EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

Financial Statements for the Year Ended December 31, 1997 and Independent Auditors' Report

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based Upon the Audit Performed In Accordance With Government Auditing Standards

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying individual program and unrestricted fund balance sheets of the East Baton Rouge Mortgage Finance Authority (the Authority) as of December 31, 1997, and the related individual statements of revenues, expenses and changes in fund balances (deficits) 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 and *Government 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, such financial statements present fairly, in all material respects, the financial position of each of the individual programs and the unrestricted fund of the Authority at December 31, 1997, and their revenues, expenses and changes in fund balances (deficits) and their cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 29, 1998 on our consideration of the Authority's compliance with laws and regulations and on internal control over financial reporting.

Deloitte & Touche LLP

May 29, 1998

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED BALANCE SHEETS (IN THOUSANDS)
DECEMBER 31, 1997

ASSETS	1979 Program	1984 Program	1985 Program	1987 Program	1988 C&D Program	1988 E&F Program	MRCMO Program	1990 Program	1992 A&B Program	1992 C Program	1992 D Program
CASH AND CASH EQUIVALENTS	$ 19	$ 44	$ 104	$ -	$ 178	$ 331	$ 7,153	$ 580	$ 193	$ 439	$ 53
GUARANTEED INVESTMENT AGREEMENTS - At cost, which approximates market	-	731	850	-	1,220	992	878	2,312	880	932	997
U. S. GOVERNMENT SECURITIES - At amortized cost	-	-	-	-	-	-	799	-	-	-	-
MORTGAGE-BACKED SECURITIES - Net	-	-	-	4,067	9,968	18,142	-	26,797	13,552	15,356	-
MORTGAGE LOANS RECEIVABLE - Net	-	3,931	3,902	-	-	-	-	-	-	-	4,762
ACCRUED INTEREST RECEIVABLE	-	91	87	28	99	128	234	237	92	111	82
DEFERRED FINANCING COSTS - Net of amortization	-	12	20	68	192	232	67	278	187	215	59
DOWNPAYMENT AND AUTHORITY ASSISTANCE PROGRAMS	-	-	-	-	-	-	-	-	-	-	-
INTERPROGRAM RECEIVABLE (PAYABLE)	-	-	-	-	-	-	-	-	(17)	(84)	(26)
PREPAID INSURANCE AND OTHER ASSETS	-	12	7	-	-	-	73	-	-	-	2
TOTAL ASSETS	$ 19	$4,821	$4,970	$4,163	$11,657	$19,825	$ 9,[illegible]	$30,204	$14,887	$16,969	$ 5,929
LIABILITIES AND FUND BALANCES											
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 19	$ 4	$ 5	$ -	$ 10	$ 16	$ 24	$ 46	$ 5	$ 6	$ 12
ACCRUED INTEREST PAYABLE	-	-	53	4	382	121	36	905	241	271	73
BONDS PAYABLE - Net	-	3,471	3,182	3,937	10,975	18,350	7,902	28,380	14,189	15,505	4,135
Total liabilities	19	3,475	3,240	3,941	11,367	18,487	7,962	29,331	14,435	15,782	4,220
FUND BALANCES	-	1,346	1,730	222	290	1,338	1,242	873	452	1,187	1,709
TOTAL LIABILITIES AND FUND BALANCES	$ 19	$4,821	$4,970	$4,163	$11,657	$19,825	$ 9,204	$30,204	$14,887	$16,969	$ 5,929

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED BALANCE SHEETS (IN THOUSANDS)
DECEMBER 31, 1997

	1993 A&B Programs	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 D Program	1997 E Program	1997 F Program	1997 (C1-C4)	Unrestricted Fund	Combined 1997 (Memorandum Only)	Combined 1996 (Memorandum Only)
ASSETS												
CASH AND CASH EQUIVALENTS	$ 343	$ 102	$ 722	$ 496	$ 244	$ 88	$ 1	$ -	$ 338	$ 2,318	$ 13,746	$ 6,158
GUARANTEED INVESTMENT AGREEMENTS - At cost, which approximates market	2,039	924	1,625	1,107	3,125	19,073	4,760	5,135	58,587	-	106,167	51,106
U. S. GOVERNMENT SECURITIES - At amortized cost	-	-	-	-	-	-	-	-	-	9,191	9,990	80,002
MORTGAGE-BACKED SECURITIES - Net	24,971	4,974	24,656	32,767	24,921	16,457	-	-	-	2,029	218,657	191,896
MORTGAGE LOANS RECEIVABLE - Net	-	5,480	-	-	-	-	-	-	17,614	-	35,689	41,266
ACCRUED INTEREST RECEIVABLE	131	78	167	195	193	484	-	-	-	181	2,618	3,303
DEFERRED FINANCING COSTS - Net of amortization	375	153	535	624	513	731	53	44	1,066	-	5,424	4,833
DOWNPAYMENT AND AUTHORITY ASSISTANCE PROGRAMS	-	-	-	302	386	211	-	-	-	-	899	362
INTERPROGRAM RECEIVABLE (PAYABLE)	(57)	(35)	(193)	(25)	(76)	(23)	-	-	-	486	-	-
PREPAID INSURANCE AND OTHER ASSETS	-	5	-	40	16	-	-	-	-	-	155	234
TOTAL ASSETS	$27,802	$11,681	$27,512	$35,506	$29,372	$37,021	$ 4,814	$5,179	$77,605	$14,205	$393,345	$379,160
LIABILITIES AND FUND BALANCES												
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 11	$ 5	$ 53	$ 80	$ 15	$ -	$ -	$ -	$ 266	$ 83	$ 660	$ 389
ACCRUED INTEREST PAYABLE	330	134	420	506	409	495	-	-	360	-	[illegible]	5,688
BONDS PAYABLE - Net	25,875	10,585	26,390	33,890	28,085	35,765	4,758	5,135	73,437	-	[illegible]	140,647
Total liabilities	26,216	10,724	26,863	34,476	28,509	36,260	4,758	5,135	74,063	83	359,346	146,724
FUND BALANCES	1,586	957	649	1,030	863	761	56	44	3,542	14,122	33,999	32,436
TOTAL LIABILITIES AND FUND BALANCES	$27,802	$11,681	$27,512	$35,506	$29,372	$37,021	$ 4,814	$5,179	$77,605	$14,205	$393,345	$379,160

