



January 6, 2012

Members of the Joint Legislative Commission on Governmental Operations

Ladies and Gentlemen:

This interim report is being filed on the production activities of the North Carolina Housing Finance Agency (NCHFA) for the 2011 calendar year (January 1, 2011 to December 31, 2011), per G.S. 112A-16. The agency 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 \$353 million in financing for affordable housing activity during calendar year 2011. In addition, the Agency (and its partners) administered \$146 million in federal rental assistance. In 2011, these investments supported 8,312 jobs and generated \$32.6 million in state and local tax revenues.

A major initiative was the development of the N.C. Foreclosure Prevention Fund, which the Agency launched statewide December 1, 2010. These 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 18 states selected by Treasury to participate, based on a high percentage of the population living in counties with high unemployment rates. In 2011, the N.C. Foreclosure Prevention Fund provided loans to help 3,675 homeowners avoid foreclosure.

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

- Exhibit 1 is the FY 2012 organizational chart of the Agency showing 118 authorized positions.
- Exhibit 2 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

January 1, 2011 – December 31, 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, and administering federal Section 8 Rental Assistance funds. In its history, the Agency has invested approximately \$10.7 billion for affordable homes and apartments, to assist 206,000 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 Home Protection Program.

It also designed and administers the N.C. Foreclosure Prevention Fund, financed by the U.S. Department of the Treasury, and, since July 2011, manages the State Home Foreclosure Prevention Project, created by the General Assembly and funded with fees from mortgage loan servicers.

Economic Impact. In 2011, investments generated:

8,312 jobs

\$21 million in state tax revenues

\$11.6 million in local tax revenues

I. Investment: All Programs

Activity	Total Funding
Homebuyer housing	\$ 117,467,981
Rental housing	226,332,561
Supportive housing	4,482,880
Homeowner housing rehabilitation	1,497,889
Urgent repair	3,233,204
Foreclosure prevention loans	57,120,756
Foreclosure prevention counseling	1,059,925
Rental assistance	146,238,988

II. North Carolina Housing Trust Fund¹

Activity	Total Units	Total Funding
Homebuyer housing	55	\$ 438,980
Rental housing	492	5,848,000
Supportive housing	146	3,882,880
Urgent repair	875	3,058,214

III. State HOME Match¹

Activity	Total Households	Total Funding
Rental Assistance	367	\$ 772,612

IV. Home Protection Program^{1,2}

Activity	Total Loans	Total Funding
Foreclosure Prevention Loans	6	\$ 87,708
Foreclosure Prevention Counseling	1	0

V. State Home Foreclosure Prevention Project

Activity	Total Households	Total Funding
Foreclosure Prevention Counseling	5,495	\$ 466,750

VI. NC Foreclosure Prevention Fund

Activity	Total Loans	Funding ³
Foreclosure Prevention Financing	3,675	\$ 56,966,760

