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EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

Financial Statements for the Year Ended December 31, 1998 and Supplementary Information 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*

Deloitte &
Touche

Deloitte & Touche LLP
Suite 501
8550 United Plaza Boulevard
Baton Rouge, Louisiana 70809

Telephone: (225) 928-0108
Facsimile: (225) 928-0449

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, 1998, 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 audits 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 audits provide 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, 1998, 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.

As discussed in Note 2 to the financial statements, the Authority changed its method of accounting for investments to conform with Statement of Governmental Accounting Standards Board No. 31 effective January 1, 1998.

The year 2000 supplementary information on page 24 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the Authority is or will become year 2000 compliant, that the Authority's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Authority does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 1, 1999 on our consideration of the Authority's compliance with laws and regulations and on internal control over financial reporting.

Deloitte + Touche LLP

June 1, 1999

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED BALANCE SHEETS (IN THOUSANDS)
DECEMBER 31, 1998

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	$ -	$ 314	$ 126	$ -	$ -	$ 1,442	$ -	$ 1,335	$ 511	$ 538	$ 125
GUARANTEED INVESTMENT AGREEMENTS - At cost, which approximates market	-	426	1,007	-	-	675	-	3,136	1,002	1,631	901
U. S. GOVERNMENT SECURITIES	-	-	-	-	-	-	1,454	-	-	-	-
MORTGAGE-BACKED SECURITIES - Net	-	-	-	2,970	-	14,256	-	21,052	11,861	12,607	-
MORTGAGE LOANS RECEIVABLE - Net	-	3,137	2,989	-	-	-	-	-	-	-	3,881
ACCRUED INTEREST RECEIVABLE	-	92	97	20	-	99	-	235	86	100	78
DEFERRED FINANCING COSTS - Net of amortization	-	7	16	44	-	176	4	240	154	176	43
DOWNPAYMENT AND AUTHORITY ASSISTANCE PROGRAMS	-	-	-	-	-	-	-	-	-	-	-
INTERPROGRAM RECEIVABLE (PAYABLE)	-	-	-	-	-	-	-	-	(16)	(81)	(25)
PREPAID INSURANCE AND OTHER ASSETS	-	10	6	-	-	-	3	-	-	-	2
TOTAL ASSETS	$ -	$3,986	$4,241	$3,034	$ -	$16,648	$ 1,461	$25,998	$13,598	$14,971	$ 5,005
LIABILITIES AND FUND BALANCES											
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ -	$ 2	$ 6	$ -	$ -	$ 14	$ 24	$ 47	$ 5	$ 3	$ 11
ACCRUED INTEREST PAYABLE	-	-	56	3	-	96	-	766	216	229	54
BONDS PAYABLE - Net	-	2,565	2,511	2,759	-	14,490	816	23,960	12,627	13,110	3,065
Total liabilities	-	2,567	2,573	2,762	-	14,600	840	24,773	12,848	13,342	3,130
FUND BALANCES	-	1,419	1,668	272	-	2,048	621	1,225	750	1,629	1,875
TOTAL LIABILITIES AND FUND BALANCES	$ -	$3,986	$4,241	$3,034	$ -	$16,648	$ 1,461	$25,998	$13,598	$14,971	$ 5,005

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED BALANCE SHEETS (IN THOUSANDS)
DECEMBER 31, 1998

