



July 29, 2011

Members of the Joint Legislative Commission on Governmental Operations

Ladies and Gentlemen:

This annual report is being filed on the production activities of the North Carolina Housing Finance Agency (NCHFA) for the 2011 fiscal year (July 1, 2010 to June 30, 2011), per G.S. 112A-16. The NCHFA uses federal, state, and private funds to create affordable housing opportunities for North Carolinians whose needs are not met by the market.

The NCHFA provided \$321 million in financing for affordable housing activity during this fiscal year, financing the construction, purchase or rehabilitation of 4,777 homes and apartments. The investments generated approximately 8,080 jobs and \$31.7 million in state and local tax revenues. In addition, the Agency (and its partners) administered \$143 million in rental assistance and provided \$21.5 million in financing to prevent foreclosures.

A major new initiative was the development of the N.C. Foreclosure Prevention Fund, which the Agency launched statewide December 1. The new loan programs use funds from the U.S. Department of the Treasury's Hardest Hit Fund to help unemployed North Carolina workers avoid foreclosure while they search or re-train for new employment. North Carolina was among 17 states selected by Treasury to participate, based on the high percentage of the population living in counties with high unemployment rates. The Agency expects its new programs to assist 21,000 North Carolina homeowners in the next three to five years.

Attached please find a report further detailing the Agency's housing activity, as well as the following:

- Exhibit 1 shows the Agency's budget for the fiscal year July 1, 2010 to June 30, 2011 showing an approved year to date budget of \$14,950,389 and actual expenses of \$13,375,952 for staff and operations.
- Exhibit 2 is the fiscal year 2011 organizational chart of the Agency showing 118 authorized positions.
- Exhibit 3 is a program overview. The Agency's programs have differing eligibility standards based on federal and state law. Most of the programs are helping households whose incomes are below 80% of the state median income, and several target households below 50%.

We are proud to be a self-supporting and dynamic part of North Carolina's affordable housing industry. We appreciate your support.

Sincerely,
A. Robert Kucab
Executive Director

Enclosures

Report of the North Carolina Housing Finance Agency

July 1, 2010 – June 30, 2011

The North Carolina Housing Finance Agency is self-supporting. It provides financing for affordable housing by selling tax-exempt bonds, issuing state and federal Housing Credits, operating the federal HOME Program and the state Housing Trust Fund, administering federal Section 8 Rental Assistance funds, operating the state Home Protection Program, and administering the Recovery Act's Tax Credit Assistance Program and Credit Exchange.

In this fiscal year, in addition to these activities, the N.C. Housing Finance Agency used funding from the U.S. Department of the Treasury's Hardest Hit Fund to develop the N.C. Foreclosure Prevention Fund. The Fund provides loan programs to help workers who are unemployed or experiencing certain temporary hardships, to pay their mortgages while they seek or train for new employment. Since the Fund launched statewide on December 1, 2010 it has helped 1,067 homeowners.

In its history, the Agency has invested approximately \$10.2 billion for affordable homes and apartments, to assist 201,000 households of low and moderate income. Net interest margins or fees pay the Agency's expenses, including the cost of operating the state Housing Trust Fund and the Home Protection Program.

Economic Impact. In this fiscal year, investments generated approximately:

8,080 jobs,
\$20.4 million in state tax revenues, and
\$11.3 million in local tax revenues.

I. Investment: All Programs

Activity	Total Funding
Homebuyer housing	92,883,611
Rental housing	211,531,550
Supportive housing	5,632,301
Homeowner housing rehabilitation	7,841,985
Urgent repair	3,133,172
Foreclosure prevention loans	18,783,436
Foreclosure prevention counseling	2,714,129
Rental assistance	143,023,271

I. North Carolina Housing Trust Fund

Activity	Total Units	Total Funding
Homebuyer housing	55	526,651
Rental housing	609	7,511,000
Supportive housing	304	5,393,301
Homeowner housing rehabilitation	0	0
Urgent repair	740	2,685,833
Foreclosure prevention loans	0	0
Foreclosure prevention counseling	0	0
Rental assistance	0	0

II. State HOME Match

Activity	Total Units	Total Funding
Rental Assistance	383	741,422

IV. Home Protection Program

Activity	Total Units	Total Funding
Foreclosure Prevention Loans	117	1,949,476
Foreclosure Prevention Counseling	219	463,899

*The Housing Trust Fund, HOME Match, and Home Protection Program data are also included in Table I.