See notes to financial statements

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 1997

	1979 Program	1984 Program	1985 Program	1987 Program	1988 C&D Program	1988 E&F Program	MRCMO Program	1990 Program	1992 A&B Program	1992 C Program	1992 D Program
REVENUES:											
Interest earned on mortgage loans receivable / mortgage-backed securities	$ -	$ 464	$ 402	$ 371	$ 973	$ 1,607	$ 3,000	$ 2,336	$ 1,057	$ 1,290	$ 427
Interest earned on other investments	3,613	91	110	1	73	163	207	160	75	103	36
Authority fee income	-	-	-	-	-	-	-	-	-	-	-
Residual from MRCMO	-	-	-	-	-	-	-	-	-	-	-
Gain on sale of investments	2,662	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	1	-	-	-	2
Total	6,275	555	512	372	1,046	1,770	3,208	2,496	1,132	1,393	505
EXPENSES:											
Interest	4,245	439	333	363	977	1,584	3,555	2,272	1,032	1,208	328
Amortization of deferred financing costs	576	9	9	18	47	52	93	65	31	55	19
Authority fees	-	-	-	-	-	-	-	-	14	74	23
Servicing fees	-	13	12	-	-	-	90	-	-	-	20
Insurance costs	-	20	23	-	-	-	137	-	-	-	8
Administrative fees	-	5	6		14	22	-	34	15	17	5
Operating expenses	26	3	2	2	10	11	293	25	12	6	1
Transfer of MRCMO residual	-	-	-	-	-	-	2,164	-	-	-	-
Expenses of other programs	-	-	-	-	-	-	-	-	-	-	-
Total	4,847	489	385	383	1,048	1,669	6,332	2,396	1,104	1,360	404
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	1,428	66	127	(11)	(2)	101	(3,124)	100	28	33	101
TRANSFERS AMONG PROGRAMS	(4,401)	-	-	-	3	(3)	2,394	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR	2,973	1,280	1,603	233	289	1,240	1,972	773	424	1,154	1,608
FUND BALANCES, END OF YEAR	$ -	$ 1,346	$ 1,730	$ 222	$ 290	$ 1,338	$ 1,242	$ 873	$ 452	$ 1,187	$ 1,709

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 1997

	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 D Program	1997 E Program	1997 F Program	1997 (C1-C4)	Unrestricted Fund	(Memorandum Only) Combined 1997	Combined 1996
REVENUES:												
Interest earned on mortgage loans receivable / mortgage-backed securities	$1,431	$656	$1,888	$2,044	$ 797	$ 125	$ -	$ -	$ -	$ 200	$19,068	$18,972
Interest earned on other investments	121	59	106	271	854	1,037	-	-	-	648	7,768	7,822
Authority fee income	-	-	-	-	-	-	-	-	-	524	524	423
Residual from MRCMO	-	-	-	-	-	-	-	-	-	2,164	2,164	429
Gain on sale of investment	-	-	-	-	-	-	-	-	-	-	2,662	-
Other	-	-	-	-	-	-	3	3	-	-	9	176
Total	1,552	715	1,994	2,315	1,651	1,162	3	3	-	3,536	32,195	27,822
EXPENSES:												
Interest	1,402	536	1,740	2,051	1,604	979	-	-	-	-	24,688	23,308
Amortization of deferred financing costs	81	35	69	58	30	25	-	-	-	-	1,272	706
Authority fees	45	28	204	94	69	23	-	-	-	-	574	422
Servicing fees	-	19	-	-	-	-	-	-	-	-	154	187
Insurance costs	-	10	-	-	-	-	-	-	-	-	198	187
Administrative fees	27	10	-	48	-	-	-	-	-	148	351	324
Operating expenses	21	10	12	19	8	16	-	-	-	122	599	287
Transfer of MRCMO residual	-	-	-	-	-	-	-	-	-	-	2,164	431
Expenses of other programs	-	-	-	-	-	-	-	-	-	567	567	373
Total	1,576	688	2,025	2,270	1,711	1,043	-	-	-	837	30,567	26,225
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(24)	27	(31)	45	(60)	119	3	3	-	2,699	1,628	1,597
TRANSFERS AMONG PROGRAMS	-	-	(19)	37	355	642	53	41	3,542	(2,644)	-	-
FUND BALANCES, BEGINNING OF YEAR	1,610	930	699	948	568	-	-	-	-	14,067	32,371	30,839
FUND BALANCES, END OF YEAR	$1,586	$957	$ 649	$1,030	$ 863	$ 761	$ 56	$ 44	$ 3,542	$14,122	$33,999	$32,436

See notes to financial statements.

