

January 19, 2017

Members of the Joint Legislative Commission on Governmental Operations

Honorable Members:

This report is being filed on the production activities of the North Carolina Housing Finance Agency (the Agency) for CY2017, 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 \$1.547 billion in financing for affordable housing activity during CY2017. In addition, the Agency (and its partners) administered \$151.5 million in rental assistance. These CY2017 investments will support an estimated 12,000 jobs statewide and generate \$35.6 million in state and local tax revenues.

Disaster Recovery continues to be a major emphasis for our Agency since the passage of the Disaster Recovery Act of 2016. We quickly set up a program to help low- to moderate-income homeowners rehabilitate their homes through a network of 36 partners working in 43 counties. Over 330 homes have been reserved in our system for repairs, encumbering almost \$14 million.

The Agency has continued to emphasize veteran assistance. We target veterans through our Urgent Repair and Essential Single Family Rehabilitation Programs, offer the Veterans Initiative under the N.C. Foreclosure Prevention Fund, use Mortgage Credit Certificates to assist veterans purchasing a home, and finance solutions to end veteran homelessness.

In CY2017, we celebrated a major milestone with the N.C. Foreclosure Prevention Fund, saving over 26,000 families from foreclosure and preserving over \$4 billion in property values.

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

- Exhibit 1 is the FY2018 organization chart of the Agency showing 125 positions.
- Exhibit 2 is an overview of programs. 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,
Scott Farmer
Executive Director

Report of the North Carolina Housing Finance Agency

January 1, 2017 – December 31, 2017

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 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 \$17.3 billion for affordable homes and apartments to assist 268,937 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.

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 CY2017, the Fund has provided loans to help 27,534 homeowners who are unemployed or having other temporary financial hardships 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.

Economic Impact. CY2017 investments will support:

12,060 jobs
\$29.6 million in state tax revenues
\$5.96 million in local tax revenues

Activity During CY2017

I. Investment: All Programs

Activity	Total Funding
Homeownership	\$ 1,241,497,276
Rental Housing	289,193,063
Supportive Housing	5,639,000
Homeowner Rehabilitation	7,032,640
Urgent Repair	3,575,000
Foreclosure Prevention Loans	59,172,670
Foreclosure Prevention Counseling	162,150
Rental Assistance	151,503,710

Highlighted Programs¹

II. North Carolina Housing Trust Fund

Activity	Total Units	Total Funding
Rental Housing	300	\$ 3,450,000
Supportive Housing	400	4,365,000
Urgent Repair	557	3,575,000

III. State HOME Match

Activity	Total Households	Total Funding
Homeownership	1	\$ 18,000
Rental Housing	342	3,444,206
Rental Assistance	134	476,037

IV. Workforce Housing Loan Program

Activity	Total Units	Funding
Rental Housing	1,934	\$ 12,500,000

V. N.C. Foreclosure Prevention Fund

Activity	Total Loans	Funding ¹
HHF DownPayment Assistance	2,921	\$ 44,003,435
Foreclosure Prevention Loans	2,346	59,172,670

VI. State Home Foreclosure Prevention Project

Activity	Total Households	Total Funding
Foreclosure Prevention Counseling	522	\$ 162,150

¹ The Housing Trust Fund, HOME Match, State Home Foreclosure Prevention Project, Workforce Housing Loan Program, and N.C. Foreclosure Prevention Fund data are all also included in Table I.

