Audited Financial Statements

June 30, 2014

NORTH CAROLINA HOUSING FINANCE AGENCY
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

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June 30, 2014

The discussion and analysis of the North Carolina Housing Finance Agency's (the Agency) financial performance provides an overview of the Agency's financial activities for the year ended June 30, 2014. The financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Overview

The North Carolina Housing Finance Agency was created in 1973 to provide financing for residential housing, both ownership and rental, to North Carolina households with low and moderate incomes. The Agency has issued bonds and sold mortgage-backed securities on the secondary market to finance housing throughout the state of North Carolina. In addition, the Agency administers the United States Department of the Treasury's Hardest Hit Fund®, the Section 8 Program, the HOME Investment Partnerships Program, Low-Income Housing Tax Credits, the North Carolina Housing Trust Fund and other federal and state programs. These programs provide different types of assistance such as down payment assistance, low-interest mortgage loans, foreclosure prevention mortgage assistance, foreclosure prevention counseling, rent subsidies, and various types of rehabilitation of both single and multifamily properties.

Financial Highlights

The following information is an analysis of the Agency's performance for the year ended June 30, 2014, with reference to prior fiscal year's results and activities.

The Agency's *Total assets* decreased $77,270,000, or 4.5%, and *Total liabilities* decreased $126,749,000, or 11.4%. The Agency's *Deferred outflow of resources* decreased $590,000, or 11.4%. *Total operating revenues* increased $40,928,000, or 11.6%, and *Total operating expenses* decreased $9,655,000, or 2.8%.

Interest rates remained low in fiscal year 2014 presenting certain challenges for the Agency. Low mortgage interest rates made tax-exempt financing for mortgage loans unfeasible, so the Agency continued funding single-family mortgage loans by selling mortgage-backed securities (MBS) on the secondary market using its N.C. Home Advantage Mortgage (HomeAd). The increase in *Other revenues* of $5,402,000, or 628.9%, was primarily due to the gain on the sale of the MBS related to the HomeAd program. The Agency funds the HomeAd down payment assistance (DPA) out of the gain on the sale of the MBS; the expense for the HomeAd DPA is reflected in *Nonfederal program expense* and *State program expense*. The amounts expensed for HomeAd DPA in fiscal year 2014 totaled $3.5 million.

Relative to the prior fiscal year, the Agency purchased few FirstHome mortgage loans in the first half of the fiscal year using its tax-exempt bond proceeds, and it had a $2,770,000 unexpended bond proceeds call on January 1, 2014, with the remaining program funds from the original bond issuance of $100 million for the 2009 Trust Indenture Series A-2/2. The overall balance of FirstHome mortgage loans decreased from the prior fiscal year primarily because low mortgage interest rates prompted borrowers to refinance their existing loans. The prepayments associated with the FirstHome resulted in a decrease of *Mortgage loans receivable, net* of $127,917,000, or 10.7%; a decrease in *Accrued interest receivable on mortgage loans* of $1,044,000, or 10.1%; a decrease in *Interest on mortgage loans* of $8,465,000, or 13.1%; and a decrease in *Mortgage servicing expense* of $307,000, or 8.8%. *Other expenses* decreased $2,011,000 or 53.5% primarily due to a decrease in the estimated mortgage loan loss reserve and foreclosure principal losses incurred on the Agency's real estate owned (REO) properties associated with FirstHome loans. As FirstHome production drastically decreased during the fiscal year, the associated FirstHome DPA loans decreased. The Agency's HomeAd program also offers DPA, but the size of the HomeAd DPA is smaller than the size of the FirstHome DPA, causing part of the overall decrease in *Nonfederal program expense* of $2,079,000, or 23.6%. Approximately $800,000 of the decrease was due to a reduction in Duke HELP payments.

The Agency was able to take advantage of the low interest rates by refunding bonds at higher interest rates through two bond refundings in November 2013 and May 2014. In addition, the Agency made prepayment bond calls and excess revenue bond calls throughout the year to refund higher interest bonds with lower interest investments. The net effect of the bond calls and refundings was a decrease in *Bonds payable, net* of

$150,535,000, or 14.4%, and a decrease in *Accrued interest payable* of $4,309,000, or 20.2%. *Interest on bonds* increased $3,688,000, or 7.6%, and *Other assets, net,* decreased by $12,476,000, or 48.4%, due to an accounting change mandated by Governmental Accounting Standards Board (GASB) Statement No 65, Items Previously Reported as Assets and Liabilities (GASB 65) which required a write-off of unamortized deferred bond issuance costs, causing the Agency to reflect a one-time $12.3 million write-off of bond issuance costs in fiscal year 2014. GASB 65 is discussed in more detail in the Notes to Financial Statements regarding "Bond issuance costs." In conjunction with the bond calls throughout the year, the Agency took advantage of optional swap cancellations with its existing derivative interest rate swaps and called variable rate bonds sufficient to maintain an equal balance between the notional amount of the swaps and the variable rate bonds outstanding. The reduction in the swap notional amounts due to the swap cancellations was the primary reason for the reduction in *Accumulated decrease in fair value of hedging derivative* and *Derivative instrument—interest rate swap* of $590,000, or 11.4%.

The numerous bond calls and the two bond refundings reduced or terminated some guaranteed investment contracts (GICs), bringing the balance of GICs from $9 million in fiscal year 2013 to $1.8 million in fiscal year 2014. The Agency compensated for the loss of the higher interest rates on the GICs by increasing its investments in government securities by $30.8 million. These transactions are the primary reason for the overall increase of *Investments* of $24,375,000, or 37.7%. The interest rates on the government securities were lower than those of the liquidated GICs, but the higher magnitude of government securities that were purchased relative to the reduction of the GICs resulted in an overall increase in *Interest on investments* of $317,000, or 8.1%. General market fluctuations, the timing of when the government securities were purchased throughout the fiscal year and their interest payout dates caused the overall increase in *Net increase in fair value of investments* of $3,716,000, or 138%, and the increase in *Accrued interest receivable on investments* of $203,000, or 79.9%. The decrease in *Other liabilities* of $432,000, or 6.9%, was primarily due to a decrease in the Agency's arbitrage liability given the low interest rate environment.

Federal program awards received, *Federal program expense* and *General and administrative expense* decreased by $6,325,000, or 2.5%, $6,830,000, or 2.7%, and $2,116,000, or 7.5%, respectively. These decreases primarily result from a decrease in spending on the Hardest Hit Fund® (HHF) due to decreased production of HHF loans, reduced payments to counseling agencies and a reduction in Agency contractor and other costs related to the program. *Unearned revenues* increased $30,227,000, or 98.1%, because the latest HHF draw was received in May 2014 in anticipation of future payments beyond the current fiscal year.

Program income/fees increased $46,283,000, or 148.2%, and *Cash and cash equivalents* increased $41,870,000, or 13.3%, primarily due to repayments of loans from the Tax Credit Assistance Program (TCAP) as well as cash held at fiscal year-end intended for a July 1, 2014 bond call. *Accounts payable* decreased $1,110,000, or 23.7%, because funds related to the National Foreclosure Mitigation Counseling (NFMC) Round Seven previously reflected in *Accounts payable* were transferred to *Unearned revenues* pursuant to GASB 65.

State receivables decreased $2,281,000, or 2.6%, due to an $11.3 million reduction for funds expended on the National Mortgage Settlement netted against a $9 million increase in state tax receivables. *State grants received* decreased $32,463,000, or 83.8%, because the Agency recognized the National Mortgage Settlement of $30.59 million in fiscal year 2013, with disbursements starting in December 2012, whereas the amount of state grants received in the current fiscal year from the N.C. Department of Health and Human Services (DHHS) totaled $11.3 million. *State tax credits* experienced only a modest increase of $281,000, or 0.6%, while *State program expense* increased $17,425,000, or 35%, due to an increase in expenditures related to the National Mortgage Settlement. *State appropriations received* increased $7,102,000, or 588.9%, primarily because the Agency received an appropriation of $6.9 million for the Housing Trust Fund and it did not receive an appropriation in the prior fiscal year because the Agency was allowed to use $7.9 million of the National Mortgage Settlement to fund the Housing Trust Fund in fiscal year 2013.

Change in Net Position increased $8,078,000, or 19.8%, due to the use of federal stimulus funds in difficult economic times and as a result of the Agency's proactive management of its funds.

Financial Analysis

The following tables summarize the changes in net position between June 30, 2014 and June 30, 2013 (*in thousands)*:

	2014	2013	Change	%
Condensed Statement of Net Position *(in thousands)*				
Assets**				
Cash and cash equivalents	$ 357,491	$ 315,621	$ 41,870	13.3
Accrued interest receivable on investments	457	254	203	79.9
Accrued interest receivable on mortgage loans	9,284	10,328	(1,044)	(10.1)
Investments	89,108	64,733	24,375	37.7
Mortgage loans receivable, net	1,067,183	1,195,100	(127,917)	(10.7)
State receivables	86,044	88,325	(2,281)	(2.6)
Other assets, net	13,314	25,790	(12,476)	(48.4)
Total Assets	$ 1,622,881	$ 1,700,151	$ (77,270)	(4.5)
Deferred Outflow of Resources				
Accumulated decrease in fair value of hedging derivative	$ 4,591	$ 5,181	$ (590)	(11.4)
Total Deferred Outflow of Resources	$ 4,591	$ 5,181	$ (590)	(11.4)
Liabilities**				
Bonds payable, net	$ 897,403	$ 1,047,938	$ (150,535)	(14.4)
Accrued interest payable	17,057	21,366	(4,309)	(20.2)
Accounts payable	3,582	4,692	(1,110)	(23.7)
Derivative instrument--interest rate swap	4,591	5,181	(590)	(11.4)
Unearned revenues	61,050	30,823	30,227	98.1
Other liabilities	5,823	6,255	(432)	(6.9)
Total Liabilities	$ 989,506	$ 1,116,255	$ (126,749)	(11.4)
Net Position				
Restricted	$ 620,584	$ 573,696	$ 46,888	8.2
Unrestricted	17,382	15,381	2,001	13.0
Total Net Position	$ 637,966	$ 589,077	$ 48,889	8.3
Condensed Statement of Revenues, Expenses and Changes in Net Position *(in thousands)*				
Operating Revenues				
Interest on investments	$ 4,231	$ 3,914	$ 317	8.1
Net increase (decrease) in fair value of investments	1,023	(2,693)	3,716	(138.0)
Interest on mortgage loans	56,286	64,751	(8,465)	(13.1)
Federal program awards received	247,145	253,470	(6,325)	(2.5)
Program income/fees	77,506	31,223	46,283	148.2
Other revenues	6,261	859	5,402	628.9
Total Operating Revenues	$ 392,452	$ 351,524	$ 40,928	11.6

Condensed Statement of Revenues, Expenses and Changes in Net Position *(in thousands)*

Operating Expenses	**2014**	**2013**	**Change**	**%**
Interest on bonds	$ 52,223	$ 48,535	$ 3,688	7.6
Mortgage servicing expense	3,195	3,502	(307)	(8.8)
Federal program expense	246,931	253,761	(6,830)	(2.7)
Nonfederal program expense	6,720	8,799	(2,079)	(23.6)
General and administrative expense	26,193	28,309	(2,116)	(7.5)
Other expenses	1,748	3,759	(2,011)	(53.5)
Total Operating Expenses	$ 337,010	$ 346,665	$ (9,655)	(2.8)
Operating Income	$ 55,442	$ 4,859	$ 50,583	1041.0
Non-operating Revenues (Expenses)				
State appropriations received	$ 8,308	$ 1,206	$ 7,102	588.9
State grants received	6,255	38,718	(32,463)	(83.8)
State tax credits	46,155	45,874	281	0.6
State program expense	(67,271)	(49,846)	(17,425)	35.0
Total Non-operating Revenues (Expenses)	$ (6,553)	$ 35,952	$ (42,505)	(118.2)
Change in Net Position	$ 48,889	$ 40,811	$ 8,078	19.8

**For information on current and noncurrent statement of net position items, please see the audited statement of net position in the accompanying financial statements.