											(Memorandum Only)	
ASSETS	1993 A&B Programs	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 D Program	1997 (C1-C3)	1998B Program	1998 D Program	Unrestricted Fund	Combined 1998	Combined 1997
CASH AND CASH EQUIVALENTS	$ 282	$ 229	$ 525	$ 351	$ 781	$ 803	$ 813	$ 1,891	$ 250	$ 572	$ 10,888	$ 13,746
GUARANTEED INVESTMENT AGREEMENTS - At cost, which approximates market	2,057	664	2,195	1,956	880	1,077	28,149	11,517	47,581	-	104,854	106,167
U. S. GOVERNMENT SECURITIES	-	-	-	-	-	-	-	-	-	11,523	12,977	9,990
MORTGAGE-BACKED SECURITIES - Net	20,188	4,037	20,683	30,652	26,313	34,198	-	27,705	-	2,411	228,933	218,657
MORTGAGE LOANS RECEIVABLE - Net	-	4,681	-	-	-	-	14,240	-	-	-	28,928	35,689
ACCRUED INTEREST RECEIVABLE	114	78	150	190	158	196	598	431	204	133	3,059	2,618
DEFERRED FINANCING COSTS - Net of amortization	316	130	448	562	474	686	700	756	722	-	5,654	5,424
DOWNPAYMENT AND AUTHORITY ASSISTANCE PROGRAMS	-	-	-	272	360	523	71	834	-	-	2,060	899
INTERPROGRAM RECEIVABLE (PAYABLE)	(55)	(34)	(189)	(23)	(24)	(40)	-	-	-	487	-	-
PREPAID INSURANCE AND OTHER ASSETS	-	4	-	9	-	-	9	-	-	-	43	155
TOTAL ASSETS	$22,902	$ 9,789	$23,812	$33,969	$28,942	$37,443	$44,580	$43,134	$48,757	$15,126	$397,396	$393,345
LIABILITIES AND FUND BALANCES												
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 10	$ 5	$ 57	$ 25	$ 6	$ -	$ 20	$ 2	$ 160	$ 334	$ 731	$ 660
ACCRUED INTEREST PAYABLE	295	121	371	482	400	493	510	516	194	-	4,802	4,740
BONDS PAYABLE - Net	22,910	9,500	23,050	32,070	27,441	35,655	40,445	40,820	47,180	-	354,974	353,946
Total liabilities	23,215	9,626	23,478	32,577	27,847	36,148	40,975	41,338	47,534	334	360,507	359,346
FUND BALANCES	(313)	163	334	1,392	1,095	1,295	3,605	1,796	1,223	14,792	36,889	33,999
TOTAL LIABILITIES AND FUND BALANCES	$22,902	$ 9,789	$23,812	$33,969	$28,942	$37,443	$44,580	$43,134	$48,757	$15,126	$397,396	$393,345

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, 1998

	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:											
Income earned on mortgage loans receivable / mortgage-backed securities	$ -	$ 372	$ 325	$261	$ 298	$1,149	$ -	$1,885	$1,034	$ 858	$ 345
Income earned on other investments	-	77	110	2	124	103	334	209	75	122	75
Authority fee income	-	-	-	-	-	-	-	-	-	-	-
Residual from MRCMO	-	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of investments	-	-	-	-	(6)	-	-	-	-	-	-
Other	-	-	-	-	-	-	9	-	-	-	2
Total	-	449	435	263	416	1,252	343	2,094	1,109	980	422
EXPENSES:											
Interest	-	335	458	282	751	1,324	909	1,962	924	1,010	264
Amortization of deferred financing costs	-	5	5	24	192	56	63	38	33	38	17
Amortization of DAP & AAP	-	-	-	-	-	-	-	-	-	-	-
Authority fees	-	-	-	-	-	-	-	-	12	61	17
Servicing fees	-	10	9	-	-	-	-	-	-	-	16
Insurance costs	-	16	19	-	-	-	70	-	-	-	7
Administrative fees	-	6	6	4	3	16	-	24	13	14	3
Operating expenses	-	4	-	-	8	14	12	22	11	6	3
Transfer of MRCMO residual	-	-	-	-	-	-	128	-	-	-	-
Expenses of other programs	-	-	-	-	-	-	-	-	-	-	-
Total	-	376	497	310	954	1,410	1,182	2,046	993	1,129	327
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	-	73	(62)	(47)	(538)	(158)	(839)	48	116	(149)	95
TRANSFERS AMONG PROGRAMS	-	-	-	-	4	-	(229)	-	-	(71)	71
FUND BALANCE, BEGINNING OF YEAR:											
Previously reported	-	1,346	1,730	222	290	1,338	1,242	873	452	1,187	1,709
Adjustment to market	-	-	-	97	244	868	447	304	182	662	-
As restated	-	1,346	1,730	319	534	2,206	1,689	1,177	634	1,849	1,709
FUND BALANCES, END OF YEAR	$ -	$1,419	$1,668	$272	$ -	$2,048	$ 621	$1,225	$ 750	$1,629	$1,875

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EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 1998

