



January 29, 2008

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 (NCHFA) for the 2007 calendar year (January 1, 2007 to December 31, 2007), 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. NCHFA works with multiple partners to distribute these funds quickly to those in need. For example, in the state-funded Urgent Repair Program (URP), the Agency works with local governments and non-profits to provide funds for low-income homeowners whose housing conditions pose an imminent threat to the life or safety of the household members. One such URP recipient, Alma McLean, was unable to repair the heating unit or ceiling leaks in her Jacksonville home due to her fixed disability income. The Agency's partner in the area, Coastal Community Action, was able to arrange for the repair of these problems threatening Ms. McLean's ability to remain in her home. With the funds appropriated by the General Assembly and the strong relationship between NCHFA and the local non-profit, Ms. McLean is now able to live comfortably and safely in her home.

The NCHFA provided \$557 in financing for affordable housing completed during calendar year 2007. In addition, the Agency (and its partners) administered \$121 million in federal rental assistance.

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, 2007 to June 30, 2008 showing an approved annual budget of \$11,882,462 and actual expenses of \$5,343,094 for staff and operations.
- Exhibit 2 is the fiscal year 2008 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. However, 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, 2007 – December 31, 2007

The North Carolina Housing Finance Agency is self-supporting. We provide 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, and operating the Home Protection Pilot Program. In its history, the Agency has invested over \$8.7 billion for affordable homes and apartments, to assist 184,000 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 Pilot Program.

Investment (in thousands) and units financed\* for activity completed and placed in service, January 1, 2007 – December 31, 2007

Activity	HOME and HOME Match		Housing Trust Fund		Home Protection Pilot Program		Home Ownership Mortgage Revenue Bond		Home Ownership Mortgage Certificate		Federal Housing Tax Credit		State Housing Tax Credit		Section 8 Rental Assistance		DHHS Mental Health Trust Fund		Other Funding	
	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units
Home buyer housing	16,619	501	1,093	57	-	-	372,882	3,185	2,628	20	-	-	-	-	-	-	-	-	2,384	289
Rental housing	3,371	221	36	52	-	-	-	-	-	-	125,927	2,038	27,894	1,808	-	-	-	-	-	-
Homeowner rehabilitation	1,280	33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	328	27
Urgent repair	-	-	1,086	416	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,091	416
Foreclosure prevention	-	-	-	-	835	96	-	-	-	-	-	-	-	-	-	-	-	-	43	18
Rental assistance	275	177	-	-	-	-	-	-	-	-	-	-	-	-	121,433	24,680	125	140	-	-
<b>Totals</b>	<b>21,544</b>	<b>932</b>	<b>2,215</b>	<b>525</b>	<b>835</b>	<b>96</b>	<b>372,882</b>	<b>3,185</b>	<b>2,628</b>	<b>20</b>	<b>125,927</b>	<b>2,038</b>	<b>27,894</b>	<b>1,808</b>	<b>121,433</b>	<b>24,680</b>	<b>125</b>	<b>140</b>	<b>3,846</b>	<b>750</b>

\*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:

- 7,700 construction jobs,
- \$29.4 million in state tax revenues, and
- \$46.4 million in local tax revenues.

