



January 27, 2015

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 CY2014, per N.C.G.S. § 122A-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 Agency provided \$751.8 million in financing for affordable housing activity during CY2014. In addition, the Agency (and its partners) administered \$140.0 million in federal rental assistance. These CY2014 investments will support an estimated 12,780 jobs and generate \$68.5 million in state and local tax revenues.

Foreclosure prevention activities also continued to be a major focus. We continued the N.C. Foreclosure Prevention Fund and State Home Foreclosure Prevention Project.

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

- Exhibit 1 is the FY2015 organizational chart of the Agency showing 110 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 real estate industry. We appreciate your support.

Sincerely,
A. Robert Kucab
Executive Director

Report of the North Carolina Housing Finance Agency

January 1, 2014 – December 31, 2014

The North Carolina Housing Finance Agency is self-supporting. It provides financing for affordable housing by selling tax-exempt bonds, using the securitized mortgage market to provide lower interest rates and down payment assistance, issuing federal, 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 \$13.0 billion for affordable homes and apartments to assist 231,000 households. 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.

Three foreclosure prevention programs. The Agency designed and administers the N.C. Foreclosure Prevention Fund, financed by the U.S. Department of the Treasury. From October 2010 through the end of CY2014, the Fund has provided loans to help 18,314 unemployed homeowners avoid foreclosure while they seek or retrain for new jobs.¹ Since July 2011, the Agency also 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 State Attorney General asked the Agency 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. CY2014 investments will support:

12,800 jobs
\$48.4 million in state tax revenues
\$20.1 million in local tax revenues

Activity During CY2014

I. Investment: All Programs

Activity	Total Funding
Homeownership	\$ 435,555,900
Rental Housing	302,904,700
Supportive Housing	5,332,200
Homeowner Rehabilitation	9,919,900
Foreclosure Prevention Loans	63,680,500 ¹
Foreclosure Prevention Counseling	3,938,300
Rental Assistance	140,041,700
Capacity Building	762,000

Highlighted Programs²

II. North Carolina Housing Trust Fund

Activity	Total Units	Total Funding
Homeownership	124	375,200
Rental Housing	93	1,208,000
Supportive Housing	266	5,332,200
Urgent Repair	895	4,641,000

III. State HOME Match

Activity	Total Households	Total Funding
Homeownership	58	\$ 1,116,800
Rental Assistance	214	595,000
Homeowner Rehabilitation	3	151,500

IV. N.C. Foreclosure Prevention Fund

Activity	Total Loans	Funding ¹
Foreclosure Prevention Loans	3,366	\$ 63,680,500

V. State Home Foreclosure Prevention Project

Activity	Total Households	Total Funding
Foreclosure Prevention Counseling	6,498	\$ 1,483,400

¹ The N.C. Foreclosure Prevention Fund operates under the umbrella of the state Home Protection Program. State funding was suspended after federal funds became available. Funds committed in CY2014. Loan funds are committed for up to 36 months.

² The Housing Trust Fund, HOME Match, State Home Foreclosure Prevention Project, and N.C. Foreclosure Prevention Fund data are all also included in Table I.