	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 D Program	1997 (C1-C3)	1998B Program	1998 D Program	Unrestricted Fund	(Memorandum Only) Combined 1998	Combined 1997
REVENUES:												
Income earned on mortgage loans receivable / mortgage-backed securities	$ 1,586	$ 628	$ 1,739	$ 2,272	$ 1,985	$ 1,836	$ 2,750	$ 154	$ -	$ 92	$ 19,569	$ 19,068
Income earned on other investments	92	63	141	101	94	571	3,227	895	204	627	7,246	7,768
Authority fee income	-	-	-	-	-	-	-	-	-	571	571	524
Residual from MRCMO	-	-	-	-	-	-	-	-	-	128	128	2,164
Gain (loss) on sale of investment	-	-	-	-	-	-	-	-	-	52	46	2,662
Other	-	1	-	-	-	-	3	-	-	12	27	9
Total	1,678	692	1,880	2,373	2,079	2,407	5,980	1,049	204	1,482	27,587	32,195
EXPENSES:												
Interest	1,259	517	1,583	1,979	1,618	1,978	3,486	1,186	181	-	22,006	24,688
Amortization of deferred financing costs	60	23	88	62	38	45	444	26	4	-	1,261	1,272
Amortization of DAP & AAP	-	-	-	30	40	58	-	-	-	-	128	61
Authority fees	37	24	84	45	101	140	-	-	-	-	521	574
Servicing fees	-	16	-	-	-	-	74	-	-	-	125	154
Insurance costs	-	9	-	-	-	-	2	-	-	-	123	198
Administrative fees	24	10	25	48	30	-	14	5	-	156	401	351
Operating expenses	18	8	15	22	6	21	27	15	-	157	369	538
Transfer of MRCMO residual	-	-	-	-	-	-	-	-	-	-	128	2,164
Expenses of other programs	-	-	-	-	-	-	-	-	-	133	133	567
Total	1,398	607	1,795	2,186	1,833	2,242	4,047	1,232	185	446	25,195	30,567
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	280	85	85	187	246	165	1,933	(183)	19	1,036	2,392	1,628
TRANSFERS AMONG PROGRAMS	(378)	(184)	-	(81)	(2)	379	(1,870)	1,935	1,204	(778)	-	-
FUND BALANCES, BEGINNING OF YEAR:												
Previously reported	1,586	957	649	1,030	863	761	3,542	44	-	14,178	33,999	32,371
Adjustment to market	(1,801)	(695)	(400)	256	(12)	(10)	-	-	-	356	498	-
Restated	(215)	262	249	1,286	851	751	3,542	44	-	14,534	34,497	32,371
FUND BALANCES, END OF YEAR	$ (313)	$ 163	$ 334	$ 1,392	$ 1,095	$ 1,295	$ 3,605	$ 1,796	$ 1,223	$ 14,792	$ 36,889	$ 33,999

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, 1998

	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	$ -	$ 73	$ (62)	$ (47)	$ (538)	$ (158)	$ (839)	$ 48	$ 116	$ (149)	$ 95
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:											
Unrealized (gain) loss on securities											
(Gain) loss on sale of securities	-	-	-	28	244	172	(132)	304	(105)	193	-
Amortization of deferred financing costs	-	-	-	-	6	-	-	-	-	-	-
Amortization of Downpayment and Authority Assistance Programs	-	5	5	24	192	56	63	38	33	38	17
Accretion of mortgage loans											
Income earned on other investments	-	-	-	-	-	-	-	-	-	-	-
Interest expense on bonds payable	-	(77)	(110)	(2)	(124)	(103)	(334)	(209)	(75)	(122)	(75)
Other, net	-	335	458	282	751	1,324	909	1,962	924	1,010	264
Principal collected on mortgage loans/ mortgage-backed securities	(19)	(6)	(12)	9	(187)	(7)	303	(281)	(24)	6	1
Purchase of mortgage loans/mortgage-backed securities	-	799	916	1,165	10,237	4,566	-	6,029	2,017	3,218	881
Payment of downpayment and assistance programs	-	-	-	-	-	-	-	-	(6)	-	-
Net cash provided by (used in) operating activities	(19)	1,129	1,195	1,459	10,581	5,850	(30)	7,891	2,880	4,194	1,183
INVESTING ACTIVITIES:											
Proceeds from maturity or sale of investments	-	1,240	1,170	-	14,021	5,232	8,031	6,227	2,140	3,518	1,325
Interest received on investments	-	77	110	2	124	103	334	209	75	122	75
Purchase of investments	-	(935)	(1,327)	-	(12,800)	(4,915)	(7,228)	(7,051)	(2,263)	(4,217)	(1,229)
Net cash provided by (used in) investing activities	-	382	(47)	2	1,345	420	1,137	(615)	(48)	(577)	171

