evaluate the debt service coverage ratio based on PWF's historical experience of similar properties and the frequency of such losses. Loans that are impaired and specific loans that are not impaired but have debt service coverage ratios below a certain threshold, which indicates a high likelihood of future foreclosure and currently have an existing loss, are evaluated. The estimate of currently existing loss includes the estimated severity of the loss which would include any advances made or existing property loss. Property maintenance costs (when foreclosure occurs) are expensed when incurred and not included in the loss estimate. However, as most loans are sold very quickly after origination, there typically is not a significant amount of loan loss allowance recorded.

We have exposure to loss due to our retention of a portion of credit risk within PWF's servicing contract under the Fannie Mae DUS program. For loans which have been sold as commercial mortgage-backed securities for which PWF retains the servicing under Fannie Mae's DUS program, PWF's share of loss is associated with the servicing contract and determined in accordance with the loss sharing provisions under the program. Prior to the issuance of Interpretation No. 45, "Guarantors' Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"), because the loss sharing on these serviced loans was associated with the servicing contract, they were valued within the servicing right and the anticipated cash flows that are associated with such servicing activities. We have determined that these potential losses are guarantees under the definition of FIN 45 and therefore, record an asset and a corresponding liability based on our estimate of the portion of the servicing cash flows deemed to represent compensation for our guarantee for loans originated on/or after January 1, 2003. On an ongoing basis, we will account for the asset by offsetting cash received for the guarantee against the asset and crediting interest income for the change in asset due to the passage of time. The portion of the liability representing an accrual for probable losses under SFAS No. 5, "Accounting for Contingencies" ("FAS 5") is adjusted as loss estimates change; the portion representing our willingness to stand by as guarantor will be amortized over the expected life of the guarantee.

NOTE 23 • Subsequent Events

New Acquisitions

Subsequent to December 31, 2003, CharterMac has acquired eight revenue bonds with a total aggregate face amount of approximately $70.2 million, secured by 1,321 multifamily units.

Interest Rate Swap Transactions

On January 15, 2004, CharterMac entered into two interest rate swap agreements with Fleet as the counterparty. One has a notional amount of $50 million fixed at an annual rate of 2.86% beginning in January 2005 and expiring in January 2008. The other swap has the same notional amount of $50 million fixed at an annual rate 3.08% beginning in January 2005 and expiring in January 2009. On February 13, 3004, CharterMac also entered into two interest rate swaps with RBC Capital Markets and Fleet as counterparties, respectively. Both have a notional amount of $100 million. The one with RBC has a fixed annual rate of 3.075% beginning in January 2005 and expiring in January 2009. The other swap with Fleet has a fixed annual rate of 3.265% beginning in January 2005 and expiring in January 2010.