



July 31, 2006

Members of the Joint Legislative Commission on Governmental Operations
Raleigh, North Carolina

Ladies and Gentlemen:

This annual report is being filed on the production activities of the North Carolina Housing Finance Agency for the 2006 fiscal year (July 1, 2005 to June 30, 2006), per G.S. 112A-16.

Attached to the report are the following:

- Exhibit 1 is the Agency's budget for the fiscal year July 1, 2005 – June 30, 2006 showing an approved annual budget of \$9,694,722 and actual expenses of \$9,521,375 for staff and operations.
- Exhibit 2 is the Fiscal year 2006 organizational chart of the Agency showing 107 authorized positions.
- Exhibit 3 is a program overview.

We are proud to be a self-supporting and dynamic part of the state's affordable housing industry. During this fiscal year, four important new programs were introduced or brought to full production:

Home Protection Pilot Program (HPPP) was created by the General Assembly in 2004 to help workers who have lost their jobs because of changing economic conditions. It was expanded this year from eight counties to 26. Homeowners who have lost their jobs because of changing economic conditions may be eligible for a loan of up to \$20,000 to help make mortgage payments. Housing counseling is provided along with the loan.

Rural Opportunities Mortgage (ROM) provides home ownership opportunities to rural residents whose income is too low to qualify for our First-Time Home Buyer Mortgage. NCHFA and the U.S. Department of Agriculture have teamed up to offer this program for very-low-income North Carolinians purchasing newly constructed homes. These loans also offer interest rates as low as 1 percent and repayment terms longer than 30 years.

Preservation Loan Program (PLP) provides rehabilitation loans in properties where the rents and financial structure do not provide adequately for renovations, and ensures quality housing that benefits residents and neighborhoods.

KEY Program enables persons living on disability income to live in Housing Credit apartments while they seek permanent rent assistance. In partnership with the N.C. Department of Health and Human Services, this program pays the difference between the rent affordable to a person with disability income (income of ~ \$600 per month) and the rent charged in new apartments financed with Low Income Housing Tax Credits. The first tenants began receiving rent assistance earlier this year.

We hope you find this report informative, and we appreciate your support.

Sincerely,
A. Robert Kucab
Executive Director

Enclosure

Report of the North Carolina Housing Finance Agency July 1, 2005 – June 30, 2006

The North Carolina Housing Finance Agency is self-supporting. WE provide financing for affordable housing by selling tax-exempt Mortgage Revenue Bonds, issuing state and federal Housing Credits, operating the federal HOME Program and the state's Housing Trust Fund, administering federal Section 8 Rental Assistance Funds, and operating the Home Protection Pilot Program. In our history, the Agency has financed over \$9.3 billion in affordable homes and apartments, to assist 170,000 households of low and moderate income. Net interest margins or fees pay the Agency's expenses, including the cost of operating the state's Housing Trust Fund.

Investment (in thousands) and units financed, for activity completed July 1, 2005 – June 30, 2006

Activity	HOME and HOME Match		Housing Trust Fund		Home Protection Program		Home Ownership Mortgage Revenue Bond		Home Ownership Mortgage Credit Certificate		Federal Housing Tax Credit		State Housing Tax Credit		Section 8 Rental Assistance	
	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units
Homebuyer housing	23,784	816	421	63	-	-	186,539	1,764	7,559	66	-	-	-	-	-	-
Rental housing	6,843	13	5,540	14	-	-	-	-	-	-	123,249	2,931	31,400	2,118	-	-
Homeowner rehabilitation	225	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Urgent repair	-	-	759	277	-	-	-	-	-	-	-	-	-	-	-	-
Rental assistance	15	23	-	-	-	-	-	-	-	-	-	-	-	-	107,890	23,797
Foreclosure prevention	-	-	-	-	1,078	114	-	-	-	-	-	-	-	-	-	-
Totals	30,866	861	6,720	641	1,078	114	186,539	1,764	7,559	66	123,249	2,931	31,400	2,118	107,890	23,797

Note: To reach citizens with lower incomes, developments frequently receive financing from more than one Agency funding source. The table indicates funds invested from each source, without regard to any overlap.

