NORTH CAROLINA CENTER FOR
PUBLIC POLICY RESEARCH INC.

NEWS RELEASE

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N.C. CENTER EVALUATES HOUSING FINANCE AGENCY PERFORMANCE

The N.C. Center for Public Policy Research says the state's Housing Finance Agency (HFA) has made significant progress under its new director Gary Paul Kane, but still has some problems which it needs to address. In the lead article in the latest issue of the Center's magazine, N.C. Insight, author Bill Finger says the agency has come to life since 1979. Since it began in 1974, the HFA has issued $224 million in tax-exempt bonds for low and moderate income families out of a total of $750 million authorized by the N.C. General Assembly.

These bond issues have financed over 4100 single-family homes and supplied permanent financing for over 2200 apartment units. Finger, who edits the Center's magazine, also reports that the North Carolina HFA made a $52 million bond issue for multi-family housing at a 9 3/4 percent interest rate, which is a lower rate than other states could get. The New York HFA made a similar bond issue at over 13 percent.

Under Kane's leadership, the agency has also initiated a home improvement loan program in eleven N.C. municipalities -- Asheville, Charlotte, Durham, Gastonia, Greensboro, Lenoir, New Bern, Tarboro, Washington, Wilmington, and Winston-Salem. This program will rehabilitate about 340 homes under a $3.3 million bond issue.

The Center was critical of the HFA, however, in some respects. Finger concludes that high interest rates and federal legislation passed in 1980 have pushed state HFA programs away from the low-income families they were designed to serve. The average income of the home buyers in the first HFA bond issue in 1976 was $10,384. By the third issue in 1980, the average had climbed to $15,415. And, by 1981, Finger says, "Families making as much as $23,500 qualified for the latest single-family, HFA-assisted mortgages. The state HFA must find a way -- despite high interest rates and the requirements of federal legislation -- to retain a program emphasis on housing for low-income families."

Finger notes that the HFA has filed a "friendly" lawsuit against the N.C. Local Government Commission in order to get a test-case ruling on whether moderate-income families can be included in future HFA bond issues.

The article also recommends that the HFA begin to target its programs to counties or groups with significant needs for housing. The data released with the article shows, for example, that 17 counties have had no units financed by the N.C. HFA as of July 1, 1982:

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the article shows, for example, that 17 counties have had no units financed by the N.C. HFA as of July 1, 1982:

Counties with No Units Financed by the N.C. HFA as of July 1, 1982, with Percent of Substandard Units in Each County, 1980

County	Substandard Units as a % of Total Units in County	County	Substandard Units as a % of Total Units in County
Avery	10.1	Macon	7.0
Bertie	25.7	Martin	16.9
Cherokee	10.8	Mitchell	10.4
Chowan	13.8	Person	16.0
Clay	9.4	Rutherford	8.4
Gates	26.1	Swain	11.9
Hyde	23.1	Tyrrell	19.4
Jackson	9.2	Washington	15.0
McDowell	10.6		

These counties have high rates of substandard housing. The seven counties which have received the most benefits from HFA funds are the urban counties of Mecklenburg, Durham, Cumberland, Forsyth, Guilford, Wake, and New Hanover, where substandard housing averages 4.69 percent.

Finally, Finger points out several types of conflicts of interest in the HFA's operations. First, some HFA board members have repeatedly abstained from important votes on bond issues because of a potential benefit to the business for which they work. Second, the board has hired a private law firm to handle HFA legal matters; virtually all other state agencies depend upon either in-house counsel or the staff of the Attorney General's Office for legal advice. This firm -- Powe, Porter, and Alphin in Durham -- has among its clients some of the state's major building and lending associations. Third, Travis Porter and Harvey Stuart, the attorneys that handle most HFA business, lobby for the HFA before the General Assembly, while also lobbying for building and lending interests.

"Based on the article's findings," Finger says, "the Center recommends that the General Assembly examine whether the agency should be advised to use the Attorney General's Office as its legal counsel and also have the agency staff handle any lobbying activities."

Despite the problem areas, Finger said the Center was impressed with the operations of the HFA, particularly with the leadership of Gary Paul Kane. "What is needed to solve some of the problems is greater attention by the Governor and the General Assembly to the HFA and its role in meeting the housing needs of North Carolina," said Finger.

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