



January 29, 2013

Members of the Joint Legislative Commission on Governmental Operations

Ladies and Gentlemen:

This report is being filed on the production activities of the North Carolina Housing Finance Agency (NCHFA) for the 2012 calendar year (January 1, 2012 to December 31, 2012), 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 \$436 million in financing for affordable housing activity during calendar year 2012. In addition, the Agency (and its partners) administered \$136 million in federal rental assistance. In 2012, these investments supported 11,400 jobs and generated \$44.7 million in state and local tax revenues.

A major focus in 2012 was the operation of the N.C. Foreclosure Prevention Fund, which the Agency launched statewide December 1, 2010. The Fund's two loan programs use financing 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. Preventing unnecessary foreclosures stabilizes neighborhoods and the local tax base and prevents losses to investors and neighboring homeowners. During CY 2012, the N.C. Foreclosure Prevention Fund provided loans to help 6,186 homeowners avoid foreclosure and prevented an estimated \$596.9 million in losses to investors and neighboring homeowners. The year's work brought the total number of homeowners receiving loans under the N.C. Foreclosure Prevention Fund to 9,877.

The Agency continued operating the State Home Foreclosure Prevention Project to provide counseling for homeowners at risk of default, a program that the General Assembly transferred to the Agency from the Office of Commissioner of Banks on July 1, 2011. In March 2012, the Agency was tapped by the State Attorney General to oversee the distribution of National Bank Settlement Funds to counseling organizations and Legal Aid of North Carolina.

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

- Exhibit 1 is the FY 2013 organizational chart of the Agency showing 127 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, 2012 – December 31, 2012

The North Carolina Housing Finance Agency is self-supporting. It provides financing for affordable housing by selling tax-exempt bonds, issuing federal and state 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 \$11.4 billion for affordable homes and apartments to assist 215,000 households of low and moderate income. Net interest margins on bonds and fees earned by operating federal programs pay the Agency's expenses. The Agency pays the cost of operating the state Housing Trust Fund, so all Trust Fund appropriations are invested directly in housing.

Foreclosure prevention activities. The Agency designed and administers the N.C. Foreclosure Prevention Fund, financed by the U.S. Department of the Treasury, providing loans to help unemployed homeowners avoid foreclosure while they seek or retrain for new jobs. Since July 2011, the Agency has managed the State Home Foreclosure Prevention Project, created by the General Assembly and funded with fees from mortgage loan servicers. This effort pays for foreclosure prevention counseling for homeowners facing foreclosure. In 2012, the Agency was named by the State Attorney General to distribute funds under the National Bank Settlement to increase the capacity and outreach of Legal Aid of North Carolina and of local housing counseling agencies statewide.

Economic Impact. In 2012, investments generated:

11,400 jobs
\$28.7 million in state tax revenues
\$16.0 million in local tax revenues

I. Investment: All Programs

Activity	Total Funding
Homeownership	\$ 146,875,704
Rental Housing	276,090,421*
Supportive Housing	4,311,304
Homeowner Rehabilitation	6,717,279
Urgent Repair	4,283,460
Foreclosure Prevention Loans	123,025,316
Foreclosure Prevention Counseling	5,725,890
Rental Assistance	135,884,712

*includes \$210,673,279 of equity from the sale of federal tax credits by property owners

Highlighted Programs¹

II. North Carolina Housing Trust Fund

Activity	Total Units	Total Funding
Homeownership	29	\$ 391,600
Rental Housing	851	10,357,000
Supportive Housing	210	3,937,047
Urgent Repair	997	4,283,460

III. State HOME Match

Activity	Total Households	Total Funding
Homeownership	56	\$ 1,257,900
Rental Housing	168	1,579,000
Homeowner Rehabilitation	7	340,435
Rental Assistance	329	675,464

IV. Home Protection Program

The Home Protection Program used appropriated funds to provide loans to help unemployed workers avoid foreclosure. Because federal Hardest Hit funds have become available for this purpose, no state funds are currently needed. New activity was suspended and funding was reduced to \$0 in FY2012. The Home Protection Program continues to provide the umbrella under which federal Hardest Hit funds are currently being managed by the NCCO Housing Finance Agency for its N.C. Foreclosure Prevention Fund.