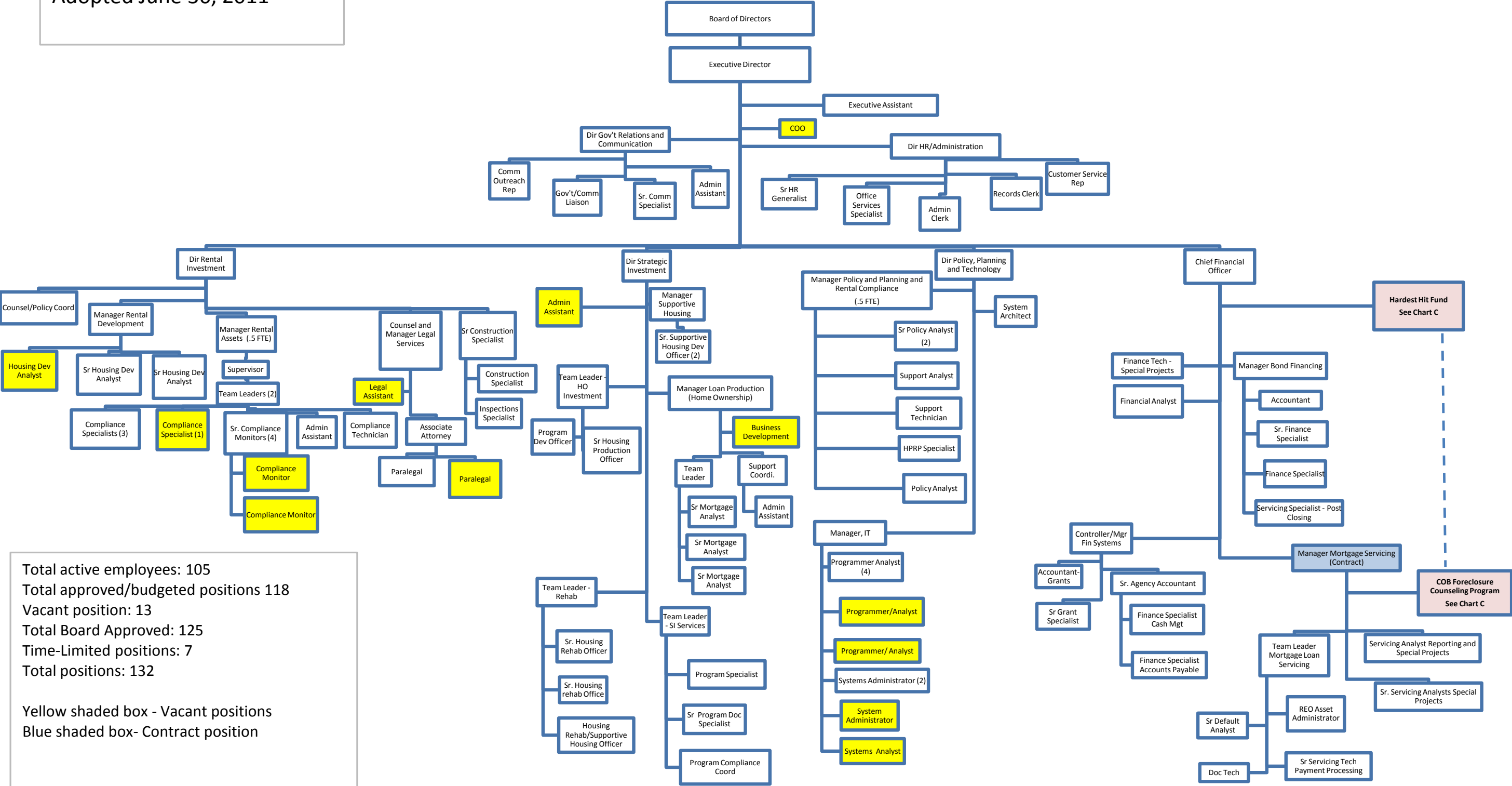
EXHIBIT 1: Fiscal Year 2011 Budget

NCHFA Operating Budget
SUMMARY
Fiscal Year 2011 (July 1, 2010 - June 30, 2011)