EXHIBIT 1: FY2015 Organizational Chart

NCHFA
Fiscal Year 2015
Organization Chart
Effective date July 1, 2014

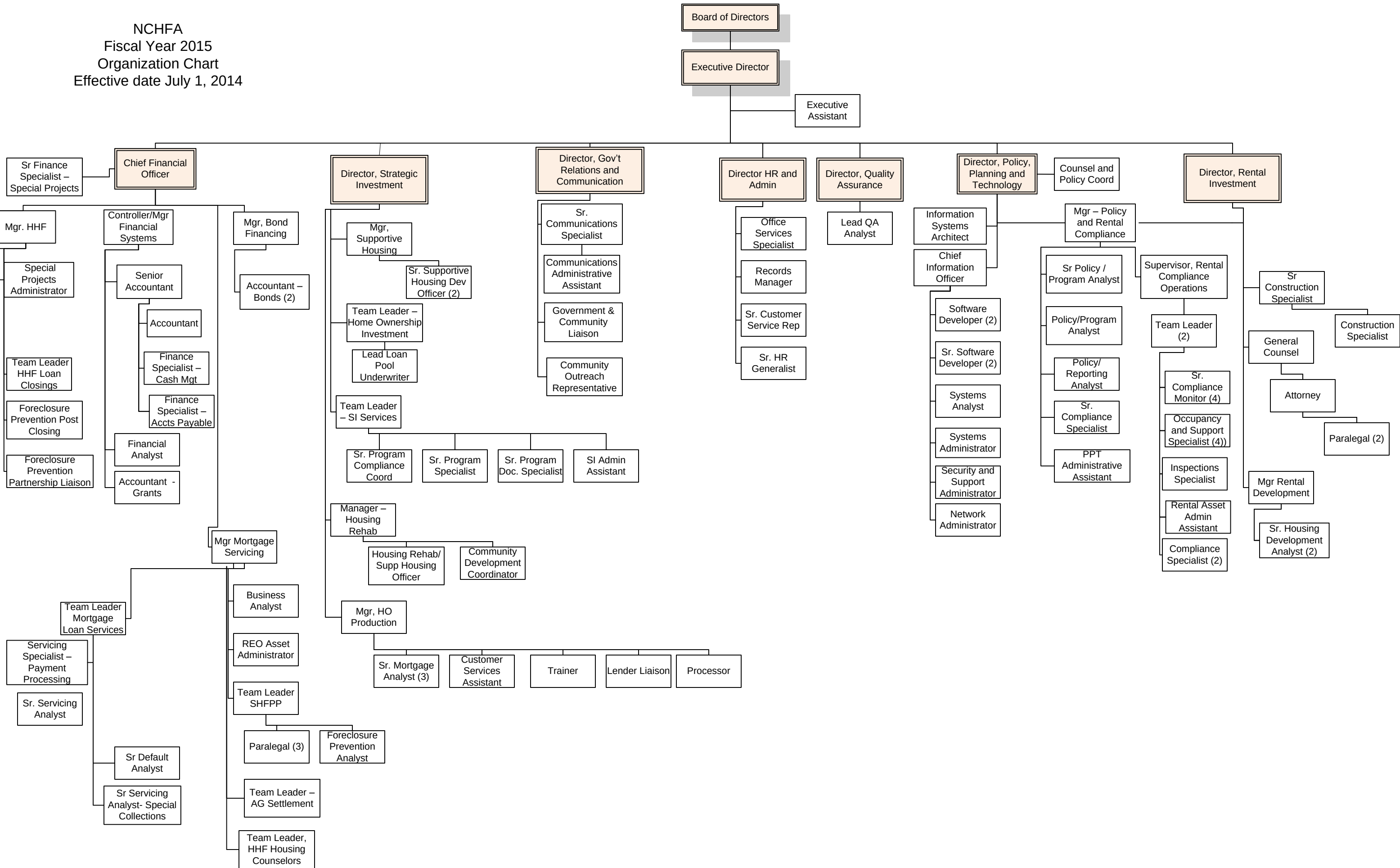


EXHIBIT 2: Program Overview

2014 NORTH CAROLINA HOUSING FINANCE AGENCY

Summary of Programs

Homeownership Programs for Individuals

The N.C. Home Advantage Mortgage™ offers down payment help for both first-time and move-up home buyers up to 3% of the loan amount. This interest-free, 15-year deferred second mortgage is forgiven at a rate of 20% a year in years 11 through 15. The loans may be conventional, FHA, USDA or VA eligible mortgages. The mortgage loans are funded with taxable financing through the sale of Ginnie Mae and Fannie Mae mortgage-backed securities.