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 1998

	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 D Program	1997 (C1-C4)	1998 B Program	1998 D Program	Unrestricted Fund	(Memorandum Only) Combined 1998	Combined 1997
OPERATING ACTIVITIES:												
Excess (deficiency) of revenues over expenses	$ 280	$ 85	$ 85	$ 187	$ 246	$ 165	$ 1,933	$ (183)	$ 19	$ 1,036	$ 2,392	$ 1,628
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:												
Unrealized (gain) loss on securities	(334)	(42)	(56)	(125)	(218)	(119)	-	442	-	91	343	-
(Gain) loss on sale of securities	-	-	-	-	-	-	-	-	-	52	57	(2,662)
Amortization of deferred financing costs	60	23	88	62	38	45	444	26	4		1,261	1,272
Amortization of Downpayment and Authority Assistance Programs	-	-	-	30	40	58	-	-	-	-	128	61
Accretion of mortgage loans	-	-	-	-	-	-	(1,081)	-	-	-	(1,081)	(2,373)
Income earned on other investments	(92)	(63)	(141)	(101)	(94)	(571)	(3,227)	(895)	(204)	(627)	(7,246)	(7,768)
Interest expense on bonds payable	1,259	517	1,583	1,979	1,618	1,978	3,486	1,186	181	-	22,006	24,688
Other, net	5	-	(53)	(43)	33	246	149	(1,051)	(507)	208	(1,230)	1,012
Principal collected on mortgage loans/ mortgage-backed securities	3,325	1,083	3,697	2,548	1,207	740	3,374	3,824	-	2,050	51,676	26,272
Purchase of mortgage loans/mortgage-backed securities	-	-	-	-	(2,373)	(18,371)	-	(32,002)	-	(2,418)	(55,170)	(54,474)
Payment of downpayment and assistance programs	-	-	-	(30)	(26)	(312)	(71)	(834)	-	-	(1,273)	(570)
Net cash provided by (used in) operating activities	4,503	1,603	5,203	4,507	471	(16,141)	5,007	(29,487)	(507)	392	11,863	(12,914)
INVESTING ACTIVITIES:												
Proceeds from maturity or sale of investments	4,226	1,623	4,684	3,339	4,941	20,046	68,046	21,006	-	12,282	183,097	231,351
Interest received on investments	92	63	141	101	94	571	3,227	895	204	627	7,246	7,644
Purchase of investments	(4,245)	(1,363)	(5,253)	(4,188)	(2,696)	(2,050)	(37,607)	(32,522)	(47,109)	(14,269)	(193,267)	(210,626)
Net cash provided by (used in) investing activities	73	323	(428)	(748)	2,339	18,567	33,666	(10,621)	(46,905)	(1,360)	(2,924)	28,369

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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	-	(906)	(671)	(1,178)	(10,975)	(3,860)	(7,086)	(4,420)	(1,565)	(2,395)	(1,070)
Interest paid on bonds payable	-	(335)	(455)	(283)	(1,133)	(1,299)	(945)	(2,101)	(949)	(1,052)	(283)
Payment of deferred financing costs	-	-	-	-	-	-	-	-	-	-	-
Transfers among programs	-	-	-	-	4	-	(229)	-	-	(71)	71
Net cash provided by (used in) non-capital financing activities	-	(1,241)	(1,126)	(1,461)	(12,104)	(5,159)	(8,260)	(6,521)	(2,514)	(3,518)	(1,282)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19)	270	22	-	(178)	1,111	(7,153)	755	318	99	72
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	19	44	104	-	178	331	7,153	580	193	439	53
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ -	$ 314	$ 126	$ -	$ -	$1,442	$ -	$1,335	$ 511	$ 538	$ 125

