

July 31, 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 2008 fiscal year (July 1, 2007 to June 30, 2008), per G.S. 112A-16.

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 and to those in need. For example, in the Urgent Repair Program (URP), the Agency works with partners to provide grants for very low-income homeowners to improve their housing conditions and enhance accessibility. One recent URP recipient was a young man who was severely injured in a motorcycle accident. As a result of this accident, he was paralyzed and was unable to return to his home because it lacked wheel-chair access. However, URP funds financed the construction of a wheelchair ramp, which a group of Davidson College students then volunteered to build. Thus, with the funds appropriated by the General Assembly to the Housing Trust Fund, and the dynamic relationship between NCHFA and the local community, this young man will be able to live comfortably and safely in his home.

The NCHFA provided \$511 million in financing for affordable housing completed during fiscal year 2008. In addition, the Agency (and its partners) administered \$122 million in federal rental assistance.

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

- Exhibit 1 is 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 \$10,058,717 for staff and operations.
- Exhibit 2 is the fiscal year 2008 organizational chart of the Agency showing 123 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

July 1, 2007 – June 30, 2008

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, July 1, 2007 – June 30, 2008

Activity	HOME and HOME Match		Housing Trust Fund		Home Protection Pilot Program		Home Ownership Mortgage Revenue Bond		Home Ownership Mortgage Credit Certificate		Federal Housing Tax Credit		State Housing Tax Credit		Section 8 Rental Assistance		DHHS Operating Subsidy		Other Funding	
	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units
Home buyer housing	11,678	413	975	50	-	-	338,327	2,849	1,980	15	-	-	-	-	-	-	-	-	5,401	315
Rental housing	8,343	557	4,633	318	-	-	-	-	-	-	109,261	1,745	21,326	1,299	-	-	-	-	-	-
Supportive housing	1,085	41	833	18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Homeowner rehabilitation	3,170	80	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	213	19
Urgent repair	-	-	1,049	318	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,160	415
Foreclosure prevention	-	-	-	-	1,076	107	-	-	-	-	-	-	-	-	-	-	-	-	62	25
Rental assistance	416	280	-	-	-	-	-	-	-	-	-	-	-	-	121,538	24,475	151	168	121	156
Totals	24,692	1,371	7,491	704	1,076	107	338,327	2,849	1,980	15	109,261	1,745	21,326	1,299	121,538	24,475	151	168	6,958	930

*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:

- 7,100 construction jobs,
- \$26.9 million in state tax revenues, and
- \$42.6 million in local tax revenues.

EXHIBIT 1: Fiscal Year 2008 Budget

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

	Annual Budget for FY 2008	Year to Date Expenditures (through 6/30/08)	Year to Date Budget Variance
73601 REGULAR SALARIES	6,998,257	6,789,412	208,845
73602 LONGEVITY PAYMENTS	79,289	28,581	50,708
73603 TEMPORARY CONTRACTED EMPLOYEE			
Salary Subtotal	7,077,546	6,817,993	259,553
73605 SOCIAL SECURITY CONTRIBUTION	552,835	499,337	53,498
73606 RETIREMENT CONTRIBUTION	553,655	522,192	31,463
73607 HOSPITAL INSURANCE CONTR	460,137	457,600	2,537
Benefits Subtotal	1,566,627	1,479,129	87,498
73611 LEGAL SERVICES	195,492	194,012	1,480
73612 FINANCIAL/AUDIT SERVICES	126,970	126,970	0
73613 SYSTEMS IMPLEMENTATION	646,833	646,785	48
Professional Services Subtotal	969,295	967,767	1,528
73615 WORKMEN'S COMPENSATION	1,379	1,348	31
73616 COMPENSATION TO BOARD MEMBERS	3,153	3,152	1
73617 MISC. CONTRACTUAL SERVICES	263,574	259,089	4,485
73618 WORKSHOP SERVICES	36,318	35,964	355
73619 REPAIR-COMPUTER EQUIPMT	5,000	895	4,105
73620 REPAIR-OTHER EQUIPMT	70	69	1
73621 MAINTENANCE AGREEMNT-EQUIPMENT	17,409	17,124	285
73622 MAINT AGREEMT-DP EQUIP	84,692	81,771	2,921
73623 RENTAL/LEASE-BUILDING	511,437	511,436	1
73624 RENTAL/LEASE-GEN OFFICE EQUIP	0	0	0
73625 TRANSPORTATION- AIR I/S	3,909	3,907	2
73626 TRANSPORTATION- AIR O/S	33,781	29,878	3,902
73627 TRANSPORTATION - GROUND I/S	123,466	121,082	2,383
73628 TRANSPORTATION - GROUND O/S	8,874	6,517	2,357
73629 LODGING- I/S	50,913	45,866	5,047
73630 LODGING- O/S	88,067	82,388	5,679
73631 MEALS- I/S	58,107	56,426	1,681
73632 MEALS- O/S	22,579	20,015	2,564
73633 MISC. -I/S	9,300	9,298	3
73634 MISC. O/S	2,139	1,486	653
73635 BOARD TRANSPORATION	14,950	14,510	440