New Business

Fiscal year 2014 showed signs of a recovering, but sluggish, economy. Interest rates remained low, although talk of quantitative easing by the U.S. Treasury caused markets to fluctuate throughout the year. The low interest rates created both issues and opportunities for the Agency during the fiscal year.

The low mortgage rates hindered the Agency's ability to issue tax-exempt debt to finance its single-family mortgage loans using its FirstHome mortgage, which is financed with the sale of tax-exempt bonds. The Agency continued funding single-family mortgage loans using its N.C. Home Advantage Mortgage (HomeAd), which is financed with the sale of mortgage-backed securities (MBS) on the secondary market. The program began in fiscal year 2013 and was expanded in fiscal year 2014 by offering a conventional loan option in addition to existing government loan options. The conventional loans make use of Fannie Mae's "HFA Preferred" product, which allows housing finance agencies (HFAs) to offer their borrowers a reduced mortgage insurance (MI) premium. With a reduced MI premium, a borrower using the Agency's conventional loan has a lower monthly mortgage payment than either a government loan or a standard non-HFA Preferred conventional loan. Starting in November 2013, Fannie Mae allowed only HFAs to offer loan-to-values (LTVs) above 95% to a maximum of 97% LTV; this advantage increased the popularity of the Agency's conventional option when it rolled the product out in February 2014. The new conventional option offers up to 2% HomeAd down payment assistance (DPA), while the government options still offer up to 3% HomeAd DPA.

The Agency took advantage of the low interest rates by issuing Series 34 and Series 35 in the 1998 Trust Agreement in November 2013 and May 2014, respectively. These new series refunded selected series in the 1998 Trust Agreement with higher interest rates using bonds at lower current market rates. The bond sales are discussed in more detail in the "Debt Administration" section.

The Carryover Loan Program (COLP) provides funding to acquire land for Low-Income Housing Tax Credit properties. The source of the funds for the program originated from repayments from the Tax Credit Assistance Program (TCAP). The loan amount is the lower of 95% of the approved land cost or $1 million, and the loan program primarily targets rental developments serving households below 50% of area median income.

Beginning in fiscal year 2014, the Agency's Hardest Hit Fund® (HHF) expanded foreclosure prevention assistance to veterans transitioning to civilian life or attending school under the GI Bill. Eligible veterans include those who have been honorably discharged from the military since January 1, 2008, and who have a Certificate of Release or Discharge from Active Duty. These changes made the Agency's successful N.C. Foreclosure Prevention Fund more user-friendly for the state's military population.

For fiscal year 2014, the N.C. General Assembly appropriated $6.9 million for the Housing Trust Fund (HTF). This appropriation has generally decreased over the past five fiscal years. From fiscal year 2009 through fiscal year 2013, the appropriations were approximately $10 million, $9.5 million, $9.6 million, $7.8 million and $0, respectively, although a General Assembly provision allowed the Agency to transfer funds from the National Mortgage Settlement to offset the elimination of the appropriation in fiscal year 2013. The allocation for the State's matching funds for HOME was reduced to approximately $1.39 million compared with the $1.6 million appropriation received for each of the past three fiscal years.

The HOME Investment Partnerships Program (HOME) fiscal year 2014 appropriation was $12.9 million, an increase over the fiscal year 2013 appropriation of $12.1 million. This increase in the HOME appropriation represented the first increase in HOME funding after four fiscal years of decreases, which ranged from an appropriation of $21.6 million in fiscal year 2010 down to $12.1 million in fiscal year 2013. The overall decrease in appropriations from earlier years has reduced the Agency's ability to fund its single family loan pools and rental production loan programs.

Under round eight of the National Foreclosure Mitigation Counseling Program (NFMC), NeighborWorks® America (NW) awarded the Agency $2 million, which was the second highest award of 29 participating housing finance agencies. The Agency received appropriations in all previous seven rounds, and it has partnered with 28 participating housing counseling organizations (PHCOs) to facilitate the program. NFMC disburses funds to approved housing counseling agencies for counseling sessions attended by homeowners facing foreclosure. Disbursements of the new funding are expected to assist 8,000 households. To date, the Agency and its partner PHCOs have assisted over 40,000 homeowners by conducting foreclosure prevention counseling sessions.

Debt Administration

The Agency took advantage of the continued low interest rates in fiscal year 2014 by issuing two taxable debt refundings in the 1998 Trust Indenture. Series 34 closed in November 2013 for a total of $66,150,000, and it refunded all of Series 19 and a portion of Series 15, 16, 17, 20 and 21. Series 35 closed in May 2014 for a total of $54,335,000, and it refunded all of Series 20, 21 and 22A, although Series 22A bonds were not redeemed until July 1, 2014.

Low interest rates made tax-exempt bond financing difficult, so the Agency continued to serve moderate and low-income borrowers using its N.C. Home Advantage Mortgage (HomeAd), which is financed by the sale of mortgage-backed securities on the secondary market in lieu of issuing tax-exempt bonds. The Agency expanded its HomeAd program in fiscal year 2014 by incorporating a conventional loan option in addition to its existing government loan options of FHA, VA and USDA. As a result of the rollout of its new conventional loan option, the Agency had its first securitizations of FNMA ("Fannie Mae") securities in fiscal year 2014. More details of the conventional loan option are provided in the "New Business" section.

On July 1, 2013, the Agency cancelled $6,795,000, $235,000 and $650,000 of the notional amount of its derivative interest rate swaps for Series 15C, Series 16C and Series 18C, respectively, in the 1998 Single Family Trust Agreement. On the same date, the Agency called variable rate bonds in each of these series to keep the notional amount of the swaps equal to the variable rate bonds outstanding. These optional cancellations were available under the existing swap contract and no swap termination charges were incurred. Series 17C has no optional cancellations, and the Agency took advantage of its last optional cancellation related to Series 15C in July 2013; therefore, the only series with remaining optional cancellations beyond fiscal year 2014 are Series 16C and Series 18C. In fiscal year 2014, the Agency also extended the term of its liquidity facility with TD Bank, N.A. to May 2017 and negotiated a lower liquidity fee, providing savings for the Agency.

Apart from scheduled debt service payments, the Agency had multiple bond calls in fiscal year 2014 which totaled $237,940,000. These bond calls included prepayment calls, the redemption of the bonds associated with the Series 34 and Series 35 refunding, and the redemption of the variable rate bonds associated with the swap cancellations referenced above. In addition, it included an unexpended bond proceeds call of 2009 Trust Agreement Series A-2 totaling $2,770,000.

Programs

For the year ended June 30, 2014, the Agency made cash disbursements of $281,045,000 in Federal funds for the following programs:

- Carryover Loan Program (COLP)
- Community Partners Loan Pool (CPLP)
- Making Home Affordable (MHA)
- Mortgage Payment Program (MPP)
- National Foreclosure Mitigation Counseling Program (NFMC)
- New Homes Loan Pool (NHLP)
- Rental Production Program (RPP)
- Second Mortgage Refinance Program (SMRP)
- Section 8 New Construction
- Section 8 Contract Administration
- Self-Help Loan Pool (SHLP)
- Single-Family Rehabilitation Loan Pool (SFRLP)
- Supportive Housing Predevelopment Loan Program (SHPL)

For the year ended June 30, 2014, the Agency made cash disbursements of $70,671,000 in State funds for the following programs:

- Community Partners Loan Pool (CPLP)
- Displacement Prevention Partnership (DPP)
- Housing Counseling Capacity Building Program/National Mortgage Settlement (HCCBP)
- Key Program (Key)
- National Mortgage Settlement-Legal Services (NMS Legal)
- N.C. Home Advantage Down Payment Assistance (HomeAd DPA)
- Preservation Loan Program (PLP)
- Rental Production Program (RPP)
- Renovation Remodeling Painting Training (RRPT)
- Single-Family Rehabilitation Loan Pool (SFRLP)
- Supportive Housing Development Program (SHDP)
- Supportive Housing Development Program 400 (SHDP400)
- State Tax Credit (STC)
- Urgent Repair Program (URP)

For the year ended June 30, 2014, the Agency made cash disbursements of $180,115,000 from other funding sources for the following programs:

- Affordable Home Ownership Program (AHOP)
- Construction Training Partnership Program (CTP)
- Community Partners Loan Pool (CPLP)
- Duke Home Energy Loan Pool (HELP)
- FirstHome
- Individual Development Account Loan Pool (IDALP)
- Multifamily Rental Assistance (MFRA)
- N.C. Home Advantage Mortgage (HomeAd)
- N.C. Home Advantage Down Payment Assistance (HomeAd DPA)
- Single-Family Rehabilitation Loan Pool (SFRLP)
- State Home Foreclosure Prevention Project (SHFPP)

- Statewide Down Payment Assistance Program (SWDAP)

For the year ended June 30, 2014, the Agency made non-cash awards of $71,524,000 in miscellaneous funds for the following programs:

- Low-Income Housing Tax Credit Program (LIHTC)
- Mortgage Credit Certificate (MCC)

The Agency's mission is to create affordable housing opportunities for North Carolinians whose needs are not met by the market. Given the historic lows in market mortgage rates and the overall recession, the Agency has focused its efforts to help homeowners in trouble or those needing additional assistance in buying or rehabilitating their home.

Home Ownership Programs The Agency supported approximately 2,700 home buyers with disbursements from its Home Ownership programs in fiscal year 2014.

The N.C. Home Advantage Mortgage offers 30-year mortgages to moderate and low-income first-time home buyers as well as move-up buyers for the purchase of a home. Income limits and credit score limits apply, and up to 3% of deferred, forgiven N.C. Home Advantage Down Payment Assistance is available to any borrower obtaining an N.C. Home Advantage Mortgage. The mortgage loans are funded with taxable financing through the sale of Ginnie Mae and Fannie Mae insured mortgage-backed securities.

The FirstHome mortgage, historically funded with tax-exempt mortgage revenue bonds, is a 30-year mortgage for moderate and low-income individuals who have not owned a home in the last three years. Annual household income and home purchase price limits apply to borrowers. The Statewide Down Payment Assistance Program is used in conjunction with the Agency's FirstHome mortgage to increase the homeowner benefit and to differentiate the Agency's program from other lenders. The remaining tax-exempt bond funds used for the purchase of new FirstHome loans were depleted in January 2014, with infrequent FirstHome loans purchased with Agency reserves in the second half of fiscal year 2014.

The Agency helped community-based groups bring home ownership opportunities to lower-income households. The Community Partners Loan Pool offers gap financing as a deferred, 0% interest loan that is generally used with an N.C. Home Advantage Mortgage or the Rural Development Section 502 loan. The Self-Help Loan Pool provides interest-free, amortizing mortgage loans for newly-constructed and rehabilitated homes produced in partnership with local Habitat for Humanity affiliates through a model of sweat equity, volunteers and donations. Incentive funding of $4,000 is available to both loan pools when homes are built to certain SystemVision standards of energy efficiency with an additional $1,000 if the affiliate also meets a major Green Building Certification. Home buyers in both pools must have a household income at or below 80% of their county's median income, complete a home buyer course and receive homeownership counseling.