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 1998

	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 D Program	1997 (C1-C4)	1998 B Program	1998 D Program	Unrestricted Fund	(Memorandum Only) Combined 1998	Combined 1997
NON-CAPITAL FINANCING ACTIVITIES:												
Proceeds of bond issuance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$40,820	$47,180	$ -	$ 88,000	$119,455
Bond redemptions and principal repayments	(2,965)	(1,085)	(3,340)	(1,820)	(644)	(110)	(32,992)	-	-	-	(77,082)	(99,404)
Interest paid on bonds payable	(1,294)	(530)	(1,632)	(2,003)	(1,627)	(1,980)	(3,336)	-	-	-	(21,237)	(25,997)
Payment of deferred financing costs	-	-	-	-	-	-	-	(756)	(722)	-	(1,478)	(1,919)
Transfers among programs	(378)	(184)	-	(81)	(2)	379	(1,870)	1,935	1,204	(778)	-	-
Net cash provided by (used in) non-capital financing activities	(4,637)	(1,799)	(4,972)	(3,904)	(2,273)	(1,711)	(38,198)	41,999	47,662	(778)	(11,797)	(7,865)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(61)	127	(197)	(145)	537	715	475	1,891	250	(1,747)	(2,858)	7,588
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	343	102	722	496	244	88	338	-		2,318	13,745	6,158
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 282	$ 229	$ 525	$ 351	$ 781	$ 803	$ 813	$ 1,891	$ 250	$ 571	$ 10,887	$ 13,746

See notes to financial statements.

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1998

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, 1996 B, 1997D and 1998 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 Bonds dated March 1, 1979	$ 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	3,500
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 C1-C4 Program, dated December 31, 1997	101,400
1997 F Program, dated September 25, 1997 (remarketed)	5,135
1998 A Program, dated June 1, 1998	12,920
1998 B Program, dated June 1, 1998	23,595
1998 C Program, dated December 1, 1998	41,180
1998 D Program, dated December 1, 1998	6,000
	$927,080

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 and 1985 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.

GASB Statement No. 31 - The Governmental Accounting Standards Board ("GASB") issued Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB Statement (GASBS) No. 31 became effective for the Authority for periods beginning after June 15, 1997 and was adopted by the Authority effective January 1, 1998. The cumulative effect of the adoption of the Statement as of January 1, 1998 is shown in the statements of revenues, expenses and changes in fund balances and entitled "adjustment to market." The Statement requires that most investments be recorded at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties and has generally been based upon quoted values. This method of accounting causes fluctuations in reported investment values based on fluctuations in the investment market. Fluctuations in the fair value of investments are recorded as income or expense in the statements of revenues, expenses and changes in fund balances, and the amount is disclosed in the statements of cash flows as unrealized (gain) loss on securities. The Authority applies the provisions of the Statement to U.S. Government securities and mortgage-backed securities. Following is a summary of the unrealized gains (losses) as reflected in the accompanying financial statements:

	Unrealized Gain (Loss)		
	Balance January 1, 1998	Change During the Year Ended December 31, 1998	Balance December 31, 1998
1987 Program	$ 97	$ (28)	69
1998 C&D Program	244	(244)	-
1988 E&F Program	868	(172)	696
MRCMO Program	447	132	579
1990 Program	304	(304)	-
1992 A&B Program	182	105	287
1992 C Program	662	(193)	469
1993 A&B Program	(1,801)	334	(1,467)
1993 C Program	(695)	42	(653)
1994 A&B Program	(400)	56	(344)
1995 B Program	256	125	381
1997 C Program	(12)	218	206
1997 D Program	(10)	119	109
1998 B Program	-	(442)	(442)
Unrestricted	356	(91)	265
	$ 498	$ (343)	$ 155

The sale of these investments by the Authority is subject to certain restrictions as described in the individual bond indentures.

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

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

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.

3. CASH AND INVESTMENTS

The Authority's programs maintain deposits at the Trustee bank. The balances of these deposits at December 31, 1998 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, 1998.