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

	Annual Budget for FY 2008	Year to Date Expenditures (through 6/30/08)	Year to Date Budget Variance
73636 BOARD SUBSISTENCE	39,117	39,117	0
73637 TELEPHONE SERVICE	43,465	41,718	1,747
73638 CELLULAR PHONE SVCS	14,360	10,239	4,121
73639 SIPS - COMPUTER/DP MAINFRAME	17,666	12,588	5,078
73640 POSTAGE, FREIGHT AND DELIVERY	58,997	51,148	7,849
73641 PRINTING & BINDING	84,221	75,480	8,741
73642 ADVERTISING	30,053	19,521	10,532
73643 INSURANCE - PROPERTY	9,991	9,990	1
73644 INSURANCE LIABILITLY	290	0	290
73645 INSURANCE-OTHER	8,950	8,842	108
73646 EDUCATIONAL ASSIST PROG	12,947	11,986	961
73647 EMPLOYEE EDUCATION EXP'S	123,805	105,675	18,130
73648 OFFICE SUPPLIES & MATERIAL	80,188	75,639	4,549
73649 DP SUPPLIES	24,862	24,761	101
73650 PHOTOGRAPHIC SUPPLIES	4,414	4,084	330
73651 OTHER MAT & SUPPLIES	6,456	5,833	623
73652 OFFICE FURNITURE	16,651	11,320	5,331
73653 OFFICE EQUIPMENT	13,075	8,583	4,492
73654 COMPUTERS	133,414	133,413	1
73655 COMPUTER SOFTWARE	26,289	26,288	1
73656 DUES & SUBSCRIPTIONS	81,226	74,142	7,084
73657 SERV. & OTHER AWARDS	20,328	18,726	1,602
73658 OTHER EXPENSES	56,545	44,431	12,114
73659 TRANSFER TO STATE TREASURER	0	0	0
73660 TRANSFER-I/D (DEP.CHILD CARE)	21,983	21,982	1
73798 MISCELLANEOUS EXPENSE	585	585	0
General Operating Subtotal	<u>2,268,994</u>	<u>2,138,310.69</u>	<u>130,684</u>
TOTAL EXPENSES	<u><u>11,882,462</u></u>	<u><u>11,403,199.56</u></u>	<u><u>479,263</u></u>