EXHIBIT 1: FY2018 Organizational Chart

EXHIBIT A
Fiscal Year 2018
Organization Chart
Effective date July 1, 2017

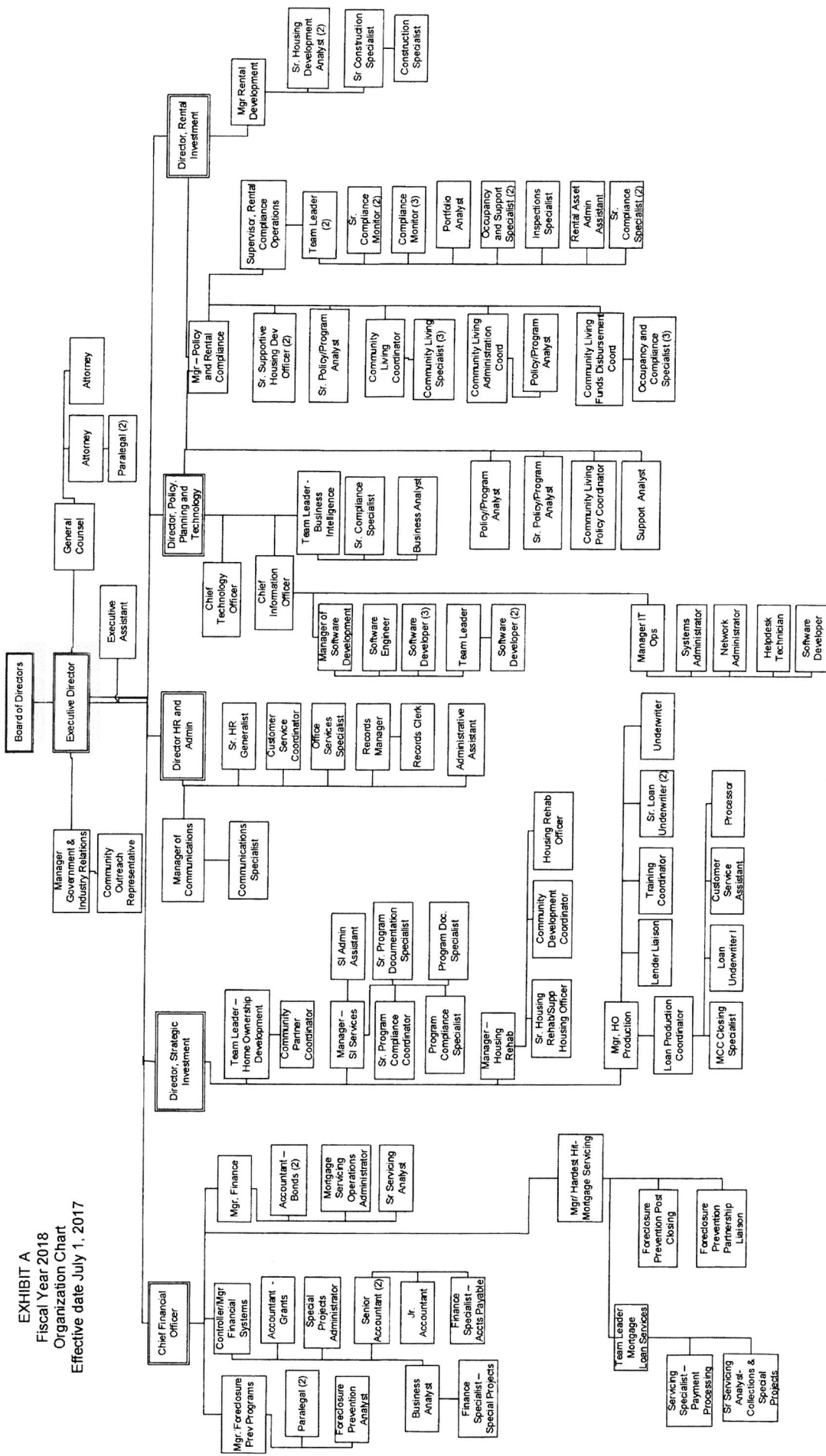
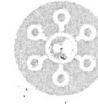


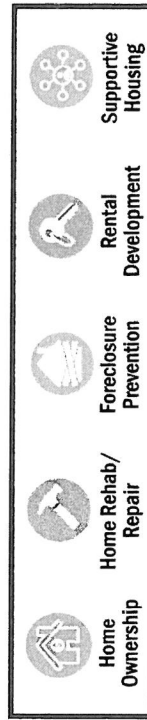
EXHIBIT 2: Program Overview

NORTH CAROLINA HOUSING FINANCE AGENCY INVESTMENTS

PROGRAM	TYPE	AUDIENCE	GOAL	ELIGIBLE BENEFICIARIES	FINANCIAL ASSISTANCE*
Self-Help Loan Pool		Self-Help Housing Nonprofits (usually Habitat for Humanity affiliates)	Provides affordable mortgages	Home buyers earning up to 80% of area median income purchasing a home from loan pool members	Up to \$45,000 or 35% of home purchase price (whichever is greater) that is combined with SHLP member financing to provide a single, interest-free amortizing loan with a 20-33 year term
Community Partners Loan Pool		Local Governments and Nonprofits	Provides down payment assistance	Home buyers earning up to 80% of area median income with sufficient credit purchasing a home through a loan pool member	Interest-free, deferred second mortgage of up to 25% of purchase price when combined with a NC Home Advantage Mortgage™ or up to 10% when combined with a USDA Section 502 loan with term matching first mortgage; can be used with other loans
NC Home Advantage Mortgage™		Home Buyers	Provides affordable mortgage options and down payment assistance	First-time and move-up home buyers, including veterans, earning up to \$87,500 with a credit score of 640 or higher and conventional, FHA, USDA or VA eligible first mortgages	30-year fixed-rate mortgages provided through participating lenders statewide; deferred second mortgage of up to 5% of first mortgage amount with term up to 15 years
Mortgage Credit Certificate		Home Buyers	Connects home buyers with tax benefits to increase mortgage affordability	First-time home buyers and veterans (sales price and income limits apply)	Federal tax credit (can be combined with the NC Home Advantage Mortgage™) that reduces federal tax liability by up to 30% of mortgage interest for existing homes or up to 50% of interest for new construction annually (cannot exceed \$2,000 per year of primary occupancy)
Essential Single- Family Rehabilitation Loan Pool		Local Governments, Nonprofits and Regional Councils	Provides essential and critical home rehabilitation	Homeowners earning up to 80% of area median income who are elderly, disabled and/or qualified veterans or live in homes with children under 6 exposed to lead	Assistance offered through local government or nonprofit partners that provide interest-free, deferred loans to eligible recipients; partners receive at least \$175,000 each and may use up to \$25,000 per unit for construction
Essential Single- Family Rehabilitation Loan Pool—Disaster Recovery		Local Governments Nonprofits and Regional Councils	Provides essential rehabilitations in response to damage from Hurricane Matthew and Tropical Storms Julia and Hermine	Homeowners earning up to 100% of area median income whose homes were affected by the named storms in counties listed in the Disaster Recovery Act of 2016	Assistance offered through local government or nonprofit partners that provide interest-free, deferred loans to eligible recipients; partners receive at least \$150,000 each, with the option to apply again once funds are spent, and may use up to \$40,000 per unit for construction
Urgent Repair Program		Local Governments, Nonprofits and Regional Councils	Provides emergency repairs and modifications to address imminent threats to health or safety	Homeowners, including veterans, earning up to 50% of area median income who are elderly, disabled, and/or have other eligible special needs	Assistance offered through local government or nonprofit partners that provide interest-free, deferred loans to eligible recipients; partners receive up to \$200,000 each (if they serve two or more counties), \$100,000 each (if they serve one county), or \$50,000 each (if they serve large entitlement cities), and may use up to \$8,000 per homeowner
Displacement Prevention Partnership		Independent Living Rehabilitation Offices	Provides repairs and modifications to improve home accessibility for people with mobility issues	Homeowners with disabilities, including veterans, earning up to 50% of area median income	Assistance offered through local Independent Living Rehabilitation offices that provide interest-free, deferred loans to eligible recipients; local Independent Living Rehabilitation offices may use up to \$8,000 per homeowner