**EXHIBIT 1: Fiscal Year 2008 Budget**

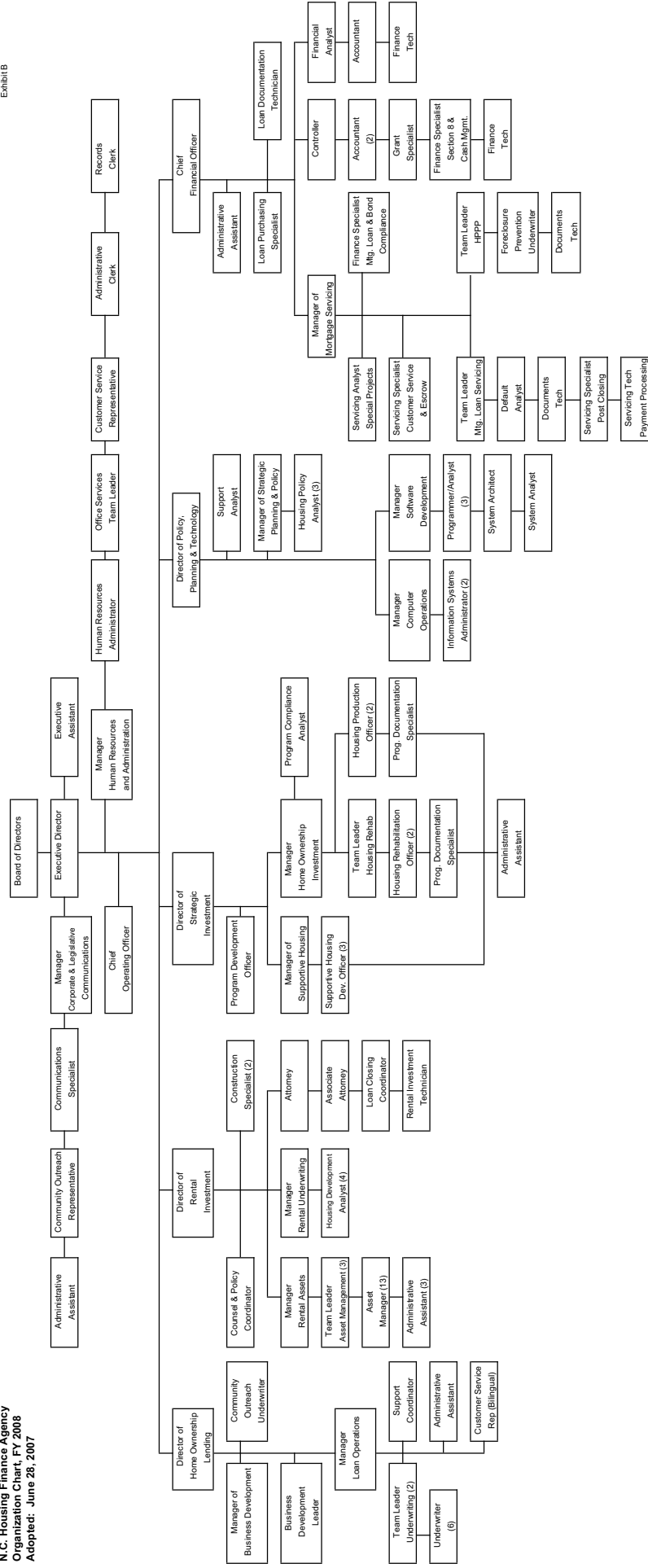
**NCHFA Operating Budget**  
**SUMMARY**  
**Fiscal Year 2008 (July 1, 2007 – June 30, 2008)**