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 carrying values of the U.S. Government and Agency securities at December 31, 1998 are as follows (in thousands):

MRCMO Program	$ 874
Unrestricted Fund	11,257
Combined	$ 12,131

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 (in thousands)	Category 3	Carrying and Market Amount
U. S. Government and Agency Securities	$ 12,977	$ -	$ -	$ 12,977
Guaranteed Investment Agreements	-	-	104,854	104,854
	$ 12,977	$ -	$ 104,854	$ 117,831

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 %
1992 D Program	8.400 %
1993 C Program	7.125 %
1997 C Program	8.500 %

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 $3,507,000 at December 31, 1998. 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	Pass Through Interest Rate
1987 Program	23 Years	8.30%
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%
1998 B Program	30 Years	5.125%
	30 Years	5.375%
	30 Years	5.875%
	30 Years	8.35%

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 (recorded at fair value) in the accompanying balance sheets. The following is a summary of the balances of deferred net fees at December 31, 1998.

	Unamortized Deferred Net Fees
1988 E&F Program	$ 176,000
1990 Program	566,000
1992 A&B, 1992C and 1992D Programs	74,000
1993 A&B and 1993C Programs	24,000
1994 A&B Program	141,000
1995 B Program	218,000
1996 B Program	236,000
1997 D Program	316,000

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, 1998 (in thousands):

1984 Program:	
Capital appreciation bonds due serially and term from 1999 to 2015, priced to yield 10.25% to 11.25% at maturity	$ 26,994
Less unamortized bond discount	(24,429)
Total - 1984 Program	2,565

1985 Program:	
Term bonds due 2016, bearing interest at 10% payable semiannually	3,345
Less unamortized bond discount	(834)
Total - 1985 Program	2,511
1987 Program, term bonds due 2011, bearing interest at 8.25% payable monthly	2,759
1988 E&F Program, due serially and term through 2021, bearing interest at 6.9% to 7.875% payable semiannually	14,490
MRCMO Program:	
Zero coupon bonds due 2014, priced to yield 9.33% at maturity	3,500
Less unamortized bond discount	(2,684)
Total - MRCMO Program	816
1990 Program, due serially and term through 2023, bearing interest at 6.5% to 7.875% payable semiannually	23,960
1992 A&B Program, due serially and term from 1999 through 2024, bearing interest at 5.25% to 7.1% payable semiannually	12,685
Less unamortized bond discount	(58)
Total - 1992 A&B Program	12,627
1992 C Program, term bonds due through 2032, bearing interest at 7% payable semiannually	13,110
1992 D Program, term bonds due through 2032, bearing interest at 7.1% payable semiannually	3,065

1993 A&B Program, due serially and term from 1999 through 2025, bearing interest at 3.3% to 5.5% payable semiannually	22,910
1993 C Program, due serially and term from 1999 through 2025, bearing interest at 3.4% to 5.5% payable semiannually	9,500
1994 A&B Program, term bonds due from 1999 through 2028, bearing interest at 4.9% to 6.8% payable semiannually	23,050
1995 B Program, due serially and term from 2010 through 2028, bearing interest at 5.5% to 6.35% payable semiannually	32,070
1996 B Program, due serially and term from 2002 through 2029, bearing interest at 4.5% to 6.2% payable semiannually	27,441
1997 C Program:	
Capital appreciation bonds due term from 2006 to 2030 priced to yield 4.75% to 5.85% at maturity	49,045
Serial and term bonds due from 1999 through 2018, bearing interest at 5.75% to 6.75% payable semiannually	19,160
Less unamortized bond discount	(27,760)
Total - 1997 C Program	40,445
1997 D Program, due serially and term from 2008 through 2030, bearing interest at 4.2% to 5.9% payable semiannually	35,655
1998 B Program, due serially and term from 2000 through 2030, bearing interest at 4.0% to 5.45% payable semiannually	40,820
1998 D Program, due serially and term from 2000 through 2023, bearing interest at 3.70% to 5.25% payable semiannually	47,180
Total bonds payable	$354,974

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, 1998 were as follows (in thousands):

	Early Bond Redemptions	*Related Deferred* Financing Costs Expensed
1984 Program	$ 1,241	$ 4
1985 Program	735	5
1988 C&D Program	10,800	181
1988 E&F Program	3,415	41
MRCMO Program	7,877	57
1990 Program	3,955	17
1992 A&B Program	1,345	17
1992 C Program	2,395	32
1992 D Program	1,070	15
1993 A&B Program	2,450	34
1993 C Program	880	11
1994 A&B Program	3,000	60
1995 B Program	1,450	27
1996 B Program	645	11
1997 D Program	110	2
	$41,368	$514

