

**NORTH CAROLINA HOUSING FINANCE AGENCY
DISCLOSURE REPORT
AS OF SEPTEMBER 30, 2006**

INDENTURE: SINGLE FAMILY REVENUE BONDS (1985 RESOLUTION)
BOND SERIES: SERIES KK/LL

PAGE NO. 1-1985KKLL

SERIES DATE: 10/01/96

SERIES SOLD: 10/31/96

GENERAL INFORMATION:

Bonds Outstanding: 8,150,000
Bond Yield: 5.89%
Mortgage Loan Prin Outstanding: 7,751,816
Mortgage Rate(s): 6.45% - 7.25%
Outstanding Commitments: 0
Uncommitted Lendable Funds: 0

Average Purchase Price: 68,012
Average Original Loan Amount: 66,529
Total No. of Loans Originated: 417
Total No. of Loans Paid Off: 276
Total No. of Loans Outstanding: 141

LOAN PORTFOLIO CHARACTERISTICS (AS A % OF LOANS OUTSTANDING)

New Construction:	14.89%	Private	0.00%
Existing Home:	85.11%	FHA	100.00%
Total	100.00%	VA	0.00%
		Self Insured	0.00%
		Guaranty Fund	0.00%
		Other	
Fixed Rate Mortgages	100.00%	(less than 80.00 LTV)	0.00%
Graduated Pmt Mtgs	0.00%	Total	100.00%
Growing Equity Mtgs	0.00%		
Variable Rate Mtgs	0.00%		
Total	100.00%		

Effective May 1, 2006

Trustee: The Bank of New York Trust Company, NA
10161 Centurion Parkway
Jacksonville, FL 32256
(904) 645-1956
Contact: Christine Boyd

Type of Housing:

Single Family Detached	89.36%
Condos/Townhouses	10.64%
Manufactured/Duplexes	0.00%
Total	100.00%

Breakdown of Private Mortgage Insurers
(List by % of total portfolio):

1985KK/LL	
GEMICO	0.00%
RMIC	0.00%
UG	0.00%
VEREX	0.00%
	0.00%

Program: P.O. Box 28066
Raleigh, NC 27611-8066
(919) 877-5700

Contact:
Sharon Drewyor, Director of Home Ownership Lending (919) 877-5621
Elizabeth I. Rozakis, Chief Financial Officer (919) 877-5687

POOL INSURANCE COVERAGE (DOLLARS IN THOUSANDS): None

SELF-INSURANCE COVERAGE:

Name of Self-Insurance Fund: Mortgage Deficiency Fund
Series of Bonds Covered: 1985 Series D through WW (excluding Series U/V)

Current Funding Requirements: (data is for 1985 Series KK/LL only):
Total Dollar Amount (\$000) Note 1
As % of Initial Principal Amount of Mortgage Loans Purchased Note 1
Claims to Date 0

Maximum level of funding required over the life of the bonds (\$000) Note 1

DELINQUENCY STATISTICS (AS A % OF LOANS OUTSTANDING):

	%	#
60 days	5.67%	8
90 days	0.71%	1
In Foreclosure	2.13%	3

(AS % OF PRINCIPAL BALANCE OUTSTANDING):

	%	\$
	6.57%	509,265
	0.59%	45,864
	2.63%	203,622

No. of Loans Foreclosed to Date since 1/1/87: Not available
Foreclosed (Loss)/Gain to Date: Not available
Net of Insurance Proceeds (\$000): Not available

Real Estate Owned
Number of Loans: 0
Outstanding Mtg Amount
At time of Default: \$0
Current Balance: \$0

MORTGAGE LOAN SERVICERS:

Servicer	# of Loans	% of Portfolio
BB&T	66	46.81%
RBC Centura	41	29.08%
Marsh	23	16.31%
Bank of America	11	7.80%
CCB	0	0.00%
TOTAL	141	100.00%

MORTGAGE LOAN RATES (BY BOND SERIES):

Series	# of Loans	Mtg Rate
1985 SERIES KK/LL	1	6.45%
	89	6.75%
	51	7.25%
Total	141	

Note 1: The provisions of the Mortgage Deficiency Fund were extended to Series KK and LL Bonds. However, additional funding was not required in consequence of the extension of such provisions.