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 1997

	1979 Program	1984 Program	1985 Program	1987 Program	1988 C&D Program	1988 E&F Program	MRCMO Program	1990 Program	1992 A&B Program	1992C Program	1992D Program
OPERATING ACTIVITIES:											
Excess (deficiency) of revenues over expenses	$ 1,428	$ 66	$ 127	$ (11)	$ (2)	$ 101	$(3,124)	$ 100	$ 28	$ 33	$ 101
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:											
Gain on sale of investments	(2,662)	-	-	-	-	-	-	-	-	-	-
Amortization of deferred financing costs	576	9	9	18	47	52	93	65	31	55	19
Amortization of Downpayment and Authority Assistance Programs											
Accretion of mortgage loans/mortgage-backed securities discount	(1,452)	-	-	-	-	(6)	(961)	(1)	(6)	-	-
Interest income on other investments	(3,613)	(91)	(110)	(1)	(73)	(163)	(207)	(160)	(75)	(103)	(76)
Interest expense on bonds payable	4,245	439	333	363	977	1,583	3,555	2,272	1,032	1,208	328
Changes in assets and liabilities:											
Decrease (increase) in accrued interest receivable on mortgage loans/mortgage-backed securities	691	11	(7)	5	13	18	21	44	11	28	-
Decrease (increase) in prepaid insurance and other assets	-	3	2	-	-	-	87	-	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	10	3	1	-	4	2	5	12	-	3	2
Increase (decrease) in intercompany payable	-	-	-	-	-	-	-	-	-	(1)	(2)
Increase (decrease) in deferred commitment fees and origination costs - net	-	-	-	-	(47)	(50)	-	(61)	(35)	-	-
Principal collected on mortgage loans/mortgage-backed securities	-	643	602	786	1,956	2,758	3,598	3,444	1,761	2,750	653
Purchase of mortgage loans/mortgage-backed securities	-	-	-	-	-	-	-	-	-	-	-
Transfer of loans to other programs	-	-	-	-	-	-	17,614	-	-	-	-
Net cash provided by (used in) operating activities	(777)	1,083	957	1,160	2,875	4,295	20,681	5,715	2,747	3,973	1,025
INVESTING ACTIVITIES:											
Proceeds from maturity or sale of investments	129,005	1,649	1,193	-	2,359	4,078	4,980	6,238	2,977	4,813	1,227
Interest received on investments	3,613	91	110	1	73	163	207	160	75	103	76
Purchase of investments	(61,630)	(1,478)	(1,000)	-	(2,432)	(4,072)	(4,949)	(5,418)	(2,911)	(4,386)	(1,207)
Net cash provided by (used in) investing activities	70,988	262	303	1	-	169	238	980	141	530	96

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EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 1997

	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 D Program	1997 E Program	1997 F Program	1997 (C1-C4)	Unrestricted Fund	(Memorandum Only) Combined 1997	Combined 1996
OPERATING ACTIVITIES:												
Excess (deficiency) of revenues over expenses	$ (24)	$ 27	$ (31)	$ 45	$ (60)	$ 119	$ 3	$ 3	$ -	$2,699	$ 1,628	$ 1,235
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:												
Gain on sale of investments	-	-	-	-	-	-	-	-	-	-	(2,662)	-
Amortization of deferred financing costs	81	35	69	58	30	25	-	-	-	-	1,272	706
Amortization of Downpayment and Authority Assistance Programs	-	-	-	27	34	-	-	-	-	-	61	-
Accretion of mortgage loans/mortgage-backed securities discount	3	(3)	27	-	(19)	45	-	-	-	-	(2,173)	(2,979)
Interest income on other investments	(121)	(59)	(106)	(271)	(854)	(913)	-	-	-	(648)	(7,644)	(7,822)
Interest expense on bonds payable	1,402	576	1,740	2,051	1,604	979	-	-	-	-	24,687	23,308
Changes in assets and liabilities:												
Decrease (increase) in accrued interest receivable on mortgage loans/mortgage backed securities	15	7	9	138	141	(484)	-	-	-	(181)	480	291
Decrease (increase) in prepaid insurance and other assets	-	1	-	-	(16)	-	-	-	-	-	77	218
Increase (decrease) in accounts payable and accrued liabilities	(1)	(1)	-	63	8	-	-	-	266	(104)	273	1
Increase (decrease) in intercompany payable	(2)	(1)	(2)	6	26	23	-	-	-	(48)	(1)	-
Increase (decrease) in deferred commitment fees and origination costs - net	(11)	-	(63)	(30)	22	335	-	-	-	-	60	113
Principal collected on mortgage loans/mortgage backed securities	3,315	1,288	2,514	-	-	-	-	-	-	204	26,272	28,937
Purchase of mortgage loans/mortgage backed securities	-	-	-	(7,246)	(27,822)	(16,852)	-	-	-	(2,554)	(54,474)	(35,587)
Payment of downpayment and assistance programs	-	-	-	(30)	(329)	(211)	-	-	-	-	(570)	-
Transfer of loans to other programs	-	-	-	-	-	-	-	-	(17,614)	-	-	-
Net cash provided by (used in) operating activities	4,657	1,870	4,157	(5,189)	(27,235)	(16,934)	3	3	(17,348)	(632)	(12,914)	8,421
INVESTING ACTIVITIES												
Proceeds from maturity or sale of investments	5,005	2,153	3,428	12,348	28,485	16,918	-	-	-	4,495	231,351	89,605
Interest received on investments	121	59	106	271	854	913	-	-	-	648	7,644	7,810
Purchase of investments	(5,174)	(2,251)	(4,058)	(4,533)	(669)	(35,976)	(4,760)	(5,135)	(58,587)	-	(210,626)	(80,540)
Net cash provided by (used in) investing activities	(48)	(39)	(524)	8,086	28,670	(18,145)	(4,760)	(5,135)	(58,587)	5,143	28,369	16,875