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

	1999	2000	2001	2002	2003	Thereafter	Total
1984 Program	$ -	$ -	$ -	$ -	$ -	$ 2,565	$ 2,565
1985 Program	-	-	-	-	-	2,511	2,511
1987 Program	-	-	-	-	-	2,759	2,759
1988 E&F Program	415	460	480	520	560	12,055	14,490
MRCMO Program	-	-	-	-	-	816	816
1990 Program	435	445	470	505	565	21,540	23,960
1992 A&B Program	220	220	200	205	210	11,572	12,627
1992 C Program	-	-	-	-	-	13,110	13,110
1992 D Program	-	-	-	-	-	3,065	3,065
1993 A&B Program	510	530	555	580	600	20,135	22,910
1993 C Program	190	190	190	205	220	8,505	9,500
1994 A&B Program	320	-	-	-	1,235	21,495	23,050
1995 B Program	370	370	370	370	370	30,220	32,070
1996 B Program	280	285	290	300	320	25,966	27,441
1997 C Program	1,390	1,590	1,900	2,065	2,230	31,270	40,445
1997 D Program	425	445	460	465	400	33,460	35,655
1998 B Program	-	525	545	570	590	38,590	40,820
1998 D Program	-	390	640	645	645	44,860	47,180
	$ 4,555	$5,450	$6,100	$ 6,430	$ 7,945	$324,494	$354,974

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, 1998, the following amounts were paid to the Authority's Board members:

Board Member	
Randy Bonnecaze	$ 7,800
Astrid Clements	9,400
Robert Gaston, III	10,000
William G. Gauthier	9,800
Henry Henagen	12,000
Sidney W. Longwell, Sr.	7,200
Jake L. Netterville	12,000
Loretta Pourciau	6,000
Lynda Rowley	4,000
Total	$ 78,200

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, 1998.

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.

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.

In the past, the Authority has used short term escrow bonds to capture a major portion of the proceeds received through the repayment and prepayment of mortgage loans and MBS securities. The use of these short term escrow bonds made it possible for the Authority to expand the size of each new lending program. The short term escrow bonds would be remarketed or refunded in conjunction with the issuance of new mortgage revenue bonds. The Authority has begun to use a "Convertible Program Note" instrument to capture all available funds from the repayment and prepayment of loans and MBS securities. The CPN instrument allows smaller amounts to be captured than is feasible with the traditional short term escrow bonds. The CPN's cannot be remarketed. There is a maximum amount established for each CPN instrument. Then as each debt service date approaches for the Authority's various prior programs, an amount matching the amount of bond principal to be called or redeemed is "drawn down" from the CPN. When the Authority develops a new lending program the outstanding CPN's are refunded using mortgage revenue refunding bonds.

During the year ended December 31, 1998, two of these CPN's were refunded into the 1998B and the 1998 D Programs. In addition, in December 1998, the 1997 C-4 bonds ($31,200,000) which were originally issued in December, 1997 as short term escrow bonds, were refunded into the 1998D lending 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. During the year ended December 31, 1998, the Authority paid the following:

	December 31, 1997	Paid in 1998	1998 Amortization	December 31, 1998
1995 B Program	$302	$ -	$ 30	$ 272
1996 B Program	386	14	40	360
1997 D Program	211	370	58	523
1998 B Program	-	71	-	71
1997 C1-C3 Program	-	834	-	834
	$899	$1,289	$128	$2,060

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) balances in the cost of issuance accounts.

* * * * * *

SUPPLEMENTARY INFORMATION

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

YEAR 2000 SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 1998

The year 2000 issue is the result of shortcomings in many electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond. For many years, programmers eliminated the first two digits from a year when writing programs. For example, programmers would designate January 1, 1965 as "01/01/65" instead of "01/01/1965." On January 1, 2000 at 12:00:01 a.m., the internal clock in computers and other equipment will roll over from "12/31/99" to "01/01/00." Unfortunately, many programs (if not corrected) will not be able to distinguish between the year 2000 and the year 1900. This may cause the programs to process data inaccurately or to stop processing data altogether. Another factor that may cause problems in programs is the leap-year calculation. Some programs are unable to detect the year 2000 as a leap year.