	<b>Annual Budget for FY 2008</b>	<b>Year to Date Budget (through 12/31/07)</b>	<b>Year to Date Expenditures (through 12/31/07)</b>	<b>Year to Date Budget Variance</b>
73601 REGULAR SALARIES	7,025,788	3,512,894	3,228,728.34	284,165.66
73602 LONGEVITY PAYMENTS	55,000	27,500	28,581	-1,081
73603 TEMPORARY CONTRACTED EMPLOYEE				
<b>Salary Subtotal</b>	<b>7,080,788.00</b>	<b>3,540,394.00</b>	<b>3,257,309.34</b>	<b>283,084.66</b>
73605 SOCIAL SECURITY CONTRIBUTION	545,219	272,609.50	230,123.01	42,486.49
73606 RETIREMENT CONTRIBUTION	563,630	281,815	250,239.52	31,575.48
73607 HOSPITAL INSURANCE CONTR	454,536	227,268	208,146.42	19,121.58
<b>Benefits Subtotal</b>	<b>1,563,385.00</b>	<b>781,692.50</b>	<b>688,508.95</b>	<b>93,183.55</b>
73611 LEGAL SERVICES	158,900	79,450.00	83,844.70	-4,394.70
73612 FINANCIAL/AUDIT SERVICES	118,700	59,350	88,000	-28,650
73613 SYSTEMS IMPLEMENTATION	678,163	339,081.50	254,590.80	84,490.70
<b>Professional Services Subtotal</b>	<b>955,763.00</b>	<b>477,881.50</b>	<b>426,435.50</b>	<b>51,446.00</b>
73615 WORKMEN'S COMPENSATION	6,000	3,000		3,000
73616 COMPENSATION TO BOARD MEMBERS	2,800	1,400	1,125	275
73617 MISC. CONTRACTUAL SERVICES	273,215	136,607.50	123,216.95	13,390.55
73618 WORKSHOP SERVICES	90,301.46	45,150.73	20,302.50	24,848.23
73619 REPAIR-COMPUTER EQUIPMT	5,000	2,500	208.29	2,291.71
73620 REPAIR-OTHER EQUIPMT			69.22	-69.22
73621 MAINTENANCE AGREEMNT-EQUIPMENT	18,609	9,304.50	3,542.80	5,761.70
73622 MAINT AGREEMT-DP EQUIP	114,992	57,496	60,018.03	-2,522.03
73623 RENTAL/LEASE-BUILDING	511,436	255,718	298,337.69	-42,619.69
73624 RENTAL/LEASE-GEN OFFICE EQUIP				
73625 TRANSPORTATION- AIR I/S			2,757.64	-2,757.64
73626 TRANSPORTATION- AIR O/S	36,894.75	18,447.38	11,011.56	7,435.82
73627 TRANSPORTATION - GROUND I/S	110,186.50	55,093.25	44,126.75	10,966.50
73628 TRANSPORTATION - GROUND O/S	8,501.45	4,250.73	1,748.87	2,501.86
73629 LODGING- I/S	50,157.85	25,078.93	22,033.36	3,045.57
73630 LODGING- O/S	75,583.61	37,791.81	34,037.91	3,753.90
73631 MEALS- I/S	54,938.28	27,469.14	24,542.44	2,926.70
73632 MEALS- O/S	18,459.53	9,229.77	7,982.40	1,247.37
73633 MISC. -I/S	3,712.38	1,856.19	3,742.07	-1,885.88
73634 MISC. O/S	1,898.78	949.39	636.59	312.8
73635 BOARD TRANSPORATION	14,950	7,475.00	6,706.80	768.2
73636 BOARD SUBSISTENCE	33,350	16,675	9,983.87	6,691.13
73637 TELEPHONE SERVICE	43,000	21,500	17,268.72	4,231.28
73638 CELLULAR PHONE SVCS	14,233.60	7,116.80	4,350.66	2,766.14
73639 SIPS - COMPUTER/DP MAINFRAME	16,800	8,400	5,545.20	2,854.80
73640 POSTAGE, FREIGHT AND DELIVERY	52,326	26,163	29,074.22	-2,911.22
73641 PRINTING & BINDING	65,562	32,781	32,825.06	-44.06

**NCHFA Operating Budget  
SUMMARY  
Fiscal Year 2008 (July 1, 2007 – June 30, 2008)**

	<b>Annual Budget for FY 2008</b>	<b>Year to Date Budget (through 12/31/07)</b>	<b>Year to Date Expenditures (through 12/31/07)</b>	<b>Year to Date Budget Variance</b>
73642 ADVERTISING	48,000	24,000	6,908.54	17,091.46
73643 INSURANCE - PROPERTY	5,800	2,900	5,341.25	-2,441.25
73644 INSURANCE LIABILITLY	290	145		145
73645 INSURANCE-OTHER	8,950	4,475	17,583	-13,108
73646 EDUCATIONAL ASSIST PROG	15,960	7,980	3,737.22	4,242.78
73647 EMPLOYEE EDUCATION EXP'S	148,405	74,202.50	56,588.99	17,613.51
73648 OFFICE SUPPLIES & MATERIAL	69,975	34,987.50	28,079.54	6,907.96
73649 DP SUPPLIES	17,100	8,550	6,798.33	1,751.67
73650 PHOTOGRAPHIC SUPPLIES	3,630	1,815	1,226.91	588.09
73651 OTHER MAT & SUPPLIES	7,775	3,887.50	2,794	1,093.50
73652 OFFICE FURNITURE	12,900	6,450	6,452.59	-2.59
73653 OFFICE EQUIPMENT	5,530	2,765	1,759.68	1,005.32
73654 COMPUTERS	99,725	49,862.50	7,033.62	42,828.88
73655 COMPUTER SOFTWARE	14,200	7,100.00	1,273	5,827.00
73656 DUES & SUBSCRIPTIONS	77,056	38,528	23,804.05	14,723.95
73657 SERV. & OTHER AWARDS	19,600	9,800.00	9,702.32	97.68
73658 OTHER EXPENSES	54,722	27,361	21,550.88	5,810.12
73659 TRANSFER TO STATE TREASURER	50,000	25,000		25,000
73660 TRANSFER-I/D (DEP.CHILD CARE)			5,011.32	-5,011.32
<b>General Operating Subtotal</b>	<b><u>2,282,526.19</u></b>	<b><u>1,141,263.10</u></b>	<b><u>970,839.84</u></b>	<b><u>170,423.26</u></b>
<b>TOTAL EXPENSES</b>	<b><u><u>11,882,462.19</u></u></b>	<b><u><u>5,941,231.10</u></u></b>	<b><u><u>5,343,093.63</u></u></b>	<b><u><u>598,137.47</u></u></b>