Economic Impact

This investment generated approximately:

- 6,850 construction jobs,
- \$25.5 million in state tax revenues, and
- \$36.1 million in local tax revenues.

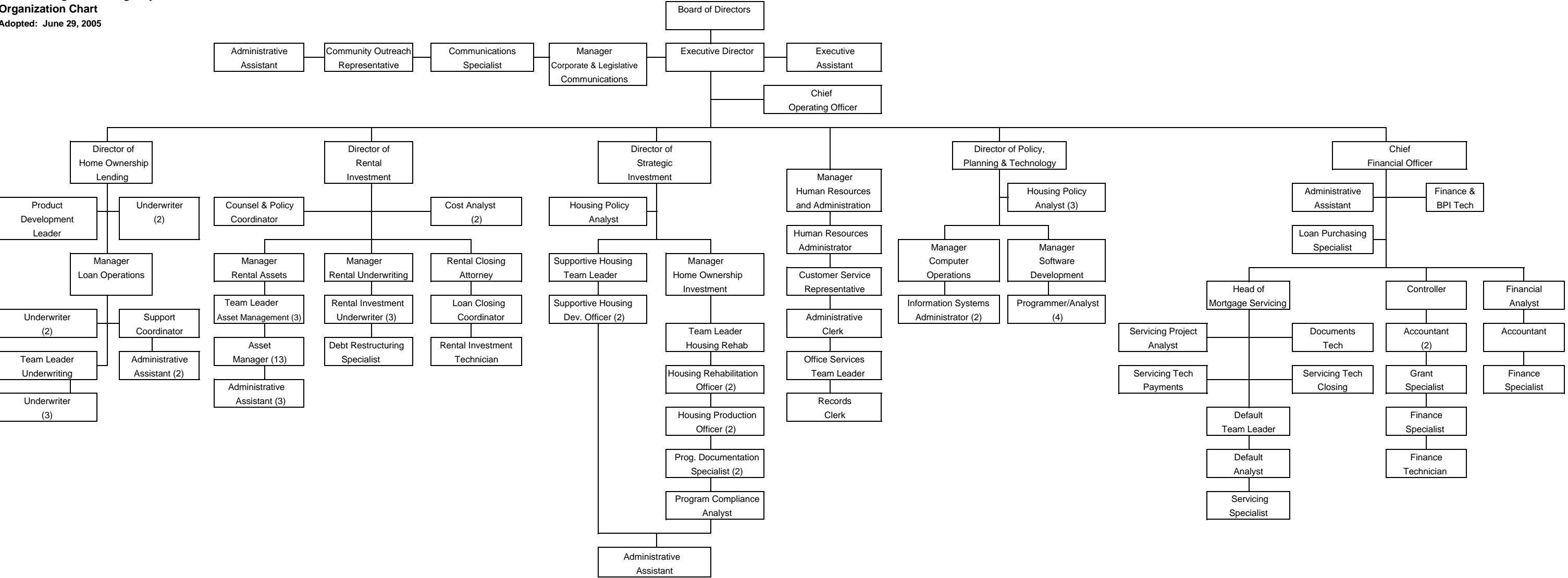
EXHIBIT 1: Fiscal year 2006 budget

NCHFA Operating Budget
SUMMARY
Fiscal Year 2006 (7/1/2005 to 6/30/2006)