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LIST OF BONDS BY MATURITY:

CUSIP Number	Maturity Date	Bond Type	Interest Rate	Original Amount	Principal Matured	Principal Redemptions	Principal Outstanding	Bond Call Sequence (Note 1)
65820EMU1	03/01/99	Serial	4.40%	\$185,000	\$185,000	\$0	\$0	2
65820EMU9	09/01/99	Serial	4.40%	190,000	190,000	0	0	2
65820EMW7	03/01/00	Serial	4.55%	195,000	195,000	0	0	2
65820EMX5	09/01/00	Serial	4.55%	200,000	200,000		0	2
65820EMY3	03/01/01	Serial	4.65%	205,000	205,000		0	2
65820EMZ0	09/01/01	Serial	4.65%	210,000	205,000	5,000	0	2
65820ENA4	03/01/02	Serial	4.75%	215,000	205,000	10,000	0	2
65820ENB2	09/01/02	Serial	4.75%	220,000	205,000	15,000	0	2
65820ENC0	03/01/03	Serial	4.85%	225,000	205,000	20,000	0	2
65820END8	09/01/03	Serial	4.85%	230,000	195,000	35,000	0	2
65820ENE6	03/01/04	Serial	5.00%	235,000	185,000	50,000	0	2
65820ENF3	09/01/04	Serial	5.00%	240,000	160,000	80,000	0	2
65820ENG1	03/01/05	Serial	5.05%	245,000	155,000	90,000	0	2
65820ENH9	09/01/05	Serial	5.05%	255,000	145,000	110,000	0	2
65820ENJ5	03/01/06	Serial	5.15%	260,000	145,000	115,000	0	2
65820ENK2	09/01/06	Serial	5.15%	270,000	130,000	140,000	0	2
65820ENL0	03/01/07	Serial	5.30%	270,000		145,000	125,000	2
65820ENM8	09/01/07	Serial	5.30%	280,000		155,000	125,000	2
65820ENN6	03/01/08	Serial	5.40%	290,000		160,000	130,000	2
65820ENP1	09/01/08	Serial	5.40%	295,000		160,000	135,000	2
65820ENQ9	03/01/09	Serial	5.50%	305,000		165,000	140,000	2
65820ENR7	09/01/09	Serial	5.50%	315,000		175,000	140,000	2
65820ENS5	09/01/16	Term (Note 2)	5.88%	5,460,000		3,005,000	2,455,000	2
65820ENT3	09/01/17	Term (Note 3)	5.88%	980,000		550,000	430,000	2
65820ENU0	09/01/22	Term (Note 4)	5.50%	6,480,000		6,480,000	0	1
65820ENV8	03/01/26	Term (Note 5)	6.20%	5,710,000		3,280,000	2,430,000	2
65820ENW6	09/01/28	Term (Note 6)	6.20%	5,000,000		2,960,000	2,040,000	2
Total 1985 Series KK/LL				\$28,965,000	\$2,910,000	\$17,905,000	\$8,150,000	

Note 1: See optional and special redemption provisions beginning on page 4-1985KK/LL. (i.e. "1" denotes first call priority from prepayments.)
 Note 2: Sinking fund redemption begins March 1, 2010.
 Note 3: Sinking fund redemption begins March 1, 2017.
 Note 4: Sinking fund redemption begins March 1, 2018.
 Note 5: Sinking fund redemption begins March 1, 2023.
 Note 6: Sinking fund redemption begins September 1, 2026.