	Annual Budget	Year to Date Expenditures (through 6/30/2011)	Year to Date Budget Variance
73601 REGULAR SALARIES	7,158,992.00	6,738,050.41	420,941.59
73602 LONGEVITY PAYMENTS	122,650.00	69,708.00	52,942.00
Salary Subtotal	7,281,642.00	6,807,758.41	473,883.59
73605 SOCIAL SECURITY CONTRIBUTION	567,696.00	490,423.73	77,272.27
73606 RETIREMENT CONTRIBUTION	734,519.00	715,099.81	19,419.19
73607 HOSPITAL INSURANCE CONTR	557,693.00	470,885.54	86,807.46
Benefits Subtotal	1,859,908.00	1,676,409.08	183,498.92
73610 LEGISLATIVE EXPENSES	51,027.00	3,147.00	47,880.00
73611 LEGAL SERVICES	66,640.00	55,980.63	10,659.37
73612 FINANCIAL/AUDIT SERVICES	109,505.00	103,900.00	5,605.00
73613 SYSTEMS IMPLEMENTATION	942,765.00	945,116.73	(2,351.73)
Professional Services Subtotal	1,169,937.00	1,108,144.36	61,792.64
73615 WORKMEN'S COMPENSATION	77,000.00	76,535.12	464.88
73616 COMPENSATION TO BOARD MEMBERS	3,100.00	2,863.96	236.04
73617 MISC. CONTRACTUAL SERVICES	1,882,993.00	1,617,620.41	265,372.59
73618 WORKSHOP SERVICES	53,786.00	46,489.27	7,296.73
73619 REPAIR-COMPUTER EQUIPMT	1,160.00	1,142.34	17.66
73620 REPAIR-OTHER EQUIPMT	200.00	-	200.00
73621 MAINTENANCE AGREEMNT-EQUIPMENT	21,445.00	21,138.20	306.80
73622 MAINT AGREEMT-DP EQUIP	107,465.00	107,005.61	459.39
73623 RENTAL/LEASE-BUILDING	596,440.00	596,084.04	355.96
73625 TRANSPORTATION- AIR I/S	230.00	211.52	18.48
73626 TRANSPORTATION- AIR O/S	16,772.00	10,535.12	6,236.88
73627 TRANSPORTATION - GROUND I/S	159,666.00	122,554.68	37,111.32
73628 TRANSPORTATION - GROUND O/S	7,429.00	5,618.95	1,810.05
73629 LODGING- I/S	49,328.00	35,044.46	14,283.54
73630 LODGING- O/S	57,826.00	48,522.08	9,303.92
73631 MEALS- I/S	57,415.00	46,593.68	10,821.32
73632 MEALS- O/S	12,604.00	8,169.82	4,434.18
73633 MISC. -I/S	5,881.00	3,748.65	2,132.35
73634 MISC. O/S	1,825.00	1,377.06	447.94
73635 BOARD TRANSPORTATION	12,444.00	12,377.85	66.15
73636 BOARD SUBSISTENCE	30,530.00	22,523.48	8,006.52
73637 TELEPHONE SERVICE	65,540.00	58,787.71	6,752.29
73638 CELLULAR PHONE SVCS	23,490.00	22,593.51	896.49
73639 SIPS - COMPUTER/DP MAINFRAME	3,670.00	3,642.36	27.64
73640 POSTAGE, FREIGHT AND DELIVERY	102,918.00	88,414.26	14,503.74
73641 PRINTING & BINDING	120,357.00	54,370.67	65,986.33
73642 ADVERTISING	204,525.00	72,630.45	131,894.55
73643 INSURANCE - PROPERTY	6,775.00	6,774.00	1.00
73644 INSURANCE LIABILITY	4,084.00	3,477.00	607.00
73645 INSURANCE-OTHER	11,000.00	10,820.13	179.87
73646 EDUCATIONAL ASSIST PROG	5,635.00	4,831.00	804.00
73647 EMPLOYEE EDUCATION EXP'S	125,865.00	91,742.69	34,122.31
73648 OFFICE SUPPLIES & MATERIAL	58,380.00	47,521.37	10,858.63
73649 DP SUPPLIES	35,300.00	35,276.40	23.60
73650 PHOTOGRAPHIC SUPPLIES	5,690.00	2,710.84	2,979.16
73651 OTHER MAT & SUPPLIES	6,655.00	4,048.54	2,606.46
73652 OFFICE FURNITURE	36,709.00	24,933.22	11,775.78
73653 OFFICE EQUIPMENT	3,520.00	1,283.85	2,236.15
73654 COMPUTERS	239,725.00	239,370.82	354.18
73655 COMPUTER SOFTWARE	246,925.00	102,776.35	144,148.65
73656 DUES & SUBSCRIPTIONS	78,720.00	61,337.68	17,382.32
73657 SERV. & OTHER AWARDS	18,905.00	16,636.87	2,268.13
73658 OTHER EXPENSES	40,775.00	27,802.05	12,972.95
73659 TRANSFER TO STATE TREASURER	22,000.00	-	22,000.00
73660 TRANSFER-I/D (DEP.CHILD CARE)	16,200.00	15,702.00	498.00
General Operating Subtotal	4,638,902.00	3,783,640.07	855,261.93
Total Expenses	14,950,389.00	13,375,951.92	1,574,437.08