VI. N.C. Foreclosure Prevention Fund

Activity	Total Loans	Funding ³
Foreclosure Prevention Loans	6,186	\$ 123,023,826

V. State Home Foreclosure Prevention Project

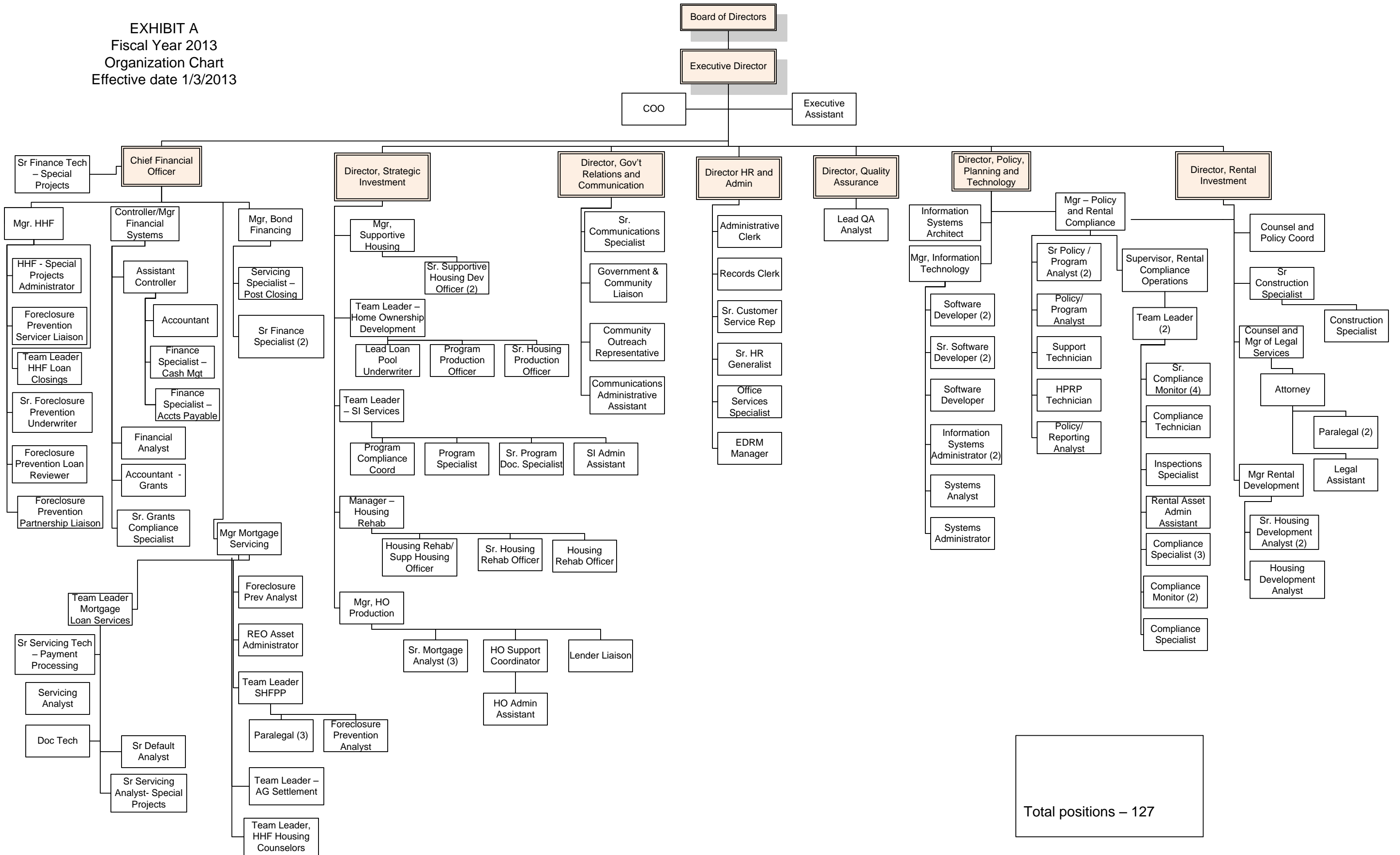
Activity	Total Households	Total Funding
Foreclosure Prevention Counseling	8,696	\$ 4,853,090

¹The Housing Trust Fund, HOME Match, State Home Foreclosure Prevention Project, and NCCO Foreclosure Prevention Fund data are all also included in Table I.