The Mortgage Credit Certificate Program permits first-time home buyers who are within federal guidelines for family income and acquisition costs to take a federal income tax credit for every year the home buyer occupies the home. The home buyer may take 30% of annual mortgage interest as a tax credit if purchasing existing housing, or 50% if purchasing new construction housing, with a maximum tax credit of $2,000 per year. The Mortgage Credit Certificate Program is also available for qualifying first-time home buyers using the N.C. Home Advantage Mortgage.

The Construction Training Partnership Program, which is a partnership with the North Carolina Home Builders Association (NCHBA) and local governments, provides funding for the hard costs of new construction or rehabilitation projects. NCHBA conducts a range of training services to low-income unemployed persons. Training consists of classroom and "hands on" residential field training followed by job placement activities. The local government pays for the cost of training, identifies eligible projects, and serves as or procures a general contractor.

Housing Preservation Programs The Agency supported over 3,700 households with disbursements from its Housing Preservation Programs in fiscal year 2014.

The Single-Family Rehabilitation Loan Pool Program provides deferred, forgivable loans to rehabilitate moderately deteriorated, owner-occupied homes, assisting homeowners below 80% of area median income, primarily with elderly and/or disabled household members. All units are improved to stringent energy and construction standards.

The Urgent Repair Program provides grants to local governments, regional agencies, and non-profit organizations to correct housing conditions that pose an imminent threat to life, safety, or displacement of low-income homeowners.

The Displacement Prevention Partnership, which operates in partnership with local offices of the Independent Living Rehabilitation Program in the North Carolina Department of Health and Human Services (DHHS), provides accessibility modifications to very low-income households that may be displaced due to severe mobility limitations.

The Rental Production Program provides substantial rehabilitation or acquisition/rehabilitation loans for the financing of rental housing, primarily targeting households below 50% of area median income. The Rental Production Program loans are usually gap financing for the projects financed with federal low-income housing tax credits.

Foreclosure Prevention Financing Programs The Agency made use of several programs that target homeowners in financial trouble. The Agency disbursed funds from the N.C. Foreclosure Prevention Fund to over 10,600 households in fiscal year 2014.

The Mortgage Payment Program of the Hardest Hit Fund® (HHF) pays mortgage payments and related expenses for homeowners who are unemployed, veterans, or those under other certain temporary financial hardship. Payments are made up to 18 months while homeowners look for a job or up to 36 months while they complete job training, with maximum assistance of $36,000. The assistance is in the form of a 0% interest deferred loan which will be forgiven if the homeowner continues to live in the home for ten years.

The Second Mortgage Refinance Program of HHF provides assistance to recovered, employed homeowners who have an unaffordable second mortgage due to prior unemployment, under-employment, or other program-eligible financial hardship. The assistance is in the form of a 0% interest, non-recourse, deferred-payment subordinate loan up to $30,000.

Foreclosure Counseling The Agency financed counseling for over 12,600 homeowners through disbursements to local counseling agencies from its foreclosure counseling programs in fiscal year 2014.

The National Foreclosure Mitigation Counseling Program provides federal funds for foreclosure prevention counseling and legal assistance across the state. Counseling sessions are provided on a short-term basis by United States Department of Housing and Urban Development (HUD) approved counseling intermediaries primarily in defined areas of greatest need.

Homeowners facing foreclosure are also assisted by approved housing counseling agencies through the Making Home Affordable Outreach and Intake Project. The funds are used for marketing and counseling for outreach and to assist homeowners by preparing initial application packages and submitting them to servicers.

Through the State Home Foreclosure Prevention Project, every homeowner facing foreclosure is notified of available counseling services. Fees paid by servicers for each registered home foreclosure are used to pay for housing counseling, legal aid, and administrative costs. Counseling agencies throughout the state provide assistance to homeowners and servicers regarding foreclosure alternatives.

The Housing Counseling Capacity Building Program received funding from the 2012 National Mortgage Settlement, which was a landmark agreement between state Attorneys General and the five largest mortgage servicers. In fiscal year 2014, the Agency funded 47 organizations with over $4 million to build human capital, training, technology and marketing capacity of HUD-approved non-profit housing and foreclosure counseling agencies. The program also funded over $2.4 million to Legal Aid of North Carolina, which disburses funds to qualified non-profit legal services providers.

Rental Production Programs The Agency supported over 4,700 households with disbursements from its Rental Production Programs in fiscal year 2014.

The Agency administers both the federal Low-Income Housing Tax Credit program and the State Tax Credit program. These credits are available to developers on a competitive basis to fund the creation of affordable rental housing in the state. The Agency's goals include awarding tax credits to the best developments possible given limited resources available. The Qualified Allocation Plan establishes criteria that include the following for selecting developments that serve low-income residents: locations with strong market demand, healthy financial structures, attractive architectural design, and the best quality of building materials and workmanship.

Unlike the federal tax credit, the state tax credit is not a tax-shelter equity investment. It is either claimed directly by the property owner in the form of a grant or transferred to the Agency by the North Carolina Department of Revenue. The amount of the transferred state tax credit becomes a secured loan from the Agency to the property owner. In every case to date, the owner has transferred its credit to the Agency because of the federal income tax treatment and the needs of the project. Once the property has reached certain milestones, primarily completion of a certain amount of construction, the loan becomes eligible to close.

The Rental Production Program provides low cost loans for rental housing, mainly targeting households below 50% of area median income. These RPP loans are usually gap financing for the projects financed with federal low-income housing tax credits.

The Carryover Loan Program, funded with the repayments from the Tax Credit Assistance Program, provides funding to acquire land for low-income Housing Tax Credit properties, primarily targeting rental developments serving households below 50% of area median income. The loan amount is the lower of 95% of the approved land cost or $1,000,000.

Rental Assistance Programs The Agency supported over 25,700 households with disbursements from its Rental Assistance Programs in fiscal year 2014.

The Agency administers the Section 8 Housing Assistance Payment Program on behalf of HUD for properties throughout North Carolina. The Agency contracted with a third-party administrator, Quadel Consulting Corporation, to assist with the administration of this program.

The Agency and DHHS partnered to create the Key Program by providing rental assistance to low income persons with disabilities, including the homeless. Funding is available to all targeted units produced under the Preservation Loan Program, Housing Credit, and the Supportive Housing Development Program; however, the Key Program does not provide assistance if rental subsidies are available through another program.

Special Needs Housing Programs The Agency supported approximately 190 households with disbursements from its Special Needs Housing Programs in fiscal year 2014.

The Supportive Housing Development Program provides funding for emergency, transitional, and permanent housing for children and adults with a wide range of disabilities or special housing needs. Eligible applicants are mission driven non-profit organizations and units of local government.

Additional Information

This discussion and analysis is intended to provide additional information regarding the activities of the Agency. If you have questions about the report or need additional financial information, contact Elizabeth I. Rozakis, Chief Financial Officer, North Carolina Housing Finance Agency, P.O. Box 28066, Raleigh, North Carolina 27611-8066, (919) 877-5687, eirozakis@nchfa.com, or visit the Agency's website at www.nchfa.com.

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Independent Auditor's Report

The Board of Directors
North Carolina Housing Finance Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Housing Finance Agency (the "Agency"), a public agency and component unit of the State of North Carolina, which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively compare the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Housing Finance Agency as of June 30, 2014, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2014 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

BDO USA, LLP

September 17, 2014

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF NET POSITION

AS OF JUNE 30, 2014

(in thousands)	
ASSETS	
Current assets:	
Cash and cash equivalents	$ 5,692
Restricted cash and cash equivalents	351,799
Accrued interest receivable on investments	457
Mortgage loans receivable	174,268
Accrued interest receivable on mortgage loans	9,284
State receivables	86,044
Other assets	9,349
TOTAL CURRENT ASSETS	$ 636,893
Noncurrent assets:	
Investments	$ 3,117
Restricted investments	85,991
Mortgage loans receivable, net	892,915
Other assets, net	3,965
TOTAL NONCURRENT ASSETS	$ 985,988
TOTAL ASSETS	$ 1,622,881
DEFERRED OUTFLOW OF RESOURCES	
Accumulated decrease in fair value of hedging derivative	$ 4,591
TOTAL DEFERRED OUTFLOW OF RESOURCES	$ 4,591
LIABILITIES	
Current liabilities:	
Bonds payable	$ 30,595
Accrued interest payable	17,057
Accounts payable	3,582
Unearned revenues	50,759
Other liabilities	134
TOTAL CURRENT LIABILITIES	$ 102,127
Noncurrent liabilities:	
Bonds payable, net	$ 866,808
Derivative instrument - interest rate swap	4,591
Unearned revenues	10,291
Other liabilities	5,689
TOTAL NONCURRENT LIABILITIES	$ 887,379
TOTAL LIABILITIES	$ 989,506
NET POSITION	
Restricted	$ 620,584
Unrestricted	17,382
TOTAL NET POSITION	$ 637,966

The accompanying notes are an integral part of this financial statement.

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2014

(in thousands)		
OPERATING REVENUES		
Interest on investments	$	4,231
Net increase in fair value of investments		1,023
Interest on mortgage loans		56,286
Federal program awards received		247,145
Program income/fees		77,506
Other revenues		6,261
TOTAL OPERATING REVENUES	$	392,452
OPERATING EXPENSES		
Interest on bonds	$	52,223
Mortgage servicing expense		3,195
Federal program expense		246,931
Nonfederal program expense		6,720
General and administrative expense		26,193
Other expenses		1,748
TOTAL OPERATING EXPENSES	$	337,010
OPERATING INCOME	$	55,442
NON-OPERATING REVENUES (EXPENSES)		
State appropriations received	$	8,308
State grants received		6,255
State tax credits		46,155
State program expense		(67,271)
TOTAL NON-OPERATING REVENUES (EXPENSES)	$	(6,553)
CHANGE IN NET POSITION	$	48,889
TOTAL NET POSITION-BEGINNING	$	589,077
TOTAL NET POSITION-ENDING	$	637,966

The accompanying notes are an integral part of this financial statement.

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

(in thousands)		
Cash flows from operating activities:		
Interest on mortgage loans	$	57,408
Principal payments on mortgage loans		153,284
Purchase of mortgage loans		(26,206)
Federal program awards received		276,752
Federal program expense		(248,424)
Nonfederal program expense		(6,720)
Federal grant administration income		17,556
Program income/fees		60,392
Other expenses		(30,707)
Other revenues		6,854
Net cash provided by operating activities	$	260,189
Cash flows from non-capital financing activities:		
Issuance of bonds	$	120,485
Principal repayments on bonds		(270,020)
Interest paid		(43,913)
Bond issuance costs paid		(1,275)
State appropriations received		8,308
State grants received		17,590
State tax credits		37,101
State program expense		(67,271)
Net cash used in non-capital financing activities	$	(198,995)
Cash flows from investing activities:		
Proceeds from sales or maturities of investments	$	192,892
Purchase of investments		(216,244)
Earnings on investments		4,028
Net cash used in investing activities	$	(19,324)
Net increase in cash	$	41,870
Cash and cash equivalents at beginning of year		315,621
Cash and cash equivalents at end of year	$	357,491
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	55,442
Adjustments to reconcile operating income to net cash provided by operating activities:		
Interest on investments		(4,231)
Net increase in fair value of investments		(1,023)
Interest on bonds		52,223
Change in assets and liabilities:		
Decrease in mortgage loans receivable		127,917
Decrease in accrued interest receivable on mortgage loans		1,044
Decrease in other assets		758
Decrease in accounts payable and other liabilities		(2,168)
Increase in unearned revenues		30,227
Total adjustments	$	204,747
Net cash provided by operating activities	$	260,189

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

A. AUTHORIZING LEGISLATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Authorizing Legislation The North Carolina Housing Finance Agency (the Agency) is a public agency and component unit of the State of North Carolina (the State). The accompanying financial statements represent the financial position of the Agency only. The Agency was created to provide financing for residential housing construction, new or rehabilitated, for sale or rental, to residents of the State with low and moderate incomes. Pursuant to its enabling legislation, the Agency is authorized to issue bonds and other obligations to fulfill its corporate purpose up to a total outstanding amount of $3 billion. The debt obligations of the Agency do not constitute a debt, grant or line of credit of the State, and the State is not liable for the repayment of such obligations.