EXHIBIT 2: Fiscal Year 2011 Organizational Chart

Organization Chart
Adopted June 30, 2011



Total active employees: 105
Total approved/budgeted positions 118
Vacant position: 13
Total Board Approved: 125
Time-Limited positions: 7
Total positions: 132

Yellow shaded box - Vacant positions
Blue shaded box- Contract position

**Hardest Hit Fund and
State Home
Foreclosure
Prevention Project
(SHFPP)
Organization Chart
June 2011**

Exhibit C

Blue Shaded Box = Contract
positions
Green Shaded Box- Time-
limited positions

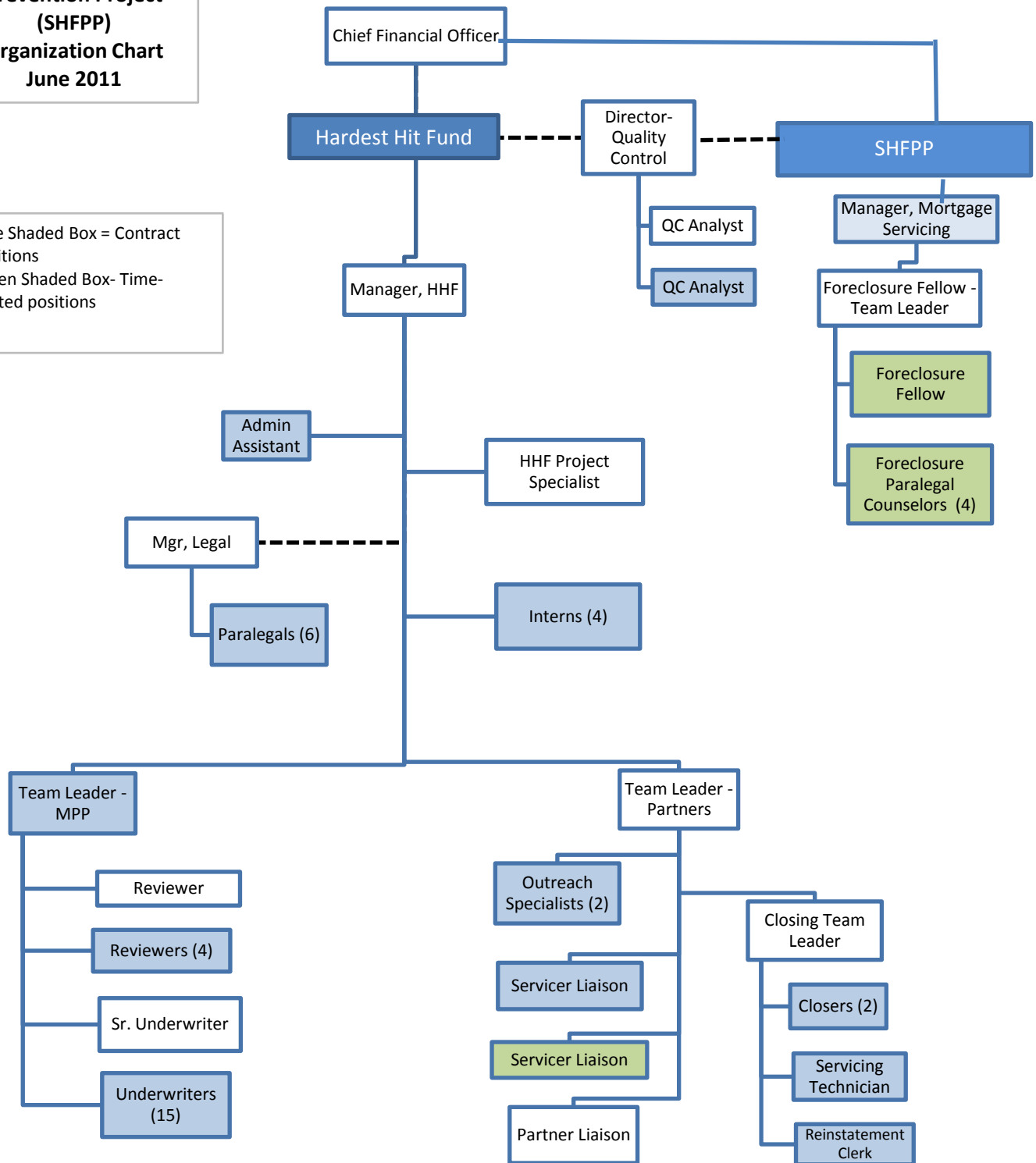


EXHIBIT 3: Program Overview

NORTH CAROLINA HOUSING FINANCE AGENCY

Summary of Programs



Homeownership Programs for Individuals

The FirstHome Mortgage offers low-rate mortgages for first-time home buyers. It is targeted to moderate- and low-income individuals who have not owned a home in the last three years. Also available are interest-free, deferred second mortgages up to \$8,000 to pay a substantial part of the downpayment and closing costs for home buyers based on area median income.

The Mortgage Credit Certificate (MCC) is a valuable tax credit program for eligible borrowers. An MCC reduces a homeowner's tax liability, dollar-for-dollar, by 30% of the mortgage interest they pay. The maximum MCC tax credit is 30% of the interest paid—up to \$2,000—every year that the buyer occupies the home.

NCHFA's REO Special Financing is now offering 3.99% FHA financing for qualified buyers of NCHFA owned REO properties. Buyers and properties must meet FHA credit and property standards. To be eligible for the special financing, buyers must pay full price and occupy the home as their primary residence. The buyers do not have to be first-time home buyers or meet income or sales price limits. For a list of REO properties, go to www.nchfa.com/Homebuyers/HBreo.aspx. For more information, contact Cle Newsom at (919) 877-5674.

To learn more about all the Agency's mortgage programs, visit www.nchfa.com or call the Agency at 919-877-5700 or 800-393-0988 and ask for an underwriter.

N.C. Foreclosure Prevention Fund

The N.C. Foreclosure Prevention Fund helps North Carolina homeowners who are struggling to pay their mortgage due to job loss or other temporary financial hardship while they seek or retrain for new employment. The Fund is offered by the N.C. Housing Finance Agency using funds from the U.S. Treasury. Services are provided by participating HUD-approved housing counselors statewide.