	Annual Budget	Expenditures Year To Date	Annual Budget Variance
X1112 REGULAR SALARIES	5,398,373	5,389,645	8,728
X1462 LONGEVITY PAYMENTS	49,850	49,039	811
Subtotal Salary	5,448,223	5,438,684	9,539
X1512 SOC SEC CONTRIB	407,048	390,428	16,620
X1522 RETMENT CONTRIB REC'D	377,148	374,926	2,222
X1562 HOSP INS CONTRIB	372,034	345,304	26,730
Subtotal Benefits	1,156,230	1,110,658	45,572
X2110 LEGAL SERVICES	193,870	192,611	1,259
X2120 FINANCIAL/AUDIT SERVICES	106,020	105,662	358
X2140 SYSTEMS IMPLEMENTATION	569,400	569,398	2
Subtotal Professional Services	869,290	867,671	1,619
X1631 WORKMEN'S COMPENSATION	4,200	4,011	189
X1651 COMPENSATION TO BOARD MEMBERS	3,480	3,030	450
X2199 MISC. CONTRACTUAL SRVS	382,032	351,942	30,090
X2200 WORKSHOP SERVICES	75,040	72,375	2,665
X2332 REPAIR-COMPUTER EQUIPMT	1,400	1,210	190
X2333 REPAIR-OTHER EQUIPMT	200		200
X2430 MAINTENANCE AGREEMNT-EQUIPMENT	12,982	11,886	1,096
X2440 MAINT AGREEMT-DP EQUIP	91,670	91,661	9
X2512 RENTAL/LEASE-BUILDING	466,000	465,745	255
X2524 RENTAL/LEASE-GEN OFFICE EQUIPMT	150		150
X2711 TRANSPORTATION- AIR I	190	177	13
X2712 TRANSPORTATION- AIR O	26,405	25,764	641
X2714 TRANSPORTATION - GROUND	106,519	106,322	197
X2715 TRANSPORTATION - GROUND	6,917	4,812	2,105
X2717 OTHER- I/S	565	450	115
X2718 OTHER -O/S	145	51	95
X2721 LODGING- I/S	46,700	44,382	2,318
X2722 LODGING- O/S	57,350	56,829	521
X2724 MEALS- I/S	36,297	34,060	2,237
X2725 MEALS- O/S	15,002	14,262	740
X2727 MISC. -I/S	2,615	2,578	37
X2728 MISC. O/S	1,920	1,047	873

		Annual Budget	Expenditures Year To Date	Annual Budget Variance
X2731	BOARD TRANSPORTATION	16,300	15,993	307
X2732	BOARD SUBSISTENCE	30,196	29,960	236
X2811	TELEPHONE SERVICE	45,450	45,326	124
X2814	CELLULAR PHONE SVCS	10,620	10,391	229
X2821	SIPS - COMPUTER/DP MAINFRAME	12,300	12,298	2
X2840	POSTAGE, FREIGHT AND DELIVERY	55,697	55,235	462
X2850	PRINTING & BINDING	68,362	67,741	621
X2860	ADVERTISING	39,880	27,890	11,990
X2911	INSURANCE - PROPERTY	4,240	3,535	705
X2913	INSURANCE LIABILITLY	3,120	3,113	7
X2919	INSURANCE-OTHER	20,000	18,939	1,061
X2941	EDUCATIONAL ASSIST PROG	20,295	19,206	1,089
X2942	EMPLOYEE EDUCATION EXP'S	103,700	93,902	9,798
X3110	OFFICE SUPPLIES & MATERIAL	69,315	67,508	1,807
X3120	DP SUPPLIES	17,740	17,722	18
X3130	PHOTOGRAPHIC SUPPLIES	3,965	3,903	62
X3900	OTHER MAT & SUPPLIES	10,005	9,903	102
X4511	OFFICE FURNITURE	10,410	6,011	4,399
X4521	OFFICE EQUIPMENT	6,815	4,376	2,439
X4522	COMPUTERS	163,455	163,451	4
X4710	COMPUTER SOFTWARE	19,800	19,793	7
X5830	DUES & SUBSCRIPTIONS	66,385	63,276	3,109
X5840	SERV. & OTHER AWARDS	16,090	10,356	5,734
X5900	OTHER EXPENSES	32,915	32,884	31
X8100	TRANSFER TO STATE TREASURER	27,085		27,085
X8110	TRANSFER-I/D (DEP.CHILD CARE)	9,060	9,059	1
Subtotal General Operating Expenses		<u>2,220,979</u>	<u>2,104,362</u>	<u>116,617</u>
TOTAL EXPENSES		<u><u>9,694,722</u></u>	<u><u>9,521,375</u></u>	<u><u>173,347</u></u>

EXHIBIT 2: Fiscal year 2006 organizational chart



107 Approved Full Time Positions

EXHIBIT 3: Program Overview

NORTH CAROLINA HOUSING FINANCE AGENCY

Summary of Programs



Homeownership Programs

- **For Individuals**

The First-Time Home Buyer Mortgage offers an interest rate below the market rate. It is targeted to moderate- and low-income individuals who haven't owned a home in three years. Also available are interest-free, deferred second mortgages up to \$7,000 to pay a substantial part of the downpayment and closing costs for home buyers below 80% of area median income.