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LIST OF UNSCHEDULED REDEMPTIONS:

Call Date	Call Amount	Type of Call	Source Of Funds
09/01/97	\$5,000	Supersinker	Prepayments
03/01/98	85,000	Supersinker	Prepayments
07/01/98	80,000	Supersinker	Prepayments
01/01/99	605,000	Supersinker	Prepayments
05/01/99	500,000	Supersinker	Prepayments
07/01/99	265,000	Supersinker	Prepayments
09/01/99	245,000	Supersinker	Prepayments
12/15/99	670,000	Supersinker	Prepayments
05/01/00	290,000	Supersinker	Prepayments
05/01/00	135,000	Pro rata	Prepayments
07/01/00	665,000	Supersinker	Prepayments
01/01/01	1,035,000	Supersinker	Prepayments
01/01/01	355,000	Pro rata	Prepayments
06/01/01	525,000	Supersinker	Prepayments
10/01/01	305,000	Supersinker	Prepayments
10/01/01	480,000	Pro rata	Prepayments
01/01/02	570,000	Supersinker	Prepayments
04/15/02	200,000	Supersinker	Prepayments
04/15/02	575,000	Pro rata	Prepayments
04/15/02	20,000	Pro rata	Debt Service Reserve
07/01/02	430,000	Supersinker	Prepayments
07/01/02	220,000	Pro rata	Prepayments
07/01/02	20,000	Pro rata	Debt Service Reserve
01/01/03	595,000	Pro rata	Prepayments
06/01/03	380,000	Pro rata	Prepayments
06/01/03	55,000	Pro rata	Debt Service Reserve
06/01/03	840,000	Pro rata	Prepayments
10/01/03	540,000	Pro rata	Prepayments
10/01/03	75,000	Pro rata	Debt Service Reserve
10/01/03	945,000	Pro rata	Prepayments
01/01/04	1,645,000	Pro rata	Prepayments
05/01/04	785,000	Pro rata	Prepayments
09/01/04	735,000	Pro rata	Prepayments
09/01/04	250,000	Pro rata	Debt Service Reserve
01/01/05	375,000	Pro rata	Prepayments
01/01/05	30,000	Pro rata	Debt Service Reserve
05/01/05	740,000	Pro rata	Prepayments
05/01/05	40,000	Pro rata	Debt Service Reserve
10/01/05	455,000	Pro rata	Prepayments
04/01/06	810,000	Pro rata	Prepayments
04/01/06	70,000	Pro rata	Debt Service Reserve
08/01/06	240,000	Pro rata	Prepayments
08/01/06	<u>20,000</u>	Pro rata	Debt Service Reserve
TOTAL	<u>\$17,905,000</u>		

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Bond Call Information:

Special Redemption

The 1985 Series KK and LL bonds may be redeemed in whole or in part on any date at the principal amount plus accrued interest to the date of redemption, from:

- (i) unexpended proceeds,
- (ii) excess revenues transferred from the revenue reserve fund,
- (iii) prepayments of mortgage loans financed with the proceeds of the Series KK and LL bonds,
- (iv) moneys withdrawn from the debt service reserve fund in connection with an excess over the debt service reserve requirement, and
- (v) from prepayments of mortgage loans financed with proceeds from series of bonds issued subsequent to the Series D bonds other than the Series KK and LL bonds and from certain moneys in excess of the debt service reserve requirement on deposit in the debt service reserve fund ("Cross Call Redemption").

Prepayments on mortgage loans financed with the proceeds of the Series KK and LL bonds, shall first be applied to the redemption or purchase of Series LL Term bonds due March 1, 2023 during the periods up to the scheduled principal amounts set forth in the series resolution.

Moneys in excess of the debt service reserve requirement shall be applied to the redemption of the series KK and LL bonds in any manner. Moneys to be applied to redemption from excess revenues in the revenue reserve fund, from prepayments in excess of the scheduled principal amounts or from cross call redemption sources, shall be applied pro rata. However, the Agency may redeem on other than a pro rata basis, if the Agency files a notice with the Trustee together with a cash flow certificate.

Optional Redemption

The Series KK and LL bonds are redeemable at the option of the Agency, in any manner the Agency shall determine, on or after March 1, 2006, in whole or in part, on any date, at the following redemption prices, plus accrued interest to the date of redemption:

Period (Both Dates Inclusive)	Redemption Price (Expressed as a Percentage)
March 1, 2006 to February 28, 2007	102.00%
March 1, 2007 to February 29, 2008	101.00%
March 1, 2008 and thereafter	100.00%