The N.C. Foreclosure Prevention Fund offers zero-interest, deferred loans up to \$24,000 to cover mortgage and related expenses for up to 24 months. Homeowners in the 50 highest unemployment counties are eligible for up to \$36,000 for up to 36 months. The loan can also be used to bring the mortgage current. The loan is forgiven at a rate of 20 percent per year after five years, with it fully forgivable at 10 years as long as the homeowner continues to occupy the home. Consumers should contact the N.C. Foreclosure Prevention Fund call center at 1-888-623-8631 or go to www.NCForeclosurePrevention.gov.

More information about the N.C. Housing Finance Agency's programs and activities is available at www.nchfa.com.

Homeownership Programs for Local Governments & Nonprofit Groups

The New Homes Loan Pool provides interest-free, deferred-payment second mortgage loans of up to \$25,000 per unit for the purchase of newly constructed, substantially rehabilitated homes or foreclosed homes. Assistance is targeted to home buyers below 80% of area median income. Housing sponsors qualify for an additional grant of \$5,000 per home when homes meet certain standards of energy efficiency or “green” building. Contact Bill Bunting at 919-877-5629.

The Self-Help Loan Pool provides interest-free mortgage loans of up to \$25,000 per home for permanent financing of newly built homes using home buyer sweat equity. Assistance is targeted to home buyers below 50% of area median income. Grant funding is also available at \$4,000 per home when homes are built to certain standards of energy efficiency and “green” building. Contact Sonia Joyner at 919-877-5630.

The IDA Loan Pool provides interest-free, deferred-payment second mortgage loans of up to \$25,000 to home buyers participating in local Individual Development Account (IDA) programs. Assistance is targeted to households below 80% of area median income. Grants of up to \$1,000 are also provided to participants to match their IDA savings and energy efficiency incentives are available when new construction is involved. Contact Keir Morton-Manley at 919-877-5634.

Rental Programs

The Housing Credit Program encourages the production of rental housing for low-income households by allowing a 10-year federal tax credit. The program has a two-part annual application cycle, requiring a preliminary site and market application to be submitted in January and a full application in May. Contact Chris Austin at 919-877-5662.

State Tax Credits are available for projects that receive an allocation of federal tax credits and meet certain income targeting requirements. The state tax credit cannot be used with projects financed using tax-exempt bonds. It is not necessary to submit a separate application for the state tax credit. Contact Mark Shelburne at 919-877-5645.

The Rental Production Program provides loans of up to \$1.2 million per development for the construction of rental housing for households below 50% of area median income. Contact Chris Austin at 919-877-5662.



The Key Program provides operating assistance for persons with disabilities, making the rents affordable to individuals on SSI incomes. This program is funded in partnership with the North Carolina Department of Health and Human Services and is available to existing affordable housing developments that are participating in NCHFA programs such as the Supportive Housing Development Program and the Housing Credit Program. Contact Mark Shelburne at 919-877-5645.

The Preservation Loan Program (PLP) provides loans of up to \$1 million for the rehabilitation and preservation of existing affordable housing developments that are not able to utilize other funding sources. This program is funded in conjunction with the Key Program in that owners of developments funded through PLP must agree to target units to persons with disabilities. Contact Chris Austin at 919-877-5662.

Supportive Housing Programs

The Supportive Housing Development Program provides interest-free mortgage loans of up to \$500,000 per development for the production of emergency, transitional and permanent housing for homeless families and individuals, and persons with special housing needs. This program

serves households below 50% of area median income, and gives priority to households below 30% of area median income. Contact Mary Reca Todd at 919-877-5672, Margrit Bergholz at 919-877-5633, or Gwen Belcredi at 919-877-5648.

The Supportive Housing Pre-Development Loan Program assists nonprofit organizations developing supportive housing by providing financing for pre-development costs such as architectural and engineering work, environmental reviews, appraisals and consulting fees. Contact Mary Reca Todd at 919-877-5672.

Housing Rehabilitation Programs

The Single-Family Rehabilitation Program provides up to \$400,000 to local governments, regional agencies, and non-profit organizations for forgivable, deferred-payment loans to rehabilitate single-family, owner-occupied homes. Assistance is targeted to elderly and disabled homeowners, in eligible counties, who are below 80% of area media income; 25 different counties become eligible annually. Contact Dick Smith-Overman at 919-877-5628.