EXHIBIT 2: Fiscal Year 2008 Organizational Chart

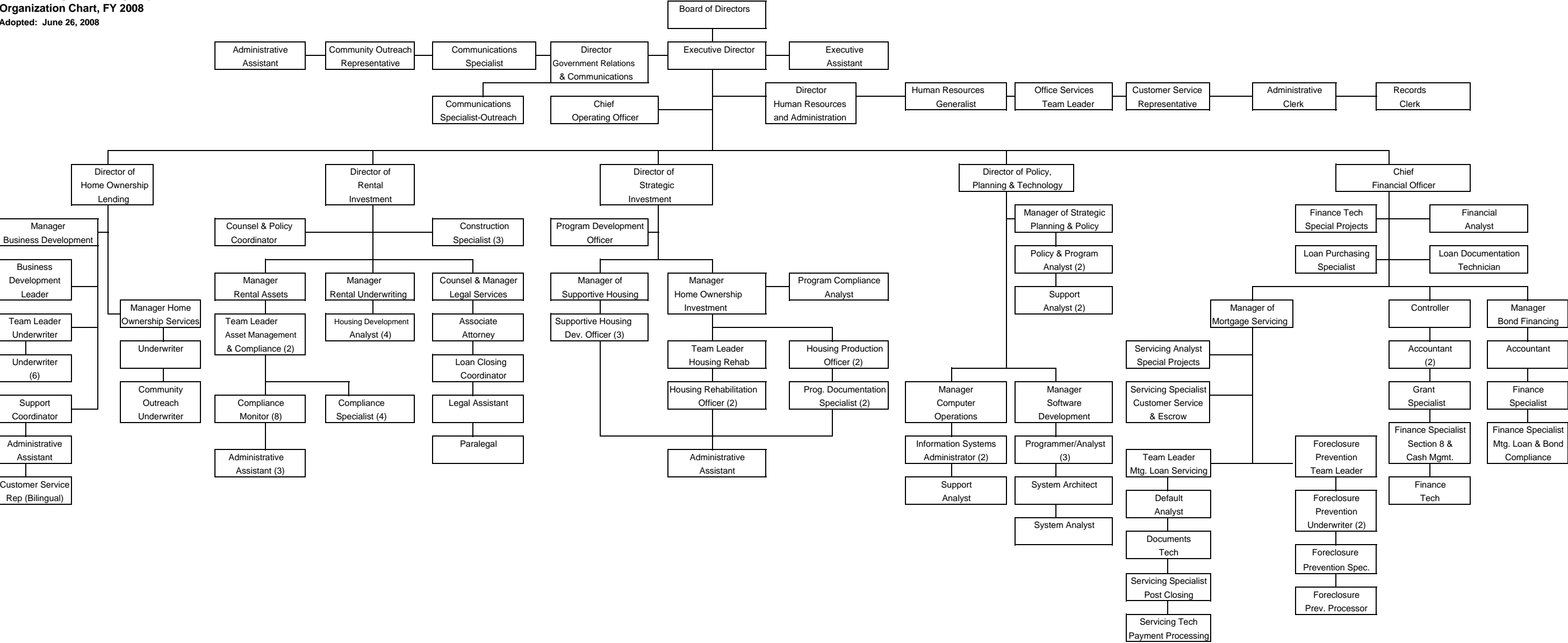


EXHIBIT 3: Program Overview

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 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 – 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.

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.

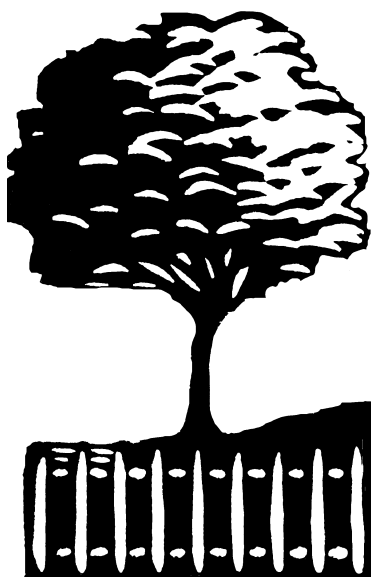
Rental Programs

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. 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, 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 Rea 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.

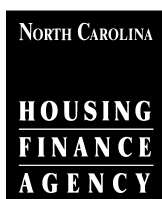
Training for Predatory Lending Counselors is required by North Carolina's anti-predatory lending law, which mandates that persons considering high-cost home loans receive counseling from a North Carolina Housing Finance Agency-approved counselor before completing the loan process. The purpose is to ensure 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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