Basis of Presentation The accompanying financial statements of the Agency have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) establishes standards of financial accounting and reporting for state and local government entities.

Measurement Focus and Basis of Accounting The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for Agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Programs The Agency's accounts are organized on the basis of programs. Each program represents a separate accounting entity. Agency resources are allocated to these programs based on legal responsibility, fiscal accountability, and management designation. A summary of the Agency's primary programs are as follows:

<u>Agency Programs</u> Direct administrative and operational activities, including operating expenses of various programs, are recorded in Agency Programs.

The General Assembly of the State of North Carolina provides state tax credits to the Agency for use in developing housing credit properties. The Agency received $37,101,000 in state tax credits during fiscal year 2014. Under this program, the state tax credit project will receive the credit in the form of a loan or direct refund.

In 2008, the State authorized the formation of the State Home Foreclosure Prevention Project (SHFPP) in response to the foreclosure crisis. Beginning in 2010, State statute requires all parties who wish to initiate a foreclosure against a home in North Carolina to remit a $75 fee to the Office of the Commissioner of Banks. In June 2011, the North Carolina General Assembly passed a bill to transfer the management of the SHFPP to the Agency. The fees collected are used to counsel and/or provide legal assistance to homeowners who are at risk of foreclosure. Any excess funds are allocated to the Housing Trust Fund annually. Funds in the amount of $3,714,000 were received and recorded as *Program income/fees* under Agency Programs. Expenses of $2,658,000 related to the SHFPP are reflected in *Nonfederal program expense* during fiscal year 2014.

The N.C. Home Advantage Mortgage Program, which was created in fiscal year 2013, offers 30-year mortgages to moderate and low-income first-time homebuyers as well as move-up buyers for the purchase of a home. Income limits and credit score limits apply, and up to 3% of deferred, forgiven N.C. Home Advantage Down Payment Assistance is available to any borrower obtaining an N.C. Home Advantage Mortgage. The mortgage loans are funded with taxable financing through the sale of Ginnie Mae and Fannie Mae insured mortgage-backed securities. The Agency recorded gains on sale of investments of $6,101,000 which is included as part of *Other revenues* under Agency

Programs. Likewise, deferred forgiven loans in the amount of $3,395,000 are shown as a part of *Nonfederal program expenses* in the Agency Programs.

Housing Trust Fund Programs The North Carolina Housing Trust and Oil Overcharge Act created the North Carolina Housing Trust Fund (Housing Trust Fund) and the North Carolina Housing Partnership (Housing Partnership). The purpose of the Housing Trust Fund is to increase the supply of decent, affordable, and energy-efficient housing for residents of the State with low and moderate incomes. The Housing Partnership is responsible for developing policy with respect to the operation of programs within the Housing Trust Fund. The Agency provides staff services to the Housing Partnership and administers the Housing Trust Fund Programs. The Agency received a State appropriation in the amount of $6,923,000 for the year ended June 30, 2014 and the funds are used to make loans and grants under the Housing Trust Fund Programs. This appropriation is reported in *Non-operating Revenues (Expenses)* in the accompanying financial statements.

Federal and State Programs The Agency administers nine federal programs. Of the Agency's federal programs, the Section 8 Programs, the Hardest Hit Fund®, and the HOME Investment Partnerships Program (HOME Program) represent 53%, 36%, and 8%, respectively. The Agency receives a fee for administering these programs. The HOME Program is matched with funds appropriated by the General Assembly of the State; the amount of matching funds received during the year was $1,385,000.

The State of North Carolina was awarded $338 million from the National Mortgage Settlement. In fiscal year 2013, the Agency signed a Memorandum of Understanding with the NC Department of Justice to oversee $30,590,000 of these funds. These funds are to be used to help build the capacity of HUD-approved housing counseling agencies in the state as well as to provide funding for legal services. As of June 30, 2014, $6,736,000 was disbursed and reflected in *State program expense* and $14,426,000 was recorded as *State receivables* in the accompanying financial statements.

Home Ownership Bond Programs The Home Ownership Bond Programs were created through various single-family trust agreements and are restricted as to their use. The proceeds of individual bond issues are used to purchase first-time homebuyer mortgage loans for single-family residential units.

Significant Accounting Policies Below is a summary of the Agency's significant accounting policies:

Cash and cash equivalents *Cash and cash equivalents* are comprised of cash on hand, amounts on deposit with financial institutions which are insured or are collateralized under provisions of North Carolina laws and regulations, amounts in pooled cash accounts managed by the State Treasurer, and highly liquid investments with original maturities of three months or fewer. Funds deposited in an investment pool of the State Treasurer are invested in a variety of instruments as authorized by State law. The majority of *Cash and cash equivalents* classified as restricted on the accompanying statement of net position are restricted for the Agency's debt service payments, bond calls, and for purchasing mortgage loans under the Agency's different programs.

Investments *Investments* are reported at fair value in accordance with GASB Section I50, *Investments* (GASB I50), except for certain mortgage-backed securities. With the exception of the mortgage-backed securities associated with the N.C. Home Advantage Mortgage Program which are purchased and sold on the same day, the Agency intends to hold all securities to maturity.

Mortgage loans receivable, net *Mortgage loans receivable, net* are carried at cost less a loan loss reserve. It is the Agency's policy to provide for potential mortgage loan losses based on a periodic evaluation of the loan portfolios. The Agency adopted GASB Statement No 65, Items Previously Reported as Assets and Liabilities (GASB 65) on July 1, 2014 and expensed direct origination costs in the amount of $411,000.

State receivables In 2002, the General Assembly converted the State Tax Credit (STC) into a refundable credit providing funds that can be efficiently invested directly in housing credit properties through the Agency. The Agency recorded a $71,618,000 receivable for state tax credits for the fiscal year ended June 30, 2014, representing the remaining 2012 and 2013 outstanding awards. The Agency received state tax credits in the amount of $37,101,000 from the General Assembly for the 2011 outstanding awards (second installment) and the 2012 awards (first installment). These funds are used to provide loans to housing credit properties.

The Agency recorded a $14,426,000 receivable from the NC Department of Justice (DOJ) for the National Mortgage Settlement in fiscal year 2014.

Other assets, net Fixed assets, net of accumulated depreciation, in the amount of $3,965,000 are included in *Other assets, net* in the accompanying financial statements. Assets of $5,000 or greater are capitalized and depreciated over a five-year economic useful life using the straight-line method. Recorded in *Other assets* (current) for Federal and State Programs in the amount of $2.65 million includes Quadel Consulting Corporation, Section 8 contract administration, Hardest Hit Fund® advanced expenses, trustee reconciling items, National Foreclosure Mitigation Counseling (NFMC) Round Six and Seven Program close-out, and HOME Program loans closed in fiscal year 2014 but reimbursed in fiscal year 2015. Prior to the current fiscal year, other assets included deferred bond issuance costs. However, these costs were expensed per GASB 65 in fiscal year 2014 (see “Bond issuance costs” footnote below). Other assets in the amount of $6,396,000 are reflected in the Home Ownership Bond Programs and include mortgage payments collected by servicers that will be remitted to the Agency in fiscal year 2015.

Bond issuance costs Bond issuance costs are included as a component of *Interest on bonds.* Historically, these costs were deferred and represented unamortized bond issuance costs and losses on refundings. Prior to fiscal year 2014, they were amortized on a straight-line basis over the term of the bonds and were written down to the extent any bond calls occurred. However, effective for the current fiscal year ended June 30, 2014, GASB 65 requires that deferred bond issuance costs be treated as expenses of the current period. As a result, the agency expensed approximately $12.3 million of previously deferred bond issuance costs in the current fiscal year. In addition, it expensed bond issuance costs associated with the Agency’s two current year bond issues.

Bond premium/(discount), net Bond premium/(discount) on bonds represents the difference in the amount received upon the sale of the bonds versus the par value of the bonds and is included as a part of *Bonds payable, net* in the accompanying financial statements. The premiums and discounts relate to the planned amortization class (PAC) bonds sold in conjunction with many series in the 1998 and 2009 Trust Agreements. The bond premium/(discount) is amortized using the effective interest rate method over the life of the related PAC bonds and is adjusted accordingly for any bond calls that occur during the year. The amortization of the bond premium/(discount) is included as a component of *Interest on bonds* in the accompanying financial statements.

Unearned revenues *Unearned revenues* are monitoring fees received for the Low-Income Housing Tax Credit and for loans issued under the State Disaster Program. These fees are amortized on a straight-line basis over the life of the tax credit or over the life of the loan. Also included under *Unearned revenues* is funding from the Treasury for the Hardest Hit Fund® and the National Foreclosure Mitigation Counseling Grant. The funds are used to assist homeowners at risk of foreclosure.

Interprogram receivable/(payable) During the normal course of operations, the Agency has numerous transactions among programs in order to provide services. If certain transactions among programs have not been settled as of June 30, 2014, these balances are recorded as *Interprogram receivable/(payable)*. These interprogram transactions are eliminated in the accompanying financial statements.

Net position *Net position* is reported as restricted when constraints placed on it is externally imposed by creditors, grantors, or laws or regulations or by law through constitutional provisions.

The Agency's Board of Directors annually approves an operating budget that is funded with revenues generated by administrative fees earned on federal programs, interest income earned on investments, and reserves from trust agreements. All of these revenue sources are earmarked to cover operating expenses. The decision to use restricted or unrestricted receipts to fund a payment is transaction-based. For projects funded by tax-exempt bond proceeds and other resources, the bond proceeds are always used first.

As of June 30, 2014, the Agency had $17,382,000 of unrestricted net position. The Agency intends to use net position for potential home ownership mortgage loan losses, to meet rating agencies' requirements, to cover the operating budget, and to support other Agency housing commitments.

Net position of the Home Ownership Bond Programs is restricted pursuant to the Agency's agreements with its bondholders as determined in each trust agreement. The Agency has restricted these funds in amounts sufficient to meet required debt service and operating expenses as defined by each trust agreement.

Net position of the Housing Trust Fund is restricted in accordance with the policies of the Housing Partnership. The Federal and State Programs' net position is restricted in accordance with each specific program's requirements.

The Agency implemented GASB I50, which requires the Agency to report investments at fair market value. The effect of the adoption on the Agency's financial statements for the years ended June 30, 2014 and 2013 are as follows (*in thousands*):

	June 30, 2014	June 30, 2013
Increase/(Decrease) in Operating Income	$ 1,023	$ (2,693)
Decrease in Net Position	$ (581)	$ (1,604)

Operating Revenues and Expenses One of the Agency's main functions is to borrow funds in the bond market and to use those funds to make home ownership loans. The Agency has the authority to issue bonds to the investing public in order to create a flow of private capital. These funds are used to purchase mortgage loans for qualified housing sponsors and certain qualified individuals. A significant portion of operating income is derived from interest earned on mortgage loans less the interest expense of bonds outstanding. Additional operating income is earned from the administration of federal programs.