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EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 1997

	1979 Program	1984 Program	1985 Program	1987 Program	1988 C&D Program	1988 E&F Program	MRCMO Program	1990 Program	1992 A&B Program	1992 C Program	1992 D Program
NON-CAPITAL FINANCING ACTIVITIES:											
Proceeds of bond issuance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Bond redemptions and principal repayments	(60,225)	(1,102)	(1,057)	(798)	(1,960)	(3,040)	(13,165)	(4,325)	(1,882)	(3,420)	(935)
Interest paid on bonds payable	(5,713)	(439)	(280)	(363)	(1,045)	(1,603)	(3,577)	(2,408)	(1,063)	(1,268)	(345)
Payment of deferred financing costs	-	-	-	-	-	-	-	-	-	-	-
Transfers among programs	(4,401)	-	-	-	3	(3)	2,394	-	-	-	-
Net cash provided by (used in) non-capital financing activities	(70,339)	(1,541)	(1,337)	(1,161)	(3,002)	(4,646)	(14,348)	(6,733)	(2,945)	(4,688)	(1,280)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(128)	(196)	(77)	-	(127)	(182)	6,571	(38)	(57)	(185)	(159)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	147	240	181	-	305	513	582	618	250	624	212
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 19	$ 44	$ 104	$ -	$ 178	$ 331	$ 7,153	$ 580	$ 193	$ 439	$ 53

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EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 1997

	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 D Program	1997 E Program	1997 F Program	1997 (C1-C4)	Unrestricted Fund	(Memorandum Only) Combined 1997	Combined 1996
NON-CAPITAL FINANCING ACTIVITIES:												
Proceeds of bond issuance	$ -	$ -	$ -	$ -	$ -	$ 35,765	$4,758	$5,135	$73,797	$ -	$ 119,455	$ 34,523
Bond redemptions and principal repayments	(3,565)	(1,560)	(1,670)	(700)	-	-	-	-		-	(99,404)	(36,699)
Interest paid on bonds payable	(1,441)	(595)	(1,765)	(2,061)	(1,547)	(484)	-	-		-	(25,997)	(21,307)
Payment of deferred financing costs	-	-	-	-	-	(756)	(53)	(44)	(1,066)	-	(1,919)	(613)
Transfers among programs	-	-	(19)	37	355	642	53	41	3,542	(2,644)	-	-
Net cash provided by (used in) non-capital financing activities	(5,006)	(2,155)	(3,454)	(2,724)	(1,192)	35,167	4,758	5,132	76,273	(2,644)	(7,865)	(24,096)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(397)	(324)	179	173	243	88	1	-	338	1,865	7,588	1,200
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	740	426	543	323	1	-	-	-	-	453	6,158	4,958
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 343	$ 102	$ 722	$ 496	$ 244	$ 88	$ 1	$ -	$ 338	$2,318	$ 13,746	$ 6,158

See notes to financial statements.

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1997

1. ORGANIZATION

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

The Authority's operations consist primarily of single family mortgage purchase bond programs under which the Authority promotes residential home ownership through the acquisition of mortgage loans secured by first mortgage liens on single family residential housing. Under the 1987, 1988 C&D, 1988 E&F, 1990, 1992 A&B, 1992 C, 1993 A&B, 1993 C, 1994 A&B, 1995 B and 1996 B Programs, these loans are pooled and sold to the Government National Mortgage Association (GNMA) or the Federal National Mortgage Association (FNMA) in exchange for mortgage-backed securities on which GNMA or FNMA guarantees payment of principal and interest when due. These securities are collateralized by the related loans. The Authority also issues short-term escrow bonds, which are securitized by U.S. Treasury Bills during the interim in preparation of long-term issues. The funds for the Authority's programs were obtained through the issuance of bonds in the following face value amounts (in thousands):

