

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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SENATE DRS65353-RC-14 (3/23)

Short Title: Closing the Equity Gap/Increase Homeownership. (Public)

Sponsors: Senators Queen and Malone.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO INCREASE HOMEOWNERSHIP IN NORTH CAROLINA BY DEVELOPING A PUBLIC EDUCATION CAMPAIGN REGARDING HOMEOWNERSHIP PROGRAMS AND THE BENEFITS OF HOMEOWNERSHIP, TO PROVIDE BETTER HOME BUYER PREPARATION AND CONSUMER CREDIT COUNSELING, TO CREATE REGIONAL COALITIONS TO IDENTIFY AND REDUCE BARRIERS TO HOMEOWNERSHIP, AND TO APPROPRIATE FUNDS TO ESTABLISH THOSE PROGRAMS.

The General Assembly of North Carolina enacts:

PART I. CREATION OF THE EQUITY PLUS HOMEOWNERSHIP PROGRAM.

SECTION 1.1.(a) There is appropriated from the General Fund to the Rural Economic Development Center, Inc., (Center) the sum of nine million dollars (\$9,000,000) for the 2004-2005 fiscal year. These funds shall be used to establish the Equity Plus Homeownership Program as provided in this act. The purpose of the Equity Plus Homeownership Program is to increase the number of North Carolinians who are able to purchase and retain equity-building homes through public education, homebuyer preparation, consumer counseling, and Equity Plus mortgage products.

As used in this section, the following definitions apply:

- (1) "Equity-building home" means a residential structure that will be the purchaser's primary residence and that met the State and local building code standards in place at the time of construction, or if there were no building codes in effect at the time of construction, that was constructed on-site. An equity-building home will also have characteristics that are likely to cause it to appreciate in value over time.

- 1 (2) "Equity Plus mortgage product" means a loan that is offered at an
2 interest rate that is at or near the lowest available market rate and that
3 contains foreclosure prevention provisions such as payment deferrals
4 in the event of delinquencies due to certain economic circumstances. It
5 must also include additional characteristics intended to assist the target
6 population in obtaining home financing and including at least one of
7 the following: flexible underwriting standards or flexible down
8 payment requirements.

9 **SECTION 1.1.(b)** Of the funds appropriated in this act to the Rural
10 Economic Development Center, Inc., the sum of five million dollars (\$5,000,000) shall
11 be used to create, support, and assist programs and products that increase ownership of
12 equity-building homes. The Center shall use these funds to:

- 13 (1) Establish a central inventory and description of all homeownership
14 programs and financing resources that are available in North Carolina,
15 whether offered through private or public entities, and that shall be
16 accessible to the public by a toll-free phone service as well as
17 electronic means;
18 (2) Develop and implement an aggressive public information and
19 education campaign using TV, radio, newspaper, billboards, and direct
20 mail in order to publicize the economic benefits of purchasing an
21 equity-building home and the resources that are available to assist
22 citizens with making that purchase;
23 (3) Coordinate with and support local, State, federal, private, public, and
24 nonprofit organizations (such as the Habitat for Humanity Foundation
25 and other self-help housing organizations) that increase
26 homeownership in equity-building homes and protect housing
27 consumers;
28 (4) Collaborate with local governments to help remove barriers to the
29 development of affordable, equity-building housing;
30 (5) Partner with the North Carolina Department of Commerce and public
31 and private employers to foster workforce housing to attract and retain
32 employees and as an economic development tool; and
33 (6) Identify and solicit additional funding from charitable and federal
34 sources that can be used to increase equity-building homeownership
35 rates in North Carolina.

36 **SECTION 1.1.(c)** Of the funds appropriated in this act to the Rural
37 Economic Development Center, Inc., the sum of three million dollars (\$3,000,000) shall
38 be used to allocate grants to nonprofit corporations and local governments to make
39 certified homebuyer credit counselors available to potential Equity Plus homebuyers in
40 every region of the State. The positions shall be used primarily to provide financial
41 literacy, credit counseling, homeownership preparation, and foreclosure prevention and
42 intervention services