THE COMMUNITY
DEVELOPMENT TRUST, INC.

Letter of Comment No: 48
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October 23, 2003

Mr. Robert H. Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Statement of Financial Accounting Standard No. 150– Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity ("SFAS 150")

Dear Mr. Herz:

I am writing this letter to express to the FASB my concern with the pending implementation of SFAS 150 and the potentially negative impact it could have on the reporting results of our company, The Community Development Trust, Inc. ("CDT"). CDT is relatively small, hybrid real estate investment trust ("REIT") and is the nation's first REIT created solely for the purpose of acquiring community development assets. CDT's primary goal is to preserve and increase the stock of affordable housing both through long-term equity investments in properties and by providing a secondary market for permanent fixed-rate mortgages. Although not a public company, our Board of Directors and Audit Committee take their corporate governance roles and responsibilities very seriously and expect CDT to follow generally accepted accounting principles ("GAAP"), as if we were a public company.

The equity side of CDT's business normally involves investing in real estate partnerships that, based upon our ownership level or control, often requires us to consolidate these entities and report minority interest amounts above our equity section of the balance sheet for those percentages owned by other entities. My reading of the provisions of paragraph 9 of SFAS 150 leads me to believe that any of these jointly owned consolidated entities described above may meet the definition of "mandatorily redeemable financial instruments". If this is the case, we would be required to report these minority interests as liabilities and measure their fair value at each balance sheet date. As we continue to improve the quality of these investments through increased occupancy and capital improvements, we would be required to include the increased minority interest liability in our operating results as an expense and completely distort our operating results for the periods in which the fair value change occurs. This accounting would not result in financial reporting that demonstrates to our shareholders neither our existing financial condition nor our true operating results in the period. It is counter-intuitive to record a current expense and liability in our financial statements when the underlying reality is that we now own an investment (asset) that increased in value but must be carried at historical cost.

I was a member of the AICPA Real Committee quite a few years ago (1990-1993) and remember addressing this issue at that time as we were also considering the feasibility of using current value accounting in the real estate industry. While current value financial statements are prepared

1350 Broadway Suite 700 • New York, NY 10018-7702 • Tel: 212-271-5080 • Fax: 212-271-5079

regularly for a variety of purposes in the real estate industry, trying to implement a component of just the "liability side" of current value financial statements for GAAP purposes is very troubling. Instead of improving the clarity and usefulness of my company's financial statements, I feel that implementation of SFAS 150 will require additional disclosure and communication with shareholders in order that they understand the true financial condition of the company.

I would request that the Board expeditiously address this inappropriate financial reporting result of SFAS 150 and at the very least defer the application of SFAS 150 to a date when the full appreciation of this inaccurate accounting result can be understood.

Sincerely.

John J. Divers

John J. Divers
Chief Operating Officer and
Chief Financial Officer