²Funds disbursed in FY2012. Loan funds are committed for up to 36 months.

EXHIBIT 1: Fiscal Year 2013 Organizational Chart

EXHIBIT A
Fiscal Year 2013
Organization Chart
Effective date 1/3/2013



Total positions – 127

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 \$57,500, 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.

The N.C. Housing Finance Agency's REO Special Financing is now offering 3.25% FHA financing for qualified buyers of Agency-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.*

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% 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. No payment is due until the owner refinances or sells the home.

Consumers should contact the N.C. Foreclosure Prevention Fund at 1-888-623-8631 or 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.*

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 gap financing loans up to \$25,000 per unit for the purchase of newly constructed, rehabilitate, or foreclosed homes. Assistance is available to households earning up to 80% of area median income and who are also utilizing the Agency’s FirstHome Mortgage for their first mortgage financing. Eligible households work with local, Agency-approved housing sponsors. Additional grants are available when homes meet certain energy efficiency or “green” building standards.

The Self-Help Loan Pool provides interest-free amortizing mortgage loans of up to \$25,000 per home for newly constructed and rehabilitated homes built by local Habitat for Humanity affiliates. Assistance is available to households earning up to 80% of area median income. Additional grants are available when homes meet certain energy efficiency or “green” building standards.

The IDA Loan Pool provides interest-free, deferred-payment gap financing loans of up to \$25,000 to home buyers participating in local, Agency-approved, Individual Development Account (IDA) programs. Assistance is available to households earning up to 80% of area median income. Grants up to \$1,000 are also provided to participants to match their IDA savings. IDA Loan Pool financing is only available to home buyers who are also utilizing the Agency’s FirstHome Mortgage Program for their first mortgage financing.

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 \$600,000 per development for the production of emergency, transitional and permanent housing for homeless families and individuals, and persons with special housing needs. This program generally serves households up to 50% of area median income.

Housing Rehabilitation Programs

The Single-Family Rehabilitation Program provides funding to local governments, regional agencies, and nonprofit organizations to rehabilitate owner-occupied homes. Assistance is available to elderly and disabled homeowners in eligible counties. Assistance is available to households up to 80% of area median income.

The Urgent Repair Program provides funding to local governments, regional agencies and nonprofit organizations to correct housing conditions that pose an imminent threat to life or safety or that may cause the displacement of the homeowner. Assistance is available to households up to 50% of area median income.

The Displacement Prevention Partnership works with the state's Independent Living services to provide accessibility modifications that enable homeowners with severe mobility impairments to remain in their home. Assistance is available to households below 50% of area median income.

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.

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 in "Forms and Resources."*

Education and Training

The Housing Tax Credit Compliance Training Program includes two one-day sessions: Compliance 101 and Advanced Compliance. Compliance 101 is a one-day training session on how to determine tenant eligibility, maintain tenant file compliance with all of the Agency's rental housing programs and maintain the condition of the property in accordance with the Uniform Physical Conditions Standards. Advanced Compliance is a one-day session for owners and management to learn about more complex compliance topics with the Housing Tax Credit Program and the Rental Production Program. Six joint sessions are held at locations throughout the state. *Visit www.nchfa.com/rental/mtrainingschedule.aspx for a schedule.*

The Supportive Housing Compliance Training Program is a one-day training session on how to determine tenant eligibility, maintain compliance specifically with the Agency's Supportive Housing Development loan program and maintain the condition of the property in accordance with Uniform Physical Conditions Standards. Three sessions are held at locations throughout the state. *Visit www.nchfa.com/rental/mtrainingschedule.aspx 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.

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