1979 Program, dated March 1, 1979 (defeased)	$100,000
1980 Program, dated September 1, 1980 (restructured)	125,000
1982 Program, dated October 1, 1982 (restructured)	30,000
1983 Program, dated April 14, 1983 (restructured)	30,000
1984 Program, dated September 18, 1984	30,000
1985 Program, dated May 7, 1985	26,000
1987 Program, dated July 1, 1987	15,450
1988 C&D Program, dated August 1, 1988	26,975
1988 E&F Program, dated June 22, 1989	40,000
Municipal Refunding Collateralized Mortgage Obligations (MRCMO) Program, dated January 25, 1989	67,905
1990 Program, dated August 1, 1990	56,000
1992 A&B Program, dated April 1, 1992	25,000
1992 C Program, dated April 1, 1992	38,310
1992 D Program dated April 1, 1992	8,975
1993 A&B Program, dated October 27, 1993	36,720
1993 C Program dated October 27, 1993	15,270
1994 A&B Program, dated August 15, 1994	31,210
1994 C Program, dated December 29, 1994 (remarketed)	13,250
1995 A Program, dated February 23, 1995 (remarketed)	8,840
1995 B Program, dated October 5, 1995	12,500
1995 C Program, dated September 28, 1995 (remarketed)	5,820
1996 A Program, dated February 29, 1996 (remarketed)	9,765

1996 B Program, dated October 24, 1996	12,500
1996 C Program, dated September 27, 1996 remarketed)	6,390
1997 B Program, dated March 27, 1997 (remarketed)	10,775
1997 D Program, dated June 1, 1997	18,600
1997 E Program, dated July 29, 1997 (short-term escrow issue)	12,500
1997 F Program, dated September 25, 1997 (short-term escrow issue)	5,135
1997 C1-C4 Program, dated December 31, 1997	101,400
	$920,290

The bonds issued by the Authority are general obligations of the Authority and are not obligations of the State of Louisiana or any other political subdivision thereof. The 1984, 1985 and MRCMO Program bonds are covered by comprehensive municipal bond insurance, which guarantees payment of all principal and interest when due.

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

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

2. SUMMARY OF SIGNIFICANT REPORTING AND ACCOUNTING POLICIES

Basis of Accounting and Reporting - The Authority follows the accrual basis of accounting. The funds established by the Bond Trust Indentures, which are maintained by the Trustee Bank, provide for the accounting for bonds issued, debt service and bond redemption requirements, investments, and related revenues and expenses. These individual funds for each bond program are aggregated in the accompanying individual financial statements.

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

In particular, it should be noted that the amounts listed under the heading "1979 Program" are the 1979 tax-exempt bond issue defeasance data and are not comparable to the program operations data appearing in the other columns.

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

Discounts (premiums) resulting from the purchase of U.S. Government securities, and the sale of certain programs' bonds are being accreted (amortized) over the lives of the related assets or liabilities as yield adjustments based upon the principal amounts outstanding. The remaining unamortized balances of these discounts and premiums are classified on the accompanying balance sheets in the same captions as the related assets or liabilities.

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

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Reclassifications - Certain prior year amounts have been reclassified to conform with the current year presentation.

3. CASH AND INVESTMENTS

The Authority's programs maintain deposits at the Trustee bank. The balances of these deposits at December 31, 1997 were entirely insured. The Authority also has funds, classified as "Cash and Cash Equivalents" on the balance sheet, which represent interests in uninsured money market mutual funds. In prior years, the Unrestricted Fund held certificates of deposit at various financial institutions. No certificates of deposit were held at December 31, 1997.

Under certain of the Authority's programs, the Authority has entered into guaranteed investment agreements with various financial institutions. These agreements define the types of allowable investments and specify a guaranteed rate of return on such funds.

The approximate market values of the U.S. Government and Agency securities at December 31, 1997 are as follows (in thousands):

MRCMO Program	$ 1,265
Unrestricted Fund	11,591
Combined	$ 12,856

The MRCMO Program's U.S. Government Securities are restricted for debt service on the program's bonds and payment of various program expenses. These securities are held by the Trustee bank in the Authority's name.

The Authority's investments are categorized below to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker, or by its trust department, but not in the Authority's name.

	Category 1	Category 2	Category 3	Carrying Amount	Market Value
	(in thousands)				
U. S. Government and Agency Securities	$9,990	$ -	$ -	$ 9,990	$ 12,856
Guaranteed Investment Agreements	-	-	106,167	106,167	106,167
	$9,990	$ -	$106,167	$116,157	$119,023

4. MORTGAGE LOANS RECEIVABLE AND MORTGAGE-BACKED SECURITIES

Mortgage Loans Receivable

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

1984 Program	10.950 %
1985 Program	9.980 %
1997 C Program	8.500 %
1992 D Program	8.400 %
1993 C Program	7.125 %

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

The exchange of U.S. Government securities and mortgage loans between the 1979 Program and the MRCMO Program in January, 1989 resulted in the transfer of the mortgage loans to the MRCMO Program at a discount. The approximate effective yield on the MRCMO Program's mortgage loans is 13.4%, and the remaining unamortized discount was approximately $4,589,000 at December 31, 1997. These loans were transferred at amortized cost to the 1997 C Program on December 31, 1997.