The Urgent Repair Program provides up to \$150,000 to local governments, regional agencies and nonprofit organizations for grants to correct housing conditions that pose an imminent threat to life or safety or that may cause the displacement of households below 50% of area median income. Contact Mike Handley at 919-877-5627.

The Displacement Prevention Partnership works with state and regional offices of Independent Living to provide accessibility modifications enabling very-low-income homeowners with severe mobility impairments to live at home. Contact Jim Cook at 919-877-5707.

The Duke Home Energy Loan Program (HELP) is available to homeowners below 80% of area median income through local governments, regional agencies and nonprofits within the Duke Power service area. Loan Pool funds are provided as deferred-payment loans to make homes more energy-efficient. Contact Cal Jordan at 919-877-5632.

The Lead Abatement Partnership works with the state Departments of Health and Human Services and Environment and Natural Resources to eliminate lead paint hazards in owner-occupied homes of children with elevated blood lead levels. Contact Mike Handley at 919-877-5627.

Policy and Research Activities

The Consolidated Plan is a housing and community development plan that provides details about the state's housing needs and conditions, sets out a strategy to meet needs, identifies resources available, and establishes one-and five-year investment plans to meet priority needs. Contact Erin Crossfield at 919-501-4264.

The Housing Resource Guide lists and describes organizations in North Carolina that provide housing services. An online, searchable version is available at www.nchfa.com. Contact Keir Morton-Manly at 919-877-5634.

Consumer Education and Training Activities

The Housing Tax Credit Compliance Training Program. One-day Tax Credit and half-day Rental Production Program training sessions assist owners and managing agents of rental properties in maintaining compliance with Housing Tax Credit regulations and/or Rental Production Program requirements. Sessions are held every other month at locations throughout the state. Visit www.nchfa.com for a schedule. Contact Tanya Clark at 919-877-5665.



The N.C. Elderly Housing Rights and Consumer Protection Program provides information and training for advocates, service protectors and consumers, on housing rights and related consumer protection issues. Contact Mary Reca Todd at 919-877-5672.

The Reverse Mortgage Counseling Program. North Carolina statute requires the North Carolina Housing Finance Agency to approve the training standards and certify individuals providing counseling to elderly homeowners who are applying for reverse mortgages. Contact Mary Reca Todd at 919-877-5672.

The Supportive Services Program provides training and consultation services for service coordinators, managers and developer/owners to promote service-enriched, affordable housing for families, elderly persons and other residents with special needs. Contact Mary Reca Todd at 919-877-5672.

Training for Predatory Lending Counselors is required by North Carolina's anti-predatory lending law, which mandates that persons considering high-cost loans counseling from a North Carolina Housing Finance Agency approved counselor before completing the loan process. The purpose is to ensure that borrowers fully understand the material terms of the loan and the amount of fees and costs the borrower will be required to pay. Contact Keir Morton-Manley at 919-877-5634.

The N.C. Housing Finance Agency also works closely with various housing related trade associations to provide relevant and mutual beneficial training opportunities.

General

The North Carolina Housing Partnership was established by the General Assembly to set policy for the use of the North Carolina Housing Trust Fund. The Housing Trust Fund was created by the General Assembly in 1987 and is the state's most flexible housing resource. The Agency administers the Housing Trust Fund and pays all its operating costs. The Housing Partnership comprises 13 members. Contact Patricia Amend at 919-877-5717.

The Housing Coordination and Policy Council is a 15-member advisory group representing state agencies and departments with responsibility for housing programs. It was established by the General Assembly to advise the Governor and the General Assembly concerning state housing policy and ways to improve the coordination of the state's housing efforts. Contact Paul Kimball at 919-877-5652.

The Housing North Carolina Awards recognize homeownership, rental and supportive housing developments built in North Carolina that are judged to be outstanding examples of affordable housing. Contact Margaret Matrone at 919-877-5606.



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