The Mortgage Credit Certificate (MCC), 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. Homeowners purchasing new construction are eligible for a tax credit of up to 50% of the mortgage interest. The maximum MCC tax credit is \$2,000 for every year that the buyer occupies the home. The MCC has its own sales price and income limits. The MCC can also be used with the N.C. Home Advantage Mortgage™.

Both N.C. Home Advantage Mortgage™ and the MCC are offered through participating lenders, which operate nearly 700 branch offices statewide. Go to www.nchfa.com or call 1-800-393-0988 and ask to speak with an underwriter.

N.C. Foreclosure Prevention Fund and Housing Counseling 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 also assists returning veterans who are transitioning to civilian jobs. 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. It is forgiven at a rate of 20% per year after five years, as long as the homeowner continues to occupy the home.

Second mortgage assistance is provided as a zero-interest, deferred loan of up to \$30,000, plus all related fees to pay off an existing second mortgage. No repayment is due until the owner refinances or sells the home.

Consumers should go to www.NCForeclosurePrevention.gov or call 1-888-623-8631.

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.*

The 2012 National Mortgage Settlement was a landmark agreement between state Attorneys General and the five largest mortgage servicers. The five servicers provided \$25 billion in relief to homeowners and additional payments to states. In North Carolina, 47 HUD-approved housing counseling agencies and three legal service programs received settlement funding to strengthen their capacity to offer free help to home buyers and homeowners, especially those facing foreclosure. The funding awards for housing counseling and legal services are managed by the N.C. Housing Finance Agency.

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 Community Partners Loan Pool (CPLP) offers a zero-interest, deferred second mortgage that is generally used in conjunction with either the N.C. Housing Finance Agency's N.C. Home Advantage Mortgage™ or a USDA Section 502 Loan. The maximum amount of assistance depends on the first mortgage financing:

- Up to 15% of the purchase price when combined the Agency's NC Home Advantage Mortgage,
- Up to 10% of the purchase price when combined with USDA's Section 502 Loan program, or
- Up to 10% of the purchase price when combined with other first mortgage financing (must be approved by the Agency)

Individual Development Account saving participants are also eligible for a grant of \$2,000 to match their savings.

The financing is available for homes built as part of the CPLP member development; existing homes built to certain standards by the member; available newly constructed code-built homes meeting certain site and neighborhood criteria; or new homes built to either SystemVision™ or an approved green building standard.

The Self-Help Loan Pool (SHLP) provides interest-free amortizing mortgage loans of up to \$40,000 per home for newly constructed and rehabilitated homes produced in partnership with local Habitat for Humanity affiliates. All homes are made affordable to borrowers through a model of sweat equity, volunteers, and donations.

Buyers in the **Community Partners** and the **Self-Help** loan pools must have a household income at or below 80% of their county's median, complete an eight-hour home buyer course and, if needed, receive homeownership counseling. Incentive funding is available to CPLP and SHLP members that build or rehabilitate homes that meet certain energy efficiency and green building standards. Visit www.nchfa.com/Nonprofits/HPhoprodprograms.aspx.

Rental Programs

The Housing Credit Program makes possible 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 based on population, and the Agency awards credits in a competitive process through an agreement with the N.C. Federal 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. The sponsor applies for the program when submitting a federal Housing Credit application.

The Rental Production Program provides low-interest loans for the construction of rental housing at or 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 N.C. 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 Program

The Supportive Housing Development Program provides interest-free 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 Loan Pool provides loans to homeowners through 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.

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 under "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. Four 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 provides training for individuals working with HUD-approved agencies that provide 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 a counselor approved by the N.C. Housing Finance Agency. The purpose is to ensure that borrowers fully understand the material terms of the loan and the amount of fees and costs they 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 N.C. Housing Partnership was established by the General Assembly to set policy for the use of the N. C. 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.

For more information, contact Will Parry-Hill at wphill@nchfa.com or (919) 877-5605

Stancil Barnes, Chairman
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