	NC Foreclosure Prevention Fund	Homeowners	Helps homeowners who are struggling with their mortgage	temporary financial hardship; who are now earning less or on a fixed income after a financial hardship; or who are veterans transitioning to civilian life owing \$300,000 or less on all mortgages	while homeowner recovers from a hardship and finds new employment, to pay off an unaffordable second mortgage or to reduce monthly payments for homeowners who are earning less or on a fixed income
	State Home Foreclosure Prevention Project	Homeowners	Provides free counseling and legal services to homeowners facing foreclosure	Homeowners who have received a 45-day pre-foreclosure notice	N/A
	Housing Credit Program	Developers	Finances development and substantial rehabilitation of affordable rental housing	Rental developers eligible per NC's Qualified Allocation Plan to provide housing to households with incomes up to 60% of area median income	Federal Low-Income Housing Tax Credit that reduces investors' federal tax liability by up to 9% of eligible project costs each year for 10 years and provides up to \$1 million in financing per project (actual amount based on project specifics)
	Workforce Housing Loan Program	Developers	Provides long-term financing for Housing Credit projects	Rental developers eligible per NC's Qualified Allocation Plan to provide housing to households with incomes up to 60% of area median income	30-year balloon loan for a percentage of development costs based on income designations for each county
	Rental Production Program	Developers	Provides long-term financing for Housing Credit projects	Rental developers eligible per NC's Qualified Allocation Plan to provide housing to households with incomes up to 60% of area median income	Loan, with interest rate of 2% or lower, of up to \$800,000 per project with term up to 20 years
	Supportive Housing Development Program	Developers	Finances production of emergency and permanent supportive housing for people experiencing homelessness or with unique housing needs	Households earning up to 60% of area median income	Interest-free, amortizing or deferred loan up to \$700,000 or 70% of project costs for projects in non-entitlement areas (whichever is less), \$600,000 or 60% of costs in small entitlement cities, or \$500,000 or 50% of costs in large entitlement cities, term of 20-30 years
	Key Rental Assistance**	Consumers and Service Providers	Makes Targeted Units*** affordable to people with disabilities with extremely low incomes (earn less than 30% of area median income)	Recipients of Key Rental Assistance must reside in Targeted Units and earn between \$300 per month and 30% of area median income	Rental assistance payments, which may also cover some other housing-related expenses such as security deposits, that comprise the difference between tenants' rent and 25% of their household monthly income
	Transitions to Community Living Voucher**	Consumers and Service Providers	Diverts or transitions people with behavioral health disabilities out of restrictive settings so they can live in the community of their choice	Households earning up to \$2,000 per month who fall under the state's Olmstead settlement agreement and are identified by LME/MCOs	Rental assistance payments, which may also cover some other housing-related expenses such as security deposits, that comprise the difference between tenants' rent and the greater of \$100 or 25% of household monthly income (up to \$600 per month)

PROGRAM TYPES



DEFINITIONS

Entitlement cities are those that receive funding through HUD's Community Development Block Grant (CDBG) program
LME/MCO stands for Local Management Entities/Managed Care Organizations, which are community-based behavioral health care providers

* Financial assistance amounts and limits are subject to change at any time

**The NC Department of Health and Human Services partners with the Agency in administering these programs

*** Targeted units are rental units set aside for very low-income tenants with disabilities