Problems affecting a wide range of governmental activities will likely result if computers and other electronic equipment that are dependent upon date-sensitive coding are not corrected. These problems have the potential for causing a disruption to some government operations and may temporarily increase the cost of those operations.

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. (FCS) 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.

The Program Administrator maintains computerized current data on the Authority's accounting records and loan data, and supervises the servicing and trustee functions for each program. The Authority, therefore, has no computer software or hardware as the internal related functions are performed by FCS. As such, the Authority has not directly incurred or committed any funds in connection with the year 2000 issue. The management of FCS has informed the Authority that it has completed the awareness and assessment stages of FCS's year 2000 program and that the remediation stage will be completed by June 30, 1999 with the validation testing stage to be completed by July 31, 1999.

Deloitte & Touche

Deloitte & Touche LLP
Suite 501
8550 United Plaza Boulevard
Baton Rouge, Louisiana 70809

Telephone: (225) 928-0108
Facsimile: (225) 928-0449

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, 1998, and have issued our report thereon dated June 1, 1999. 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.

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

June 1, 1999

Deloitte & Touche LLP
Suite 501
8550 United Plaza Boulevard
Baton Rouge, Louisiana 70809

Telephone: (225) 928-0108
Facsimile: (225) 928-0449

June 1, 1999

Board of Trustees of the
East Baton Rouge Mortgage Finance Authority
New Orleans, Louisiana

Dear Members of the Board of Trustees:

The approach of the year 2000 presents significant issues for many financial, information, and operational systems. Many systems in use today may not be able to interpret dates after December 31, 1999 appropriately, because such systems allow only two digits to indicate the year in a date. As a result, such systems are unable to distinguish January 1, 2000, from January 1, 1900, which could have adverse consequences on the operations of the entity and the integrity of information processing, causing safety, operational, and financial issues.

Our audit of the East Baton Rouge Mortgage Finance Authority's financial statements for the year ending December 31, 1998, does not provide any assurances, nor do we express any opinion, that the East Baton Rouge Mortgage Finance Authority's systems or any other systems, such as those of the East Baton Rouge Mortgage Finance Authority's vendors, service providers, or other third parties, are year 2000 compliant. In addition, we were not engaged to perform, nor did we perform as part of our audit engagement, any procedures to test whether the East Baton Rouge Mortgage Finance Authority's systems or any other systems are year 2000 compliant or whether the plans and activities of the East Baton Rouge Mortgage Finance Authority are sufficient to address and correct system or any other problems that might arise because of the year 2000, nor do we express any opinion or provide any assurances with respect to these matters.

However, during our audit, we made limited inquiries about the East Baton Rouge Mortgage Finance Authority's activities to address the year 2000 issue. We have not performed any procedures to test the accuracy or completeness of the responses to our inquiries, but we have included our observations resulting from those inquiries in the paragraph following. Our observations supplement the communications that were previously made to the Board of Trustees and are appropriate as of the date of this letter. Because year 2000 activities are currently in process, we may have had additional observations had we made inquiries after the date of this letter. Accordingly, we encourage the management and Board of Trustees to continue its oversight of the East Baton Rouge Mortgage Finance Authority's year 2000 activities.

We discussed the Authority's Year 2000 activities with Ms. Victoria Theriot of Financial Consulting Services, Inc. who informed us of the following:

> 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. (FCS) 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.
>
> The Program Administrator maintains computerized current data on the Authority's accounting records and loans data, and supervises the servicing and trustee functions for each program. The Authority, therefore, has no computer software or hardware as the internal related functions are performed by FCS. As such, the Authority has not directly incurred or committed any funds in connection with the year 2000 issue. The management of FCS has informed the Authority that it has completed the awareness and assessment stages of FCS's year 2000 program and that the remediation stage will be completed by June 30, 1999 with the validation testing stage to be completed by July 31, 1999.

Ms. Theriot also informed us that she has not yet received reports on the year 2000 readiness of all of the Authority's service providers.

This report is intended solely for the information and use of management, the Board of Trustees, and others within the organization.

Yours truly,

Deloitte & Touche LLP