Non-operating Revenues and Expenses *State appropriations received, State grants received*, and *State tax credits* from the State of North Carolina are classified in *Non-operating Revenues (Expenses)*. The related expenses are classified as *State program expense*.

General and administrative expense *General and administrative expense* is classified by the related program. To the extent allowed by the trust agreements and federal and state programs, transfers are made from the funds of the bond issue or the federal and state programs to the Agency to reimburse certain general and administrative expenses. If the Home Ownership Bond Programs or

Federal and State Programs do not permit payment of general and administrative expenses, expenses are paid from Agency reserve funds. Certain indirect costs are allocated to Federal and State Programs based on an independently prepared cost allocation plan. These costs are allocated based on certain parameters such as office square footage, number of approved positions, and number of transactions processed.

Use of estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period (e.g., loan loss reserve). Actual results could differ from those estimates.

B. CASH, CASH EQUIVALENTS, INVESTMENTS, AND SECURITIES LENDING TRANSACTIONS

Cash and cash equivalents As of June 30, 2014, the Agency had deposits in pooled investment accounts of the State Treasurer with a carrying value of approximately $142,065,000, and a bank balance of approximately $139,786,000. The State Treasurer investment account has the characteristics of a demand deposit account in that the Agency may deposit and withdraw cash at any time without prior notice or penalty. Included in the investment accounts of the State Treasurer is the amount of $3,521,000 representing escrow and replacement reserves maintained on behalf of multi-family and single-family mortgagors; accordingly, a corresponding liability of the same amount is also included on the statement of net position.

The Agency had deposits with both a carrying value of $215,425,000 and bank balance approximating $215,465,000 on deposit with the Agency’s fiduciary agent. Such deposits are collateralized with eligible securities held by a third-party custodian. The Agency also had deposits held in other financial institutions with both a carrying value and bank balance of $1,000.

Deposits - custodial credit risk Custodial credit risk is the risk that in the event of a bank failure, the Agency’s deposits may not be returned. At June 30, 2014, the Agency was not exposed to any material custodial credit risk.

Investments The Agency’s investments include repurchase agreements and government securities which include Federal Farm Credit Bank securities, Federal Home Loan Bank securities, Federal Home Loan Mortgage Corporation securities, and mortgage-backed securities (MBS) insured by the Federal National Mortgage Association (FNMA) and the Government National Mortgage Association (GNMA).

Repurchase agreements are collateralized by obligations of the US Government, its agencies, or direct investments of such obligations. The market value of securities subject to such agreements must be maintained at least equal to 100% of the principal and accrued interest on the invested funds daily. The Agency invests in repurchase agreements for mostly long-term (generally reserved) investments. On June 30, 2014, approximately $1,774,000 was invested in such long-term agreements having maturity dates ranging from July 1, 2032 to January 1, 2035 at a rate of 4.01%.

For the Agency’s N.C. Home Advantage Mortgage program, mortgages are made by the lenders, purchased by the Agency’s master servicer and securitized into GNMA and FNMA mortgage-backed securities (MBS). The Agency then purchases the MBS from its master servicer and on the same day sells the security to its third-party hedger. Because the MBS is purchased and sold on the same day, there is no balance of MBS reflected on the statement of net position as of June 30, 2014 related to its N.C. Home Advantage Mortgage program.

At June 30, 2014, the Agency held the following investments with the listed maturities at annual rates ranging from 1.25% to 6.90%. Ratings are displayed with the Standard & Poor's rating listed first and the Moody's Investors Service second (*in thousands*):

		Investment Maturities (*In Years*)			
Investments	**Carrying Amount**	**Less Than 1**	**1 – 5**	**6 – 10**	**More Than 10**
GNMA MBS					
Rated AA+/Aaa	$ 1,161	$ -	$ -	$ 1,161	$ -
FNMA MBS					
Rated AA+/Aaa	213	-	-	213	-
Repurchase Agreements-					
Rated AA/A2	1,774	-	-	-	1,774
Government Securities					
Rated AA+/Aaa	85,960	-	33,129	50,590	2,241
Total Categorized	**$89,108**	**$ -**	**$33,129**	**$51,964**	**$4,015**

Interest rate risk Interest rate risk is the risk that changes in the market rates will adversely affect the fair market value of an investment. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In practice, the Agency does limit investments to 20 years to minimize fair value losses arising from interest rate risk.

Credit risk Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The General Statutes of the State authorize the Agency to invest in (i) direct obligations or obligations on which the principal and interest are unconditionally guaranteed by the US Government; (ii) obligations issued by an approved Agency or corporation wholly-owned by the US Government; (iii) interest-bearing time deposits, certificates of deposit, or other approved forms of deposits in any bank or trust company in North Carolina which satisfies insurance and, if necessary, collateral requirements for holding Agency money; (iv) duly established investment programs of the State Treasurer; (v) repurchase agreements; and (vi) repurchase agreements with banks and financial institutions which are chartered outside of North Carolina and meet specified rating and collateral requirements of the various trust agreements. Mortgage-Backed Securities (MBS) are securitized by the Federal National Mortgage Association (FNMA), (fair value - $213,000, rated AA+/Aaa), and by the Government National Mortgage Association (GNMA), (fair value - $1,161,000, rated AA+/Aaa). The Government National Mortgage Association is a direct obligation of the US Government. Repurchase agreements are fully collateralized by obligations issued by the US Government or its agencies. The government securities are comprised of Federal Farm Credit Bank, Federal Home Loan Bank and Federal Home Loan Mortgage Corporation Securities which are direct obligations of the Treasury (rated AA+/Aaa). The government securities have a fair value of $85,960,000.

Concentration of credit risk The Agency has a practice of entering into repurchase agreements with several investment providers to minimize the Agency's exposure to a bond rating downgrade should one of the providers have a ratings event. The investments consist of repurchase agreements and obligations of the US Government which represent 2% and 96%, respectively, of the Agency's total investments.

Investments in any one issuer that represent 5% or more of total investments as of June 30, 2014 are as follows *(in thousands)*:

Investment Issuer	**Amount**
Federal Home Loan Bank	$61,466
Federal Farm Credit Bank	17,506
Federal Home Loan Mortgage Corporation	6,988

Custodial credit risk Custodial credit risk occurs in the event that investment securities are uninsured and are not registered in the name of the Agency, and there is a failure of the counterparty. At year end, the Agency was not exposed to custodial credit risk. The government securities are on deposit with the Agency's fiduciary agent, which holds these securities by book entry in its fiduciary Federal Reserve accounts. The Agency's ownership of these securities is identified through the internal records of the fiduciary agent.

Bond proceeds were used to purchase fully-modified mortgage-backed pass-through certificates of GNMA and mortgage-backed pass-through certificates of FNMA from pools of qualified mortgages originated under the Agency's program guidelines. The securities are based on cash flows from underlying mortgages and are not considered derivatives. These mortgage-backed pass-through securities are not related to the N.C. Home Advantage Mortgage program, which are not purchased with bond proceeds and are purchased and sold on the same business day.

Foreign currency risk Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Agency is not at risk for foreign currency risk.

Securities lending transactions GASB Section I60, *Investments—Security Lending (*GASB I60), establishes accounting and financial reporting standards for transactions where governmental entities transfer their securities to broker-dealers and other entities (borrowers) in exchange for collateral (which may be cash, securities, or letters of credit) and simultaneously agree to return the collateral in exchange for the original securities in the future. The Agency does not directly engage in securities lending transactions; however, the State Treasurer does. The State Treasurer is authorized to engage in these types of transactions under North Carolina General Statute 147-69.3e. The types of securities loaned include government securities and corporate bonds and notes which are held in the pooled investment accounts of the State Treasurer. A securities custodian manages the securities lending program for the State and receives cash as collateral from the borrowers. Collateral is invested in a collateral investment pool and must be maintained at 100% of the market value of the original securities lent. This investment in the collateral investment pool is considered to be a highly liquid investment. The State has a custodial credit risk related to the transactions.

As of June 30, 2014, and during the year then ended, the Agency had deposits in the pooled investment accounts of the State Treasurer. The risk associated with these transactions will be recorded by the State in its fiduciary funds. No allocation will be made to the Agency; therefore, the accompanying financial statements do not reflect the risk associated with securities lending transactions as called for in GASB I60.

C. MORTGAGE LOANS RECEIVABLE

Mortgage loans purchased with the proceeds of the various single-family bond issuances have stated interest rates ranging from 3% to 10.7%.

The existing and future mortgage loans which the Agency may purchase under the bond programs must comply with guidelines established by the Agency, including the requirement that all such mortgage loans be insured by the Federal Housing Administration, guaranteed by the Veterans

Administration, guaranteed by the US Department of Agriculture, Rural Department, insured under a private mortgage insurance program, or have a loan-to-value ratio equal to or less than 80%. As of June 30, 2014, all outstanding mortgage loans purchased with mortgage revenue bond proceeds satisfy these requirements. The Agency has an allowance for loan losses in the single-family mortgage loan program of $5,162,000 as of June 30, 2014.

Mortgage loans made with funds from the Agency Programs, Housing Trust Fund Programs, and Federal and State Programs have allowances for loan losses of $5,400, $125,000 and $163,000, respectively, as of June 30, 2014.

For the Home Ownership Bond Programs, the Agency has collateralized $963,041,000 in mortgage loans receivable and $146,835,000 in debt service, insurance, and revenue reserves to repay $893,750,000 single-family bonds payable at June 30, 2014. Proceeds from the bonds issued were used to finance housing throughout the State. The bonds are payable through July 2041 and are paid down from cash collections on mortgage loans receivable, interest receivable on mortgage loans, unexpended bond proceeds, and sale of investments. The Agency expects 100% of the mortgage loans, both principal and interest, to pay the principal and interest debt service requirements on the bonds. The total debt service requirement to be paid based on projected cash flows as of June 30, 2014 is $1,344,518,000 (see page 26 "Maturities"). For the current fiscal year, debt service payments in the amount of $313,933,000 were made for the Home Ownership Bond Programs. Principal and interest payments received on mortgage loans for the Home Ownership Bond Programs were $200,809,000 in fiscal year 2014.

D. BONDS PAYABLE

Bonds payable activity for the year ended June 30, 2014 was as follows (*in thousands*):

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds payable				
Home Ownership	$ 1,043,285	$ 120,485	$ (270,020)	$ 893,750
Bond Premium/(Discount), Net	4,653	-	(1,000)	3,653
Total Bonds payable, net	**$ 1,047,938**	**$ 120,485**	**$ (271,020)**	**$ 897,403**

Bonds payable as of June 30, 2014 are as follows (*in thousands*):

Issue	Stated Rates (%)	Final Maturity	Principal Amount
Home Ownership Revenue Bonds			
(1998 Trust Agreement)			
Series 15	Variable	7/1/2032	$ 6,625
Series 16	Variable	7/1/2032	12,725
Series 17	Variable - 5.00	7/1/2034	16,195
Series 18	Variable - 4.45	1/1/2035	14,405
Series 22 A	4.35 - 5.50	1/1/2037	28,325
Series 22 CE	4.35 - 5.25	1/1/2039	44,480
Series 23	3.80 - 5.00	1/1/2037	26,545
Series 24	4.00 - 5.50	1/1/2038	38,935
Series 25	4.30 - 5.75	7/1/2037	30,205
Series 26	3.75 - 5.50	7/1/2038	30,180
Series 27 A	4.70 - 6.00	1/1/2038	18,805
Series 28	3.75 - 5.50	1/1/2039	32,680
Series 29	4.10 - 5.50	7/1/2038	46,210
Series 30	3.75 - 5.50	7/1/2039	35,870
Series 31	3.55 - 5.50	7/1/2038	37,630
Series 32	4.00	1/1/2030	90,645
Series 33	0.89 - 4.32	1/1/2034	93,535
Series 34	0.35 - 4.00	7/1/2035	63,715
Series 35	0.49 - 3.99	7/1/2032	54,335
			$ 722,045
Home Ownership Revenue Bonds			
(2009 Trust Agreement)			
Series A-1 and Series 1	1.30 - 4.50	7/1/2041	$ 77,605
Series A-2 and Series 2	1.10 - 4.25	7/1/2041	94,100
			$ 171,705
Total Bonds Outstanding			$ 893,750
Plus Bond Premium/(Discount), Net			$ 3,653
Total Home Ownership Bond Programs			**$ 897,403**

See Footnote E. "Derivative Instrument - Interest Rate Swap" for variable rate interest calculation methodology.