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

Mortgage-backed Securities

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

	Term	Interest Rate
1987 Program	23 Years	8.30%
1988 C&D Program	30 Years	8.35%
1988 E&F Program	30 Years	7.88%
1990 Program	30 Years	7.85%
1992 A&B Program	30 Years	7.00%
1992 C Program	30 Years	7.75%
1993 A&B Program	30 Years	6.50% transferred securities
		4.75% new securities
1993 C Program	30 Years	4.50%
1994 A&B Program	30 Years	7.10%
	30 Years	6.85%
	30 Years	7.00%
	30 Years	7.10%
1995 B Program	30 Years	6.85%
	30 Years	6.975%
	30 Years	7.10%
1996 B Program	30 Years	6.125%
	30 Years	6.375%
	30 Years	6.875%
1997 D Program	30 Years	5.875%
	30 Years	6.125%
	30 Years	6.625%

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

As discussed in Note 2, nonrefundable commitment fees received from originating financial institutions and certain direct loan origination costs are amortized over the lives of the mortgage-backed securities owned by the 1988 C&D, 1988 E&F, 1990, 1992 A&B, 1993 A&B, 1994 A&B, 1995 B, 1996 B and 1997 D Programs as a yield adjustment.

The net unamortized balances of the deferred net fees for such programs have been deducted from the balances of mortgage-backed securities in the accompanying balance sheets. The following is a summary of the balances of deferred net fees at December 31, 1997 and the effective yield on each program's mortgage-backed securities resulting from the recognition of these fees as yield adjustments over the lives of the securities.

	Effective Yield	Unamortized Deferred Net Fees
1988 C&D Program	8.67 %	$276,000
1988 E&F Program	8.06 %	232,000
1990 Program	8.07 %	604,000
1992 A&B, 1992C and 1992D Programs	7.14 %	106,000
1993 A&B and 1993C Programs	5.65 %	34,000
1994 A&B Program	7.19 %	210,000
1995 B Program	6.975 %	270,000
1996 B Program	5.875 %	267,000

In addition, there are nonrefundable commitment fees of $335,000 related to the 1997 D Program. Since this program has not yet been fully funded as of December 31, 1997, no amortization is recorded in the December 31, 1997 financial statements.

5. BONDS PAYABLE

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

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

Outstanding bonds payable consist of the following at December 31, 1997 (in thousands):

1984 Program:	
Capital appreciation bonds due serially and term from 1997 to 2015, priced to yield 10.25% to 11.25% at maturity	$ 36,085
Less unamortized bond discount	(32,614)
Total - 1984 Program	3,471

1985 Program: Capital appreciation bonds due serially and term from 1995 to 2016 priced to yield 9% to 10% at maturity	5,200
Less unamortized bond discount	(2,018)
Total - 1985 Program	3,182
1987 Program, term bonds due 2011, bearing interest at 8.25% payable monthly	3,937
1988 C&D Program, due serially and term through 2020, bearing interest at 7% to 8.6% payable semiannually	10,975
1988 E&F Program, due serially and term through 2021, bearing interest at 6.9% to 7.875% payable semiannually	18,350
MRCMO Program: Current interest bonds due through 2007, bearing interest at 7.9% payable quarterly, priced to yield 8.8% to 9.7%	7,876
Zero coupon bonds due 2014, priced to yield 9.33% at maturity	3,500
Less unamortized bond discount	(3,474)
Total - MRCMO Program	7,902
1990 Program, due serially and term through 2023, bearing interest at 6.5% to 7.875% payable semiannually	28,380
1992 A&B Program, due serially and term from 1995 through 2024, bearing interest at 5.25% to 7.1% payable semiannually	14,250
Less unamortized bond discount	(61)
Total - 1992 A&B Program	14,189
1992 C Program, term bonds due through 2032, bearing interest at 7% payable semiannually	15,505
1992 D Program, term bonds due through 2032, bearing interest at 7.1% payable semiannually	4,135

1993 A&B Program, due serially and term from 1995 through 2025, bearing interest at 3.3% to 5.5% payable semiannually	25,875
1993 C Program, due serially and term from 1995 through 2025, bearing interest at 3.4% to 5.5% payable semiannually	10,585
1994 A&B Program, term bonds due from 1998 through 2028, bearing interest at 4.9% to 6.8% payable semiannually	26,390
1995 B Program, due serially and term from 2010 through 2028, bearing interest at 5.5% to 6.35% payable semiannually	33,890
1996 B Program, due serially and term from 2002 through 2029, bearing interest at 4.5% to 6.2% payable semiannually	28,085
1997 C Program, due serially and term from 1998 through 2030, bearing interest at 4.50% to 6.75% payable semiannually	101,400
Less unamortized bond discount	(27,963)
Total - 1997 C Program	73,437
1997 D Program, due serially and term from 2008 through 2030, bearing interest at 4.2% to 5.9% payable semiannually	35,765
1997 E Program, convertible program notes, bearing interest at a variable rate, 4.4% at December 31, 1997	4,758
1997 F Program, term bonds due on March 5, 1998 with 30 day deferred tender dates, bearing interest at a variable rate, 3.8% to 3.9% at December 31, 1997	5,135
Total bonds payable	$ 353,946

The 1985 Program capital appreciation bonds due May 1, 2016 were converted from capital appreciation bonds to current interest bonds on May 1, 1997. Beginning November 1, 1997, and semiannually thereafter, interest will be paid on these bonds based on their accreted value at May 1, 1997.

