	<u>299,061</u>	<u>(2,650,939)</u>
Change in fund equity	(773,857)	1,436,863	663,006
Fund equity, beginning of period	<u>145,995,246</u>	<u>6,728,869</u>	<u>152,724,115</u>
Fund equity, end of period	<u>\$ 145,221,389</u>	<u>\$ 8,165,732</u>	<u>\$ 153,387,121</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheet - Multi-Family Fund
December 31, 2010
(Unaudited)

	Multi-Family Housing Bond Program	Housing Bond Program	Multi-Family Mortgage Revenue Bond Program	Multi-Family Funding Bonds	Multi-Family Development Bonds	Multi-Family Fund Total
Assets						
Loans receivable	\$ 5,827,670	\$ 223,102,273	\$ 66,690,000	\$ 72,012,474	\$ 11,167,710	\$ 378,800,127
Less: allowance for loan losses						-
Loans receivable, net	5,827,670	223,102,273	66,690,000	72,012,474	11,167,710	378,800,127
Investments	28,518,463	23,834,334				52,352,797
Accrued interest-loans	39,383	1,355,899	39,370	185,671	43,878	1,664,201
Accrued interest-investments	14,287	250,936				265,223
Cash and cash equivalents	1,831,506	44,224,595	266,756	18,456,241	6,046,255	70,825,353
Accounts receivable						-
Deferred bond issuance costs, net	71,450	91,838		56,446		219,734
Other assets, net						-
Interfund receivable (payable)				291,320	119,374	410,694
Total assets	\$ 36,302,759	\$ 292,859,875	\$ 66,996,126	\$ 91,002,152	\$ 17,377,217	\$ 504,538,129
Liabilities and Fund Equity						
Bonds and notes payable	\$ 4,565,000	\$ 257,518,881	\$ 66,690,000	\$ 86,410,000	\$ 11,235,000	\$ 426,418,881
Accrued interest payable on bonds and notes	127,484	2,883,654	20,943	112,994	12,441	3,157,516
Accounts payable and accrued liabilities	49,750	3,009,626				3,059,376
Deferred fees						-
Escrow deposits		1,247,726	266,485			1,514,211
Total liabilities	4,742,234	264,659,887	66,977,428	86,522,994	11,247,441	434,149,984
Fund equity, restricted	31,560,525	28,199,988	18,698	4,479,158	6,129,776	70,388,145
Total liabilities and fund equity	\$ 36,302,759	\$ 292,859,875	\$ 66,996,126	\$ 91,002,152	\$ 17,377,217	\$ 504,538,129

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statement of Revenues, Expenses and Changes in Fund Equity - Multi-Family Fund
For the six months ended December 31, 2010
(Unaudited)

	Multi-Family Housing Bond Program	Housing Bond Program	Multi-Family Mortgage Revenue Bond Program	Multi-Family Funding Bonds	Multi-Family Development Bonds	Multi-Family Fund Total
Operating revenues:						
Interest income on loans	\$ 239,059	\$ 8,645,494	\$ 277,654	\$ 185,671	\$ 76,543	9,424,421
Interest income attributable to internal servicing activities						-
Total interest income on loans	239,059	8,645,494	277,654	185,671	76,543	9,424,421
Income on investments:						
Interest on investments	858,429	559,499		23,278		1,441,206
Net increase (decrease) in fair value of investments		(273,430)				(273,430)
Fees						-
Servicing fee income						-
Miscellaneous income						-
Total operating revenues	1,097,488	8,931,563	277,654	208,949	76,543	10,592,197
Operating expenses:						
Interest expense	127,484	5,819,863	107,390	126,727	12,441	6,193,905
Personnel services						-
Other administrative expenses	3,220	98,226				101,446
Housing initiatives						-
Provision for loan losses						-
Arbitrage rebate	137,790	615,570				753,360
Amortization of deferred bond issuance costs	3,405	4,734		3,906		12,045
Early retirement of debt				204,718		204,718
Depreciation and amortization of other assets						-
State Rental Subsidy Program						-
Total operating expenses	271,899	6,538,393	107,390	335,351	12,441	7,265,474
Operating income	825,589	2,393,170	170,264	(126,402)	64,102	3,326,723
Transfers in (out) of fund equity		(17,353,985)	(101,898)	4,340,490	6,065,674	(7,049,719)
Change in fund equity	825,589	(14,960,815)	68,366	4,214,088	6,129,776	(3,722,996)
Fund equity, beginning of period	30,734,936	43,160,803	(49,668)	265,070		74,111,141
Fund equity, end of period	\$ 31,560,525	\$ 28,199,988	\$ 18,698	\$ 4,479,158	\$ 6,129,776	\$ 70,388,145