Series 34 in the 1998 Trust Agreement closed on November 21, 2013, and refunded bonds in the following amounts for the series below (*in thousands*):

Series	Bonds Refunded**
1998 Trust Agreement, Series 15	$ 2,360
1998 Trust Agreement, Series 16	1,905
1998 Trust Agreement, Series 17	5,285
1998 Trust Agreement, Series 19	28,380
1998 Trust Agreement, Series 20	17,700
1998 Trust Agreement, Series 21	10,520
Total	**$66,150**

**Series 19 was refunded in its entirety, but the remaining series were only partially refunded. A proportionate amount of mortgage loans was transferred from the refunded series to Series 34 to sufficiently collateralize the bonds.

Series 35 in the 1998 Trust Agreement closed on May 5, 2014, and refunded all bonds in the following amounts for the series below (*in thousands*):

Series	Bonds Refunded***
1998 Trust Agreement, Series 20	$ 11,720
1998 Trust Agreement, Series 21	15,170
1998 Trust Agreement, Series 22A	27,445
	$ 54,335

***Although Series 20 and 21 were refunded on June 1, 2014, Series 22A was not eligible for refunding until July 1, 2014, after the close of the fiscal year 2014. Mortgage loans associated with the refunded series were transferred to Series 35 to collateralize the bonds.

To the extent provided in the trust agreements, the bonds of each Home Ownership Bond Program are collateralized by the investments and mortgage loans receivable of that program and revenues derived therefrom and do not constitute a general obligation of the Agency. The trust agreements further provide for the processing of money through specifically designated funds and accounts, periodic reporting, and the performance of other covenants, conditions, agreements, and provisions contained therein.

Maturities Debt service requirements, including sinking fund requirements on term bonds, subsequent to June 30, 2014, are as follows (*in thousands*):

Bonds Outstanding without Interest Rate Swaps

Fiscal Year Ending June 30	Principal	Interest
2015	$ 29,705	$ 32,965
2016	30,980	32,638
2017	31,435	31,710
2018	31,190	30,702
2019	31,125	29,621
2020-2024	171,650	129,126
2025-2029	190,475	90,941
2030-2034	166,295	52,683
2035-2039	142,185	18,970
2040-2042	24,100	960
Total Requirements	**$ 849,140**	**$ 450,316**

Bonds Outstanding with Interest Rate Swaps

Fiscal Year Ending June 30		Principal		Interest
2015	$	890	$	36
2016		855		35
2017		1,215		34
2018		1,455		33
2019		1,405		32
2020-2024		6,955		143
2025-2029		15,255		101
2030-2034		15,185		37
2035		1,395		1
Total Requirements	**$**	**44,610**	**$**	**452**

Total Bonds Outstanding

Fiscal Year Ending June 30		Principal		Interest
2015	$	30,595	$	33,001
2016		31,835		32,673
2017		32,650		31,744
2018		32,645		30,735
2019		32,530		29,653
2020-2024		178,605		129,269
2025-2029		205,730		91,042
2030-2034		181,480		52,720
2035-2039		143,580		18,971
2040-2042		24,100		960
Total Requirements	**$**	**893,750**	**$**	**450,768**

Bond redemptions The trust agreements provide for various methods of redemption. Bonds are redeemed at par from prepayments of mortgage loans securing the issues, from unexpended bond proceeds of the issues from excess revenues, or from funds released via the related decreases in the respective debt service reserve requirements. In January 2014, the Agency redeemed bonds equal to $2,770,000 for Series A-2 in the 2009 Trust Agreement from unexpended bond proceeds. See "Debt Administration" for more information regarding the unexpended bond proceeds call.

Prior to fiscal year 2014, losses on the bond redemptions representing the reduction of the proportionate amount of unamortized deferred bond issuance costs were recorded and included in *Interest on bonds* for financial statement purposes. However, effective for fiscal year 2014, GASB 65 required all deferred bond issuance costs to be expensed as incurred, resulting in a $12.3 million deduction for previously deferred bond issuance costs related to prior periods. See "Bond issuance costs" for more information regarding GASB 65.

For the year ended June 30, 2014, bond redemptions recognized by the Home Ownership Bond Programs were as follows (*in thousands*):

Issue	Amount Redeemed
Housing Revenue Bonds (1998 Trust Agreement)	$ 260,455
Housing Revenue Bonds (2009 Trust Agreement)	9,565
Total Home Ownership Bond Programs	**$ 270,020**

Special facilities (Conduits) The Agency issued Multifamily Housing Revenue Bonds which are not presented in the accompanying financial statements of the Agency. These bonds are secured solely by the properties and related revenues of the projects and the applicable credit enhancements, with the exception of the 2002 Resolution, which is secured by payments received on GNMA mortgages. These bonds do not constitute a debt of and are not guaranteed by the State of North Carolina, any political subdivision thereof or the Agency. Accordingly, these obligations are excluded from the Agency's financial statements.

Bonds payable as of June 30, 2014 for special facilities are as follows (*in thousands*):

Issue	Bond Type	Bonds Outstanding
2002 Resolution**** (Series D)	Multifamily Housing Revenue Bonds	$ 2,155
2013 Resolution	Multifamily Housing Revenue Bonds	20,330
Total		**$ 22,485**

****This is a Section 501(c)3 entity and did not require volume cap when the bonds were issued.

E. DERIVATIVE INSTRUMENT - INTEREST RATE SWAP

Summary Information During the reporting period from July 1, 2013, to June 30, 2014, the Agency did not execute or terminate any derivative contracts with the exception of the exercise of certain cancellation options described in "Market Access Risk." The Agency has four pay-fixed, interest rate swap agreements with three separate financial counterparties (further described herein) each designated as a hedging derivative instrument representing cash flow hedges for the organization (*in thousands*):

Hedgeable Item	Hedging Derivative Instrument	Notional Amount	Classification	Fair Value at June 30, 2014 Liability	Classification	Change in Fair Value Decrease
Series 15C Bonds	Pay-Fixed Interest Rate Swap	$6,625	Hedging Derivative	$(766)	Deferred Outflow of Resources	$48
Series 16C Bonds	Pay-Fixed Interest Rate Swap	$12,725	Hedging Derivative	$(1,271)	Deferred Outflow of Resources	$238
Series 17C Bonds	Pay-Fixed Interest Rate Swap	$14,845	Hedging Derivative	$(1,852)	Deferred Outflow of Resources	$167
Series 18C Bonds	Pay-Fixed Interest Rate Swap	$10,415	Hedging Derivative	$(702)	Deferred Outflow of Resources	$137

There were no derivative instruments reclassified from a hedging derivative to an investment derivative instrument during the period. There was no deferral amount within investment revenue due to any reclassifications during the period.

Objective The Agency has entered into interest rate swaps in connection with all of its variable-rate revenue bonds associated with four series in its 1998 Trust Agreement as a means to manage the future cash flow impact associated with the hedged debt. The intention of the swaps was to create more certainty for the Agency associated with the interest rate spread between its assets and liabilities.

Terms and credit risk The terms and credit risk of the outstanding swaps as of June 30, 2014 were as follows (*in thousands*):

Notional Amount	Counterparty	Counterparty Credit Rating Moody's/S&P	Date of Swap Execution	Maturity Date of Swap	Fixed Rate	Floating Index
$6,625[3]	UBS AG	A2/A	5/8/2003	7/1/2032	3.445%	63%L[2] + 0.30%
$12,725[1]	Bank of America, N.A.	A2/A	9/16/2003	7/1/2032	3.810%	63%L[2] + 0.30%
$14,845	Bank of America, N.A.	A2/A	12/11/2003	7/1/2032	3.725%	63%L[2] + 0.30%
$10,415[1]	Goldman Sachs Mitsui Marine	Aa2/AAA	4/20/2004	1/1/2035	3.251%	63%L[2] + 0.30%

[1] The swap contracts contain optionality that allows the Agency the right to change the notional to better match the principal schedule on the bonds.

[2] L represents the USD, 1-Month LIBOR index as published on Telerate page 3750.

[3] Note that as of July 1, 2013, the Agency took full advantage of the optional cancellation associated with the Series 15C swap, so the Series 15C swap remaining is not cancellable.

Fair value In total, the swaps have a fair value of negative $4,591,000 as of June 30, 2014. Because the coupons on the Agency's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Additionally, if at the time of termination, the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value.

Interest rate risk Under all of the swaps, the Agency pays the counterparties a fixed rate and receives a variable payment computed as 63% of 1-Month LIBOR plus 30 basis points. The bonds' variable-rate coupons are remarketed weekly and generally track the variable SIFMA index, which was 0.08% for all four series as of June 30, 2014.

Basis risk and termination risk The swaps expose the Agency to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. The swap contracts for the Agency use a compound formula for the floating rate index to reduce this risk. During the accounting period, the Agency realized a benefit of 33.19 basis points (bps) for all four variable rate series due to the floating rate formula for its swap contracts when compared to the floating rate on the respective bonds. For all swaps, collateral thresholds have been established if the counterparty ratings reach A2 for Moody's or A for S&P. Series 16C, 17C and 18C swaps may be terminated if the counterparty's or the Agency's rating falls below Baa2 as issued by Moody's or BBB as issued by S&P. The Series 15C swap may be terminated if the counterparty's or the Agency's rating falls below Baa3 as issued by Moody's and BBB- as issued by S&P.

Credit risk Credit risk is the risk that the counterparty will not fulfill its obligations. All of the contracts as of June 30, 2014 reflect liabilities and, therefore, the Agency does not have current credit risk on its contracts. The Agency monitors the ratings of its counterparties to ascertain credit risk.

Foreign currency risk Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. All of the Agency's swaps are denominated in US dollars and are, therefore, not subject to foreign currency risk.

Rollover risk Rollover risk exists when the derivative does not last as long as the associated debt is outstanding. The maturity dates of the Agency's swap contracts match the maturity dates of the hedged debts; therefore, the Agency has no rollover risk.

Market access risk Market access risk is the risk that the Agency will not be able to enter credit markets as planned or that credit will become more costly. The Agency's current market access risk is limited because of its liquidity agreement with TD Bank, N.A. which was extended in May 2014 and will not expire until May 2017, and the Agency has cancellation features available with Series 16C and Series 18C offering the Agency further flexibility. The cancellation feature associated with the Series 15C swap was fully exercised on July 1, 2013, and the remaining swap on Series 15C has no cancellation option. The swap for Series 17C does not have any optional cancellation features.