A HomeSaver feature helps borrowers who use the Agency's mortgage keep their home if they lose their job. The Agency will advance up to four months of principal and interest payments for borrowers who lose their jobs through no fault of their own. The funds are repaid at 0% interest when the home is sold or refinanced.

The Mortgage Credit Certificate (MCC) is an option for some buyers who do not qualify for the Agency's mortgages because of their debt ratios, credit issues or other reasons. An MCC reduces a homeowner's tax liability, dollar-for-dollar, by 20% of the mortgage interest they pay. The maximum MCC tax credit is \$2,000 a year.

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

- **For Local Governments & Nonprofit Organizations**

The New Homes Loan Pool provides interest-free, deferred-payment second mortgage loans of up to \$20,000 per unit for the purchase of newly constructed or substantially rehabilitated homes. Assistance is targeted to home buyers below 80% of area median income. Housing sponsors qualify for an additional grant of \$4,000 per home when for-sale homes meet certain standards of comfort, safety and energy efficiency. Contact Bill Bunting at 919-877-5629.

The Self-Help Housing Program provides interest-free mortgage loans of up to \$20,000 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 comfort, safety and energy efficiency. Contact Sonia Joyner at 919-877-5630.

The IDA Loan Pool provides interest-free, deferred-payment second mortgage loans of up to \$20,000 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 \$2,000 are also provided to participants to match their IDA savings. Contact Sonia Joyner at 919-877-5630.

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

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 Scott Farmer at 919-877-5641. For Asset Management, contact Sara Newsom at 919-877-5652.

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 million per development for the construction of rental housing for households below 50% of area median income. Contact Scott Farmer at 919-877-5641. For Asset Management, contact Sara Newsom at 919-877-5652.

The Preservation Loan Program provides loans of up to \$1 million dollars per development for the rehabilitation and preservation of existing affordable rental housing that is not able to utilize other funding sources. Contact Scott Farmer at 919-877-5641.

The Key Program provides a bridge subsidy for persons with disabilities until they become eligible for a Section 8 voucher. The subsidy is only available for those living in Housing Credit properties that are participating in a North Carolina Department of Health and Human Services Targeting Plan. Contact Mark Shelburne at 919-877-5645.

Supportive Housing Programs

The Supportive Housing Development Program provides interest-free amortizing and deferred-payment 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 Mike Mittenzwei at 919-877-5654 or Candace Stowell at 919-877-5633.

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 Recca 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 below 80% of area median income. 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 cause the displacement of households below 50% of area median income. Contact Dick Smith-Overman at 919-877-5628.

The Duke Home Energy Loan Program (HELP) makes available up to \$150,000 to local governments, regional agencies and nonprofit organizations within the Duke Power service area. When matched with local leveraged funds, HELP provides loans to reduce energy costs of homeowners below 80% of area median income. Contact Cal Jordan at 919-877-5632.

The Lead Abatement Partnership works with the North Carolina Department of Health and Human Services and the North Carolina Department of Environment and Natural Resources to identify and eliminate lead paint hazards in owner-occupied homes of children with elevated blood lead levels. It also provides technical assistance through local rehab organizations, and deferred loans to fund lead abatement and comprehensive rehabilitation. 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, Margrit Bergholz at 919-877-5619, or Sam Mordka at 919-877-5676.

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 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. Go to www.nchfa.com for a schedule. Contact Betty Ballentine at 919-877-5646.

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.

The Training for Predatory Lending Counselors Program is required by North Carolina's predatory lending law. The law mandates that persons considering high-cost home loans must receive counseling from a North Carolina Housing Finance Agency-approved counselor before completing the loan process. The purpose is to ensure that the borrower fully understands the material terms of the loan and the amount of fees and costs the borrower will be required to pay. Contact Mary Reca Todd at 919-877-5672.

General

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 Patricia Amend at 919-877-5717 or Sam Mordka at 919-877-5676.

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

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 Partnership comprises 13 members. Contact Patricia Amend at 919-877-5717.



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