The 1987 Program bonds are structured such that the monthly principal remittances received from the GNMA securities are passed on to bondholders as principal redemptions of bonds payable on a monthly basis.

The bonds are subject to early redemption provisions as described in the Bond Trust Indentures at redemption prices equal to the principal amounts of the bonds redeemed plus accrued interest to the applicable call dates. In connection with early bond redemptions, deferred financing costs related to the bonds called are charged to expense. Early bond redemptions and related deferred financing costs expensed during the year ended December 31, 1997 were as follows (in thousands):

	Early Bond Redemptions	Related Deferred Financing Costs Expensed
1979 Program	$57,430	$ 524
1984 Program	1,542	6
1985 Program	1,120	7
1988 C&D Program	1,780	31
1988 E&F Program	2,550	32
MRCMO Program	10,210	79
1990 Program	3,860	42
1992 A&B Program	1,665	18
1992 C Program	3,420	47
1992 D Program	935	14
1993 A&B Program	3,065	45
1993 C Program	1,345	19
1994 A&B Program	1,670	35
1995 B Program	700	13
	$91,292	$912

Scheduled bond principal redemptions for each of the next five years, are as follows (in thousands):

	1998	1999	2000	2001	2002	Thereafter	Total
1979 Program	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1984 Program	-	-	-	-	-	3,471	3,471
1985 Program	-	-	-	-	-	3,182	3,182
1987 Program	-	-	-	-	-	3,937	3,937
1988 C&D Program	180	170	185	185	215	10,040	10,975
1988 E&F Program	470	510	565	595	640	15,570	18,350
MRCMO Program	4,402	-	-	-	-	3,500	7,902
1990 Program	465	475	485	520	555	25,880	28,380
1992 A&B Program	220	220	220	210	215	13,103	14,189
1992 C Program	-	-	-	-	-	15,505	15,505
1992 D Program	-	-	-	-	-	4,135	4,135
1993 A&B Program	515	540	560	590	615	23,055	25,875
1993 C Program	210	210	210	215	230	9,510	10,585
1994 A&B Program	340	330	-	-	-	25,720	26,390
1995 B Program	370	370	370	370	370	32,040	33,890
1996 B Program	-	280	285	290	300	26,930	28,085
1997 C Program	1,165	1,475	1,680	2,010	2,185	92,885	101,400
1997 D Program	-	425	445	460	465	33,970	35,765
1997 E Program	4,758	-	-	-	-	-	4,758
1997 F Program	5,135	-	-	-		-	5,135
	$18,230	$5,005	$5,005	$ 5,445	$ 5,790	$342,433	$381,908

6. OPERATING EXPENSES

The members of the Authority's Board of Trustees receive a per diem fee for all committee and board meetings attended. For the year ended December 31, 1997, the following amounts were paid to the Authority's Board members:

Board Member	
Randy Bonnecaze	$ 6,600
Astrid Clements	6,000
Robert Gaston, III	7,600
William G. Gauthier	7,600
Henry Henagen	15,200
Sidney W. Longwell, Sr.	6,400
Jake L. Netterville	6,200
Loretta Pourciau	4,600
Lynda Rowley	4,600
Total	$ 64,800

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

7. PROGRAM RESTRUCTURING TRANSACTIONS

On December 31, 1997, the 1997 (C1-C4) Program was created through the issuance of $101,400,000 of bonds. The proceeds from the sales were used to redeem the 1979 Program bonds and the MRCMO Program bonds (A-4 Tranche). The A-3 Tranche of the MRCMO Program was included as part of the December 31, 1997 transaction; however, the actual redemption of this tranche did not occur until March 10, 1998. The A-5 Tranche of the MRCMO Program represents non-interest bearing zero coupon bonds that are not affected by prepayments and mature on September 10, 2014. The 1997 (C1-C4) Program consists of bonds that are due serially and term through 2030, bearing interest at 4.5% to 6.75% payable semiannually.

During the year ended December 31, 1996, Program 1996 C was created in order to fully utilize bond appropriations available to the Authority. The Authority temporarily invested the available funds at the end of December 31, 1996 in short-term investments. During 1997, the 1996 C bonds were remarketed to become a part of the 1997 mortgage lending program. Additionally, in 1997, short-term escrow bonds were issued as the 1997 B Program and in July 1997 these bonds were also remarketed to become a part of the 1997 mortgage lending program. All activity of these two short-term programs has been reflected in the 1997 D Program for the year ended December 31, 1997.