**EXHIBIT 2: Fiscal Year 2008 Organizational Chart**



## 118 Budgeted Positions

**New Budgeted Positions (on organization chart)**

HO	Quality Control position retitled to Underwriter
SI	Supportive Housing Development Officer

### **EXHIBIT 3: Program Overview**



# NORTH CAROLINA HOUSING FINANCE AGENCY

## Summary of Programs



### Homeownership Programs for Individuals

The FirstHome 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 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 about all the Agency's mortgage programs, visit [www.nchfa.com](http://www.nchfa.com) or call the Agency at 919-877-5700 or 800-393-0988 and ask for an underwriter.

### Home Protection Program for Individuals

The Home Protection Pilot Program is available on a trial basis in 61 counties to help workers who lose their jobs because of plant closings and other changing economic conditions to avoid foreclosure on their homes. The pilot program was created and funded by the General Assembly. Displaced workers apply through participating local agencies that offer housing counseling and determine their eligibility. Qualified homeowners receive up to \$20,000 in loans at 0% interest to help them make mortgage payments. Participating counties and counseling organizations are listed at [www.nchfa.com](http://www.nchfa.com) – click on "Homeowners" and then on "Home Protection Pilot Program." Contact Hal Wright at 919-877-5690.

### Homeownership Programs for Local Governments & Nonprofit Groups

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 homes meet certain standards of energy efficiency. Contact Bill Bunting at 919-877-5629.

More information about the N.C. Housing Finance Agency's programs and activities is available at [www.nchfa.com](http://www.nchfa.com).

The Self-Help Loan Pool 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 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 \$1,000 are also provided to participants to match their IDA savings. Contact Keir Morton 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 Scott Farmer at 919-877-5641. For Asset Management, contact Sara Newsom at 919-877-5679.

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 919-877-5679.

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 Scott Farmer at 919-877-5641.



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 Scott Farmer at 919-877-5641.

## 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 Mike Mittenzwei at 919-877-5654, Mary Rea 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 Rea Todd at 919-877-5672.

## 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; 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 Dorothy Cross at 919-877-5661.

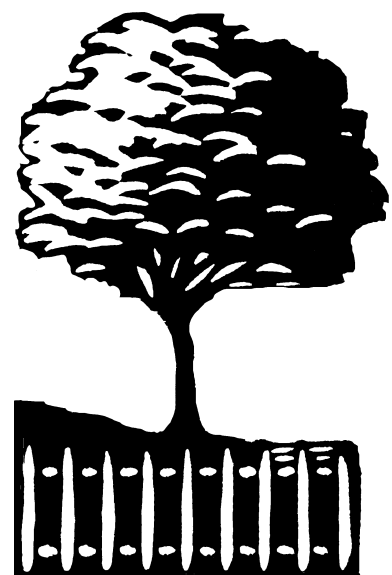
The Duke Home Energy Loan Program (HELP) is available to homeowners below 80% of area median income through local governments, regional agencies and nonprofits within the Duke Power service area. Loan Pool funds are provided as deferred-payment loans to make homes more energy-efficient. Contact Cal Jordan 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 Emily Askew at 919-877-5634.

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](http://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. Visit the Agency website, [www.nchfa.com](http://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 Recca 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. The Agency sponsors counselor training and also reimburses organizations for counseling homeowners through a grant from the N.C. Banking Commission. Contact Keir Morton at 919-877-5634.

Training for Predatory Lending Counselors is required by North Carolina's anti-predatory lending law, which mandates that persons considering high-cost home loans receive 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 at 919-877-5634.

## 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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