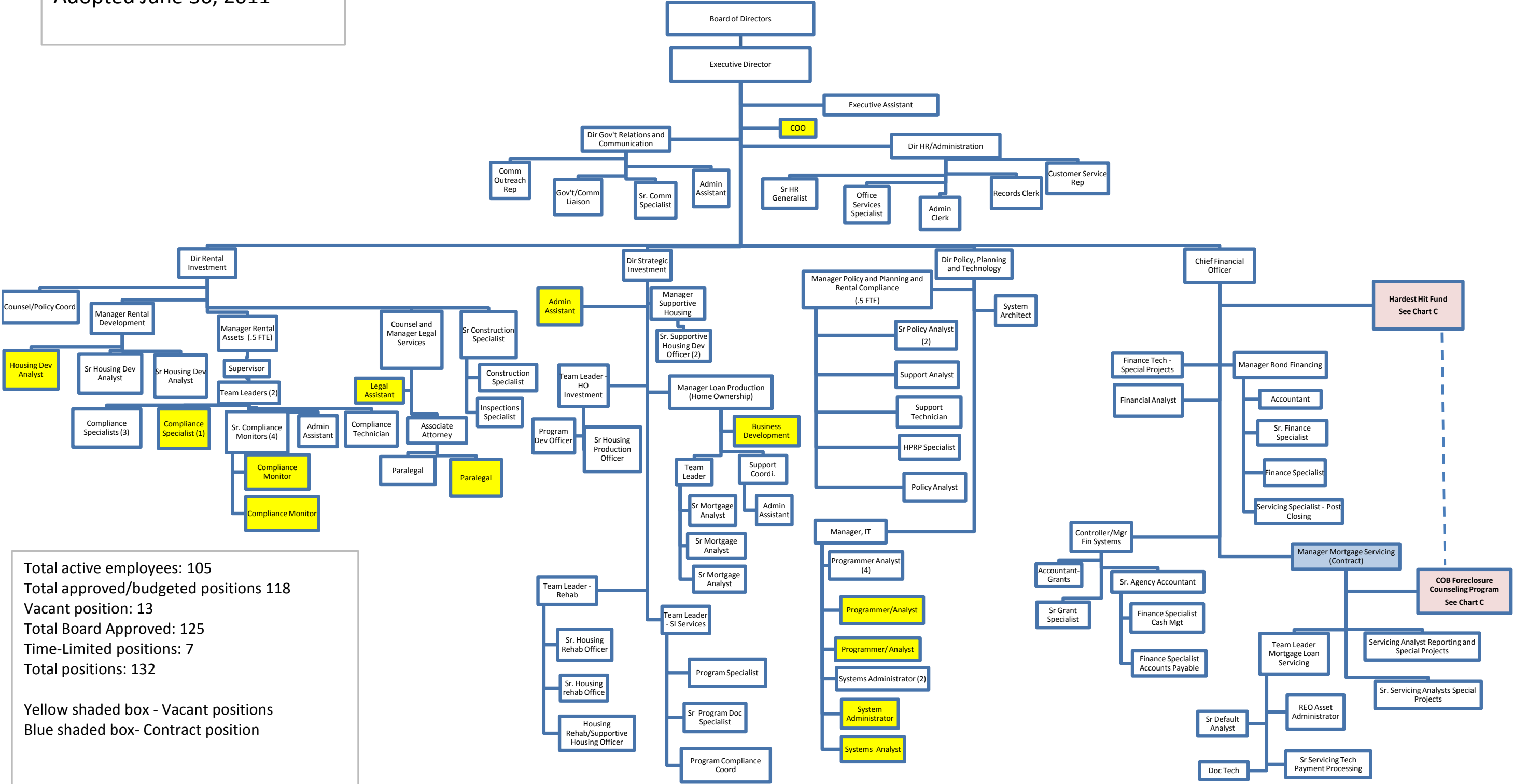
¹The Housing Trust Fund, HOME Match, and Home Protection Program data are also included in Table I.

² Because of overlap with the N.C. Foreclosure Prevention Fund, new activity of the state Home Protection Program was suspended and funding reduced to a de minimis amount when federal funds became available for foreclosure prevention.

³ Funds disbursed in 2011. Loan funds are committed for up to 36 months.

EXHIBIT 1: Fiscal Year 2011 Organizational Chart

Organization Chart
Adopted June 30, 2011



**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

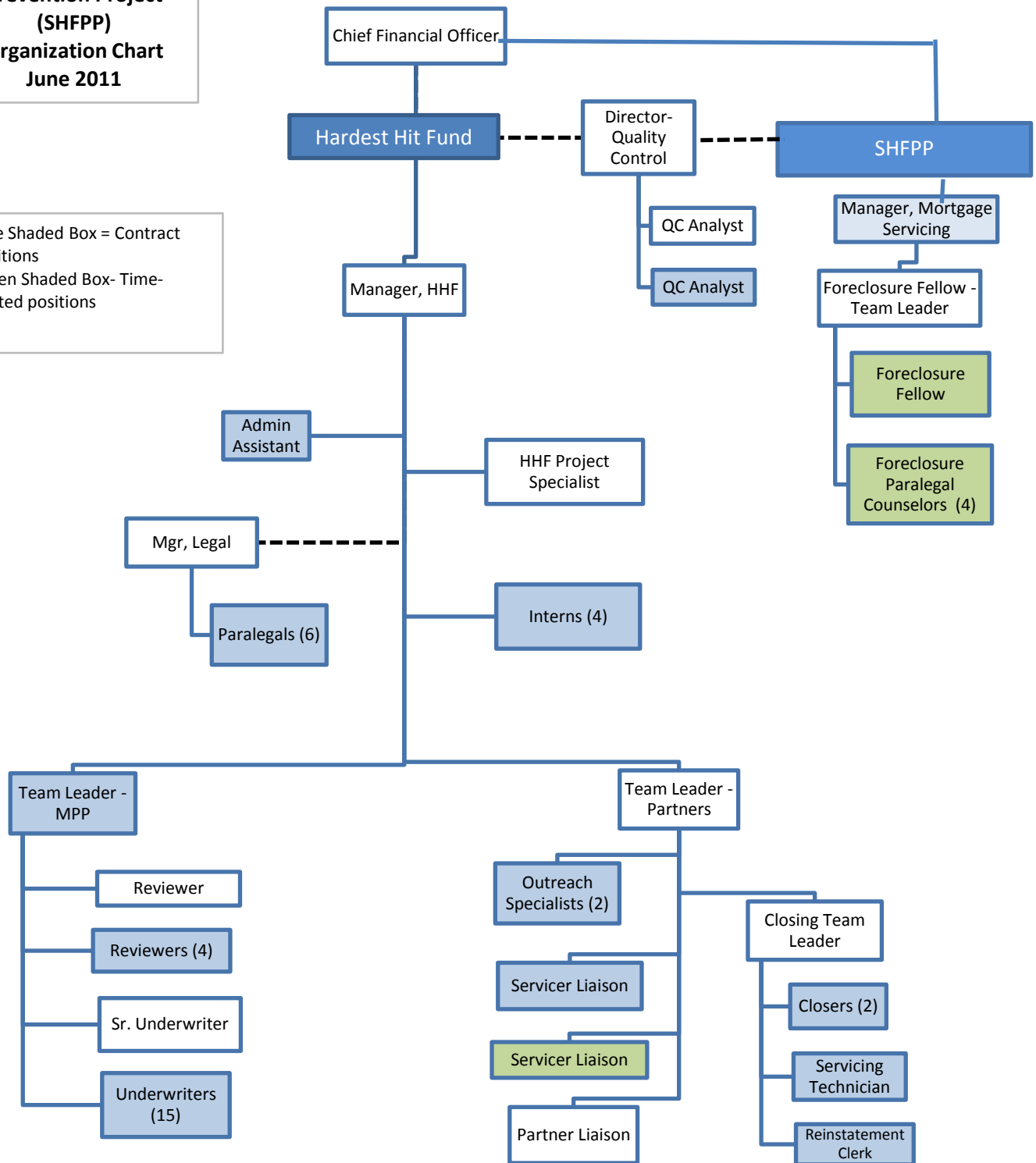


EXHIBIT 2: Program Overview

NORTH CAROLINA HOUSING FINANCE AGENCY

Summary of Programs

Homeownership Programs for Individuals

The FirstHome Mortgage offers low-interest-rate mortgages for first-time home buyers and veterans. The loans are 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 help home buyers with downpayment and closing costs. The maximum sales price for FirstHome Mortgage and downpayment assistance is \$225,000, and income limits range from \$89,900 down to \$65,500, depending on county and family size.

The Mortgage Credit Certificate (MCC), also available to first-time buyers and veterans, is a tax credit that reduces a homeowner's federal tax liability, dollar-for-dollar, by 30% of the mortgage interest they pay. The maximum MCC tax credit is up to \$2,000 for every year that the buyer occupies the home. Sales price and income limits are the same as for the FirstHome Mortgage.

Both FirstHome Mortgage and the MCC are offered through 700 participating lenders and their branches statewide. To learn more, go to www.nchfa.com or call 1-800-393-0988 and ask to speak with an underwriter.

N.C. Foreclosure Prevention Resources

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 also helps re-employed workers who have missed payments or are earning less and have a second mortgage that is making the monthly payment unaffordable. 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.

Mortgage payment assistance is offered as a zero-interest, deferred loan up to \$36,000 to cover mortgage and related expenses 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. Second mortgage assistance is provided as a zero-interest deferred payment loan of up to \$30,000 plus all related fees to pay off an existing second mortgage.

Consumers should contact the N.C. Foreclosure Prevention Fund™ call center at 1-888-623-8631 or go to www.NCForeclosurePrevention.gov.

The State Home Foreclosure Prevention Project offers free help, including counseling, access to legal services and assistance working with servicers. The program was created by the General Assembly in 2008 and is available to homeowners who have received a 45-day, pre-foreclosure notice. *Consumers should call 1-888-442-8188.*

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, 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.

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.

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.

Rental Programs

The Housing Credit Program encourages the new construction and substantial rehabilitation of rental housing for low-income households by providing a 10-year federal tax credit for for-profit and nonprofit housing sponsors. Each state receives an annual allotment of tax credits (volume cap) based on population, and the Agency awards credits in a competitive process through an agreement with the N.C. Tax Reform Allocation Committee. The program has a two-part annual application cycle, requiring submission of a preliminary site and market application in January and a full application in May.

The State Tax Credit is available for projects that receive an allocation of federal housing credits and meet certain income targeting requirements. The State Tax Credit is a refundable credit that operates much like a loan to the sponsor. It reduces private borrowing costs and makes rental developments more affordable to lower-income households. It cannot be used with projects financed using tax-exempt bonds. A separate application is not needed for the State Tax Credit.

The Rental Production Program provides low-interest loans of up to \$1.2 million per development for the construction of rental housing for households below 50% of area median income. The Agency provides the loans to sponsors who receive federal Housing Credits. The sponsor applies for the program when submitting a federal Housing Credit application.

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 only to affordable housing developments that are participating in Agency programs such as the Supportive Housing Development Program and the Housing Credit Program.

Supportive Housing Programs

The Supportive Housing Development Program provides interest-free deferred 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.

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.

Housing Rehabilitation Programs

The Single-Family Rehabilitation Program provides up to \$400,000 to local governments, regional agencies, and nonprofit 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 median income; twenty-five different counties become eligible annually.

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.

The Displacement Prevention Partnership works with the state's Independent Living services to provide accessibility modifications that enable very-low-income homeowners with severe mobility impairments to live at home.

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.

The Lead Abatement Partnership works with the state 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.

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.

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.

Education and Training

The Housing Tax Credit Compliance Training Program includes one-day Tax Credit and half-day Rental Production Program training sessions to help owners and managing agents of rental properties to maintain 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.

The N.C. Elderly Housing Rights and Consumer Protection Program provides information and training for advocates, service providers and consumers, on housing rights and related consumer protection issues.

The Reverse Mortgage Counseling Program certifies individuals providing counseling to elderly homeowners who are applying for reverse mortgages as required by N.C. Statute.

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.

Training for Predatory Lending Counselors is required by North Carolina's anti-predatory lending law, which mandates that persons considering high-cost loans receive counseling from an N.C. Housing Finance Agency approved counselor. 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.

The N.C. Affordable Housing Conference is sponsored by the N.C. Housing Finance Agency, the Community Investment Corporation of the Carolinas and the N.C. Housing Coalition each Fall. *Learn more at www.NCHousingConference.com.*

Advisory Groups

The N.C. Housing Finance Agency Board of Directors consists of 13 members who oversee the Agency's operations. The Governor, the Speaker of the N.C. House of Representatives, and the President of the N.C. Senate each appoint four members, who in turn elect the 13th. The Governor appoints the chairperson.

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.

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.

Sam Ewell, Jr., Chairman
A. Robert Kucab, Executive Director

www.nchfa.com
919-877-5700 or 1-800-393-0988