During the year ended December 31, 1995, Program 1995 C was created in order to fully utilize bond appropriations available to the Authority. The Authority temporarily invested the available funds at the end of December 31, 1995 in short-term investments. During 1996, the 1995 C bonds were remarketed to become a part of the 1996 mortgage lending program. Additionally, in 1996, short-term escrow bonds were issued as the 1996 A program and in October 1996 these bonds were also remarketed to become a part of the 1996 mortgage lending program. All activity of these two short-term programs has been reflected in the 1996 B Program for the year ended December 31, 1996.

During the year ended December 31, 1994, Program 1994 C was created in order to fully utilize bond appropriations available to the Authority. The Authority temporarily invested the available funds at the end of December 31, 1994 in short-term investments. During 1995, the 1994 C bonds were remarketed to become a part of the 1995 mortgage lending program. Additionally, in 1995, short-term escrow bonds were issued and in October 1995 these bonds were also remarketed to become a part of the 1995 mortgage lending program. All activity of these two short-term programs has been reflected in the 1995 B Program for the year ended December 31, 1995.

The majority of the net proceeds of the 1993 A&B and 1993 C Programs was transferred to the 1982 and 1983 Programs in exchange for those Programs' mortgage loan portfolios and certain residual funds held in these Programs. The 1982 and 1983 Programs utilized the funds received through these transfers to redeem their remaining bonds payable, including the incurrence of call premiums of approximately $320,000 and $480,000, respectively. Additionally, the Unrestricted Fund transferred approximately $740,000 to the 1993 A&B Program in conjunction with the restructuring, and foreclosed loans of the 1982 and 1983 Programs, with a principal balance of approximately $175,000, were transferred to the Unrestricted Fund. The interest rate on the loans transferred to the 1993 A&B and 1993 C Programs was reduced to 7.125%, and the loans transferred to the 1993 A&B Program were swapped with FNMA in exchange for mortgage-backed securities in the same principal amount. Certain of the funds held by the 1993 A&B and 1993 C Programs in guaranteed investment agreements at December 31, 1993 were utilized to originate new mortgage loans in 1994.

A substantial majority of the net proceeds of the 1992 A&B, 1992 C and 1992 D Programs was transferred to the 1980 Program in exchange for the 1980 Program's mortgage loan portfolio (which was transferred to the 1992 C and 1992 D Programs) and other funds held by the 1980 Program (which were transferred to the 1992 A&B Program). The 1980 Program utilized the funds it received through these transfers to redeem its remaining bonds payable in 1992 (including the incurrence of a call premium of approximately $1.5 million) and to transfer its remaining funds of approximately $4 million to the Authority's Unrestricted Fund. Certain foreclosed property formerly held by the 1980 Program was also transferred to the Unrestricted Fund. The interest rate on the mortgage loans transferred to the 1992 C and 1992 D programs was reduced from 10.95% to 8.4% and the mortgage loans transferred to the 1992 C Program were swapped with FNMA in exchange for mortgage-backed securities in the same principal amount.

The proceeds of the MRCMO Program, along with certain other funds held by the 1979 Program, were utilized to purchase U.S. Government securities bearing maturity dates and face values adequate to provide for satisfaction of all future debt service obligations, as scheduled, of the 1979 Program bonds, and to provide an injection of the remaining funds into the Authority's Unrestricted Fund, which the Authority may utilize for any public purpose authorized by the Authority's Indenture. The 1979 Program's mortgage loans, including the related loan insurance policies, were transferred to the MRCMO Program in exchange for the U.S. Government securities mentioned above. Certain residual funds remaining in the MRCMO Program after satisfaction of quarterly debt service obligations are transferred to the Unrestricted Fund. In 1997, these mortgage loans were transferred to the 1997 C Program.

8. AUTHORITY FEES

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

9. DOWNPAYMENT ASSISTANCE AND AUTHORITY ASSISTANCE PROGRAMS

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

Costs related to these programs are capitalized and are being amortized over the lives of the related assets as yield adjustments based upon the average lives of the underlying assets. The remaining unamortized balances are classified on the accompanying balance sheets in the same caption as the related assets.

10. TRANSFERS AMONG PROGRAMS

Transfers among programs generally consist of nonrecurring transfers associated with (1) the initial issuance of bonds, (2) transfers to the unrestricted fund of remaining fund assets, net of bond proceeds as discussed in Note 7, and (3) remaining balances in the cost of issuance accounts where bonds are refinanced.

11. NEW ACCOUNTING STANDARD

The Governmental Accounting Standards Board ("GASB") has issued Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB Statement (GASBS) No. 31 will become effective for the Authority for periods beginning after June 15, 1997. It requires that most investments be recorded at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties. This method of accounting will cause fluctuations in reported investment values based on fluctuations in the investment market. Fluctuations in the fair value of investments will be recorded in the operating statements, in accordance with GASBS No. 31. Reported investment income will be affected as amounts formerly excluded from the operating statements as "unrealized," or non-cash, gains and losses will now be included.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS.*

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

We have audited the financial statements of East Baton Rouge Mortgage Finance Authority (the "Authority"), as of and for the year ended December 31, 1997, and have issued our report thereon dated May 29, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Baton Rouge Mortgage Finance Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Deloitte Touche Tohmatsu International

This report is intended for the information of the audit committee, management, and the State of Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche LLP

May 29, 1998