Quantitative method of evaluating effectiveness In order to assess the effectiveness of each hedging derivative instrument, the Agency employed the Synthetic Instrument Method. Under the Synthetic Instrument Method, a hedging derivative instrument is effective if the synthetic price is substantively fixed. The synthetic price as of the evaluation date, June 30, 2014, is compared to the synthetic price expected at the establishment of the hedge by calculation of an effectiveness percentage. If the effectiveness percentage is within a range of 90 to 111 percent, the synthetic price is substantively fixed. Following are the results of the testing as of the end of the reporting period:

Hedgeable Item	Hedgeable Item Effective Bond Variable Rate	Derivative Instrument Floating Rate	Floating Rate Basis	Synthetic Price	90 to 111% Range	Test Performance
Series 15C Bonds	0.0794	0.4113	0.3319	3.1%	3.1 – 3.8	PASS
Series 16C Bonds	0.0794	0.4113	0.3319	3.5%	3.4 – 4.2	PASS
Series 17C Bonds	0.0794	0.4113	0.3319	3.4%	3.4 – 4.1	PASS
Series 18C Bonds	0.0794	0.4113	0.3319	2.9%	2.9 – 3.6	PASS

Swap payments and associated debt As rates vary, variable-rate bond interest payments and net swap payments will differ between the fixed rate paid to the counterparty and the variable rate paid to the Agency. Using rates as of June 30, 2014, debt service requirements of the variable-rate debt and net swap payments are as follows (*in thousands*):

Fiscal Year	Variable-Rate Bond		Interest Rate	Total
Ending June 30	Principal	Interest	Swap, Net	Interest
2015	$ 890	$ 36	$ 1,421	$ 1,457
2016	855	35	1,391	1,426
2017	1,215	34	1,364	1,398
2018	1,455	33	1,319	1,352
2019	1,405	32	1,271	1,303
2020-2024	6,955	143	5,695	5,838
2025-2029	15,255	101	3,983	4,084
2030-2034	15,185	37	1,413	1,450
2035	1,395	1	31	32
Total	**$44,610**	**$452**	**$17,888**	**$18,340**

F. NONCURRENT LIABILITIES

Noncurrent liabilities for the year ended June 30, 2014 were as follows *(in thousands):*

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds payable					
Bonds payable, net	$1,043,285	$120,485	$(270,020)	$893,750	$30,595
Bonds premium/(discount), net	4,653	-	(1,000)	3,653	-
Derivative instrument—interest rate swap	5,181	-	(590)	4,591	-
Unearned revenues	30,823	136,356	(106,129)	61,050	50,759
Other liabilities					
Arbitrage rebate payable	1,489	-	(341)	1,148	-
Compensated absences	1,310	13	(180)	1,143	125
Deposits payable	3,456	2,192	(2,116)	3,532	9
	$1,090,197	**$259,046**	**$(380,376)**	**$968,867**	**$81,488**

G. OPERATING LEASE

The Agency leases office space with future minimum lease payments for fiscal years 2015, 2016 and 2017 in the amounts of $631,000, $546,000 and $504,000, respectively, and three months in fiscal year 2018 in the amount of $126,000. Rent expenses for all operating leases totaled $631,000 for the year ended June 30, 2014. The Agency's lease for the main office will expire September 2017.

H. FEDERAL AWARDS

As a designated Public Housing Authority for the Department of Housing and Urban Development's (HUD) Section 8 Programs, the Agency requisitions Section 8 Program funds and makes disbursements to eligible landlords. For the year ended June 30, 2014, $144,330,000 which was received by the Agency and disbursed to property owners is included in *Federal program awards received* and *Federal program expense* in Federal and State Programs.

The Agency is designated as the participating entity under grant agreements with HUD for the HOME Program. The HOME Program provides funding for the purpose of developing affordable housing for persons of low and very low income. For the year ended June 30, 2014, $19,852,000 was received and disbursed by the Agency and is included in *Federal program awards received*, *Federal program expense* and *Mortgage loans receivable, net* in Federal and State Programs, depending upon the terms of the transaction.

The Agency was selected as a participating entity under a grant agreement with Treasury passed through NeighborWorks® for the National Foreclosure Mitigation Counseling Program (NFMC). NFMC provides funding for the purpose of counseling homeowners at risk of foreclosure. For the year ended June 30, 2014, $3,059,000 was received and disbursed by the Agency and is included in *Federal program awards received* and *Federal program expense* in Federal and State Programs. The Agency received repayments of Mortgage Loans that were funded under the Tax Credit Assistance Program (TCAP). These repayments provide funding for the Carryover Loan Program (COLP). The loan amount provided under the COLP is the lower of 95% of the approved land cost or $1 million, and the loan program primarily targets rental developments serving households below 50% of the area median income. For the year ended June 30, 2014, $45,060,000 was received and $5,798,000 was disbursed and is included as a part of *Program income/fees* and *Mortgage loans receivable, net* in the Federal and State Programs.

The Agency was selected as a participating entity under a grant agreement with the Treasury for the Hardest Hit Fund® (HHF). HHF provides funding for the purpose of providing loans to unemployed homeowners unable to make their mortgage payments and in danger of losing their homes to foreclosure. Loan proceeds will be used to pay the mortgage and related costs such as real estate taxes, homeowner insurance and homeowner dues until the homeowner secures employment or completes training for a new career. For the year ended June 30, 2014, $89,256,000 was received and disbursed by the Agency and is included in *Federal program awards received* and *Federal program expense* in Federal and State Programs.

The Agency was awarded Neighborhood Stabilization Program (NSP) funds through the State of North Carolina, Department of Commerce, Division of Community Assistance. NSP funding is provided to the State through the US Department of Urban Development Community Development Block Grant. NSP provides funding for the purpose of providing 0% interest forgivable loans on foreclosed properties to stabilize neighborhoods in North Carolina. For the year ended June 30, 2014, $86,000 was disbursed by the Agency and is included in *Federal program awards received, Federal program expense* and *Mortgage loans receivable, net* in Federal and State Programs depending upon the terms of the transaction.

The Agency earned fees of $18,528,000 for administering these and other federal programs for the year ended June 30, 2014. Of these fees, $3,351,000 was paid to Quadel Consulting Corporation for the Section 8 Program Contract Administration, and $5,082,000 was paid to counseling agencies for providing counseling services under HHF which is reported in *General and administrative expense*.

Federal awards are subject to audit by the grantor agencies. The Agency could be held liable for amounts received in excess of allowable expenditures.

I. PENSION PLAN

Plan description All permanent full-time employees of the Agency participate in the Teachers' and State Employees' Retirement System of North Carolina (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the State. The System provides retirement benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the System. The report may be obtained from the website for the North Carolina Office of State Controller using the following link: http://www.osc.nc.gov/financial/index.html.

Funding policy Plan members are required to contribute 6% of their annual covered salary, and the Agency is required to contribute at an actuarially determined rate. The current rate is 14.69% of the annual covered payroll. The contribution requirements of plan members and the Agency are established and may be amended by the North Carolina General Assembly. The following table represents the three-year trend of the annual contributions made by the Agency to the State retirement system. The Agency made 100% of its required contributions for the years ended June 30, 2014, 2013, and 2012:

	2014	**2013**	**2012**
Retirement Benefit	$667,000	$624,000	$546,000
Percentage of Covered Payroll	8.68%	8.33%	7.44%

J. POST-EMPLOYMENT / DISABILITY BENEFITS

In addition to pension benefits, employees are provided post-employment health care benefits and long-term disability benefits in accordance with State statutes. These benefits are provided through plans administered by the State. The Agency makes monthly contributions to the State for these benefits. Health care benefits are provided to long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the System who have at least five years of creditable service under the System. The System pays the full cost of coverage for retirees enrolled in the State's self-funded Teachers' and State Employees' Preferred Provider Organization (PPO) medical plan who were hired prior to October 1, 2006, and retire with five or more years of State System membership service. For employees hired on or after October 1, 2006, the System will pay the full cost of coverage for retirees with 20 or more years of service, the System will pay 50% of the cost of coverage for retirees with at least 10 years but less than 20 years of service, and the retiree with less than 10 years of service will pay the full cost of coverage. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees. Retirees and the aforementioned surviving spouses pay for the entire cost of coverage of their dependents. The health benefit plans are funded by the State on a pay-as-you-go basis.

Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (Disability Income Plan), a State-administered plan. Long-term disability benefits are payable from the Disability Income Plan after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five years of contributing membership service in the System earned within 96 months prior to the end of the short-term disability period; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period, after salary continuation payments cease, or after monthly payments for workers' compensation cease, whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of employees' usual occupation; (4) the disability must have been continuous, likely to be permanent and incurred at the time of active employment; and (5) the employee must not be eligible to receive unreduced retirement benefits from the System. In addition, recipients of long-term disability benefits are eligible to receive the State-paid health insurance coverage. The monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation reduced by any social security or worker's compensation to which the recipient may be entitled up to a maximum of $3,900 per month. When an employee qualifies for an unreduced service retirement allowance from the System, the benefits payable from the Disability Income Plan cease, and the employee will commence retirement under the System.

All short-term disability benefit payments are made by the various State-administered plans. The Agency has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Agency during the first six months of the short-term period. Contributions are determined as a percentage of covered monthly payrolls. Annually, the State sets monthly contribution rates for post-employment health care benefits, death benefits and disability benefits, which are the same for all agencies across the State.

Effective January 1, 2014, the Qualified Excess Benefit Arrangement (QEBA) was established and placed under the management of the Board of Trustees. Per *North Carolina General Statute 135-151*, the purpose of the QEBA is solely to provide the part of a retirement allowance or benefit that would otherwise have been payable by System except for the limitations under section 415(b) of the Internal Revenue Code.

The following table represents the three-year trend of the annual contributions made by the Agency to the State post-employment benefit plans. The Agency made 100% of its required contributions for the years ended June 30, 2014, 2013, and 2012:

	2014	2013	2012
Health Care Benefit	$415,000	$397,000	$367,000
Disability Benefit	34,000	33,000	38,000
Death Benefit	12,000	12,000	12,000
Qualified Excess Benefit Arrangement	1,000	-	-
Percentage of Covered Payroll			
Health Care Benefit	5.40%	5.30%	5.00%
Disability Benefit	0.44%	0.44%	0.52%
Death Benefit	0.16%	0.16%	0.16%
Qualified Excess Benefit Arrangement	0.01%	-	-

Since the benefit payments are made by the various State-administered plans and not by the Agency, the Agency does not determine the number of eligible participants.

K. RISK MANAGEMENT

The Agency's risk management policies provide for participation in the State's risk management programs. The following types of risk are covered under these programs, as disclosed in the State of North Carolina's Comprehensive Annual Financial Report:

- Automobile, Fire and Other Property Losses
- Public Officers' and Employees' Liability Insurance
- Employee Dishonesty and Computer Fraud
- Workers' Compensation Program/Fund

The State is responsible for the administration of all liability insurance policies. The deductible and amount of loss in excess of the policy is the responsibility of the Agency.

L. SEGMENT INFORMATION

The Agency's Home Ownership Bond Programs are initially funded with bond proceeds. These proceeds are used to purchase mortgage loans which provide the income along with investment earnings to repay the debt. Condensed financial statements at June 30, 2014 for this segment is as follows (*in thousands*):

STATEMENT OF NET POSITION

ASSETS		**Home Ownership**
Current assets:		
Restricted cash and cash equivalents	$	154,301
Accrued interest receivable on investments		411
Mortgage loans receivable		166,406
Accrued interest receivable on mortgage loans		9,165
Other assets		6,396
Interprogram receivable		562
TOTAL CURRENT ASSETS	$	337,241
Noncurrent assets:		
Restricted investments	$	77,641
Mortgage loans receivable, net		791,474
TOTAL NONCURRENT ASSETS	$	869,115
TOTAL ASSETS	$	1,206,356
DEFERRED OUTFLOW OF RESOURCES		
Accumulated decrease in fair value of hedging derivative	$	4,591
TOTAL DEFERRED OUTFLOW OF RESOURCES	$	4,591

LIABILITIES	Home Ownership
Current liabilities:	
Bonds payable	$ 30,595
Accrued interest payable	17,057
Accounts payable	322
TOTAL CURRENT LIABILITIES	$ 47,974
Noncurrent liabilities:	
Bonds payable, net	$ 866,808
Derivative instrument - interest rate swap	4,591
Other liabilities	1,148
TOTAL NONCURRENT LIABILITIES	$ 872,547
TOTAL LIABILITIES	$ 920,521
NET POSITION	
Restricted	$ 290,426
TOTAL NET POSITION	$ 290,426

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

OPERATING REVENUES	
Interest on investments	$ 3,358
Net increase in fair value of investments	954
Interest on mortgage loans	54,708
Other revenues	23
TOTAL OPERATING REVENUES	$ 59,043
OPERATING EXPENSES	
Interest on bonds	$ 52,223
Mortgage servicing expense	3,194
General and administrative expense	862
Other expenses	1,368
TOTAL OPERATING EXPENSES	$ 57,647
OPERATING INCOME	$ 1,396
NON-OPERATING EXPENSES	
Transfers out	$ (2,872)
TOTAL NON-OPERATING EXPENSES	$ (2,872)
CHANGE IN NET POSITION	$ (1,476)
TOTAL NET POSITION - BEGINNING	$ 291,902
TOTAL NET POSITION - ENDING	$ 290,426

STATEMENT OF CASH FLOWS		**Home Ownership**
Net cash provided by operating activities	$	189,927
Net cash used in non-capital financing activities		(197,595)
Net cash used in investing activities		(17,976)
Net decrease in cash	$	(25,644)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		179,945
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	154,301

North Carolina Housing Finance Agency

Supplementary Information

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Independent Auditor's Report on Supplementary Information

Our audits of the financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA, LLP

September 17, 2014

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF NET POSITION

AS OF JUNE 30, 2014

(in thousands)	AGENCY PROGRAMS	GRANT PROGRAMS: Housing Trust Fund	GRANT PROGRAMS: Federal and State Programs	HOME OWNERSHIP BOND PROGRAMS: 1998	HOME OWNERSHIP BOND PROGRAMS: 2009	Total
ASSETS						
Current assets:						
Cash and cash equivalents	$ 5,692	-	-	-	-	$ 5,692
Restricted cash and cash equivalents	32,829	25,762	138,907	140,569	13,732	351,799
Accrued interest receivable on investments	37	9	-	372	39	457
Mortgage loans receivable	386	1,350	6,126	159,958	6,448	174,268
Accrued interest receivable on mortgage loans	3	13	103	8,322	843	9,284
State receivables	71,618	-	14,426	-	-	86,044
Other assets	300	-	2,653	5,565	831	9,349
Interprogram receivable/(payable)	2,652	7,862	(11,076)	562	-	-
TOTAL CURRENT ASSETS	$ 113,517	34,996	151,139	315,348	21,893	$ 636,893
Noncurrent assets:						
Investments	$ 3,117	-	-	-	-	$ 3,117
Restricted investments	8,350	-	-	72,485	5,156	85,991
Mortgage loans receivable, net	3,092	16,617	81,732	629,434	162,040	892,915
Other assets, net	3,965	-	-	-	-	3,965
TOTAL NONCURRENT ASSETS	$ 18,524	16,617	81,732	701,919	167,196	$ 985,988
TOTAL ASSETS	$ 132,041	51,613	232,871	1,017,267	189,089	$ 1,622,881
DEFERRED OUTFLOW OF RESOURCES						
Accumulated decrease in fair value of hedging derivative	$ -	-	-	4,591	-	$ 4,591
TOTAL DEFERRED OUTFLOW OF RESOURCES	$ -	-	-	4,591	-	$ 4,591
LIABILITIES						
Current liabilities:						
Bonds payable	$ -	-	-	26,915	3,680	$ 30,595
Accrued interest payable	-	-	-	14,384	2,673	17,057
Accounts payable	564	27	2,669	322	-	3,582
Unearned revenues	1,330	-	49,429	-	-	50,759
Other liabilities	126	5	3	-	-	134
TOTAL CURRENT LIABILITIES	$ 2,020	32	52,101	41,621	6,353	$ 102,127
Noncurrent liabilities:						
Bonds payable, net	$ -	-	-	697,812	168,996	$ 866,808
Derivative instrument - interest rate swap	-	-	-	4,591	-	4,591
Unearned revenues	10,291	-	-	-	-	10,291
Other liabilities	4,541	-	-	1,148	-	5,689
TOTAL NONCURRENT LIABILITIES	$ 14,832	-	-	703,551	168,996	$ 887,379
TOTAL LIABILITIES	$ 16,852	32	52,101	745,172	175,349	$ 989,506
NET POSITION						
Restricted	$ 97,807	51,581	180,770	276,686	13,740	$ 620,584
Unrestricted	17,382	-	-	-	-	17,382
TOTAL NET POSITION	$ 115,189	51,581	180,770	276,686	13,740	$ 637,966

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2014

(in thousands)	AGENCY PROGRAMS	GRANT PROGRAMS		HOME OWNERSHIP BOND PROGRAMS		Total
		Housing Trust Fund	Federal and State Programs	1998	2009	
OPERATING REVENUES						
Interest on investments	$ 485	144	244	3,199	159	$ 4,231
Net increase in fair value of investments	69	-	-	890	64	1,023
Interest on mortgage loans	65	393	1,120	48,175	6,533	56,286
Federal program awards received	-	-	247,145	-	-	247,145
Program income/fees	9,173	929	67,404	-	-	77,506
Other revenues	6,140	98	-	23	-	6,261
TOTAL OPERATING REVENUES	$ 15,932	1,564	315,913	52,287	6,756	$ 392,452
OPERATING EXPENSES						
Interest on bonds	$ -	-	-	45,445	6,778	$ 52,223
Mortgage servicing expense	1	-	-	2,580	614	3,195
Federal program expense	-	-	246,931	-	-	246,931
Nonfederal program expense	6,720	-	-	-	-	6,720
General and administrative expense	16,898	-	8,433	814	48	26,193
Other expenses	237	-	143	1,287	81	1,748
TOTAL OPERATING EXPENSES	$ 23,856	-	255,507	50,126	7,521	$ 337,010
OPERATING (LOSS) INCOME	$ (7,924)	1,564	60,406	2,161	(765)	$ 55,442
NON-OPERATING REVENUES (EXPENSES)						
Transfers in (out)	$ 13,317	(82)	(10,363)	(2,872)	-	$ -
State appropriations received	-	6,923	1,385	-	-	8,308
State grants received	-	-	6,255	-	-	6,255
State tax credits	46,155	-	-	-	-	46,155
State program expense	(37,969)	(18,405)	(10,897)	-	-	(67,271)
TOTAL NON-OPERATING REVENUES (EXPENSES)	$ 21,503	(11,564)	(13,620)	(2,872)	-	$ (6,553)
CHANGE IN NET POSITION	$ 13,579	(10,000)	46,786	(711)	(765)	$ 48,889
TOTAL NET POSITION - BEGINNING	$ 101,610	61,581	133,984	277,397	14,505	$ 589,077
TOTAL NET POSITION - ENDING	$ 115,189	51,581	180,770	276,686	13,740	$ 637,966

NORTH CAROLINA HOUSING FINANCE AGENCY
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

(in thousands)	AGENCY PROGRAMS	GRANT PROGRAMS Housing Trust Fund	GRANT PROGRAMS Federal and State Programs	HOME OWNERSHIP BOND PROGRAMS 1998	HOME OWNERSHIP BOND PROGRAMS 2009	Total
Cash flows from operating activities:						
Interest on mortgage loans	$ 65	392	1,041	49,314	6,596	$ 57,408
Principal payments on mortgage loans	379	1,305	6,701	137,025	7,874	153,284
Purchase of mortgage loans	-	(3,188)	(15,932)	(3,264)	(3,822)	(26,206)
Federal program awards received	-	-	276,752	-	-	276,752
Federal program expense	-	-	(248,424)	-	-	(248,424)
Nonfederal program expense	(6,720)	-	-	-	-	(6,720)
Federal grant administration income	-	-	17,556	-	-	17,556
Program income/fees	9,615	929	49,848	-	-	60,392
Other expenses	(16,851)	-	(8,760)	(4,432)	(664)	(30,707)
Other revenues	3,488	2,066	-	1,398	(98)	6,854
Net cash (used in) provided by operating activities	$ (10,024)	1,504	78,782	180,041	9,886	$ 260,189
Cash flows from non-capital financing activities:						
Issuance of bonds	$ -	-	-	120,485	-	$ 120,485
Principal repayments on bonds	-	-	-	(260,455)	(9,565)	(270,020)
Interest paid	-	-	-	(38,316)	(5,597)	(43,913)
Bond issuance costs paid	-	-	-	(1,275)	-	(1,275)
Net transfers	13,317	(82)	(10,363)	(2,872)	-	-
State appropriations received	-	6,923	1,385	-	-	8,308
State grants received	-	-	17,590	-	-	17,590
State tax credits	37,101	-	-	-	-	37,101
State program expense	(37,969)	(18,405)	(10,897)	-	-	(67,271)
Net cash provided by (used in) non-capital financing activities	$ 12,449	(11,564)	(2,285)	(182,433)	(15,162)	$ (198,995)
Cash flows from investing activities:						
Proceeds from sales or maturities of investments	$ 165,733	-	-	27,159	-	$ 192,892
Purchase of investments	(167,926)	-	-	(48,318)	-	(216,244)
Earnings on investments	455	146	244	3,024	159	4,028
Net cash (used in) provided by investing activities	$ (1,738)	146	244	(18,135)	159	$ (19,324)
Net increase (decrease) in cash	$ 687	(9,914)	76,741	(20,527)	(5,117)	$ 41,870
Cash and cash equivalents at beginning of year	37,834	35,676	62,166	161,096	18,849	315,621
Cash and cash equivalents at end of year	$ 38,521	25,762	138,907	140,569	13,732	$ 357,491
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:						
Operating (loss) income	$ (7,924)	1,564	60,406	2,161	(765)	$ 55,442
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:						
Interest on investments	(485)	(144)	(244)	(3,199)	(159)	(4,231)
Net increase in fair value of investments	(69)	-	-	(890)	(64)	(1,023)
Interest on bonds	-	-	-	45,445	6,778	52,223
Change in assets and liabilities:						
Decrease (increase) in mortgage loans receivable	544	(1,981)	(9,090)	134,138	4,306	127,917
Decrease (increase) in interest receivable on mortgage loans	72	(1)	(79)	1,162	(110)	1,044
(Increase) decrease in other assets	(2,300)	2,034	(253)	1,375	(98)	758
(Decrease) increase in accounts payable and other liabilities	(229)	32	(1,818)	(151)	(2)	(2,168)
Increase in unearned revenues	367	-	29,860	-	-	30,227
Total adjustments	$ (2,100)	(60)	18,376	177,880	10,651	$ 204,747
Net cash (used in) provided by operating activities	$ (10,024)	1,504	78,782	180,041	9,886	$ 260,189

Our Mission *is to create affordable housing opportunities for North Carolinians whose needs are not met by the market*

Our Vision *is to lead the nation in creating sustainable housing opportunities that people can afford.*

Our Values*: We Care, We Act, We Lead*

North Carolina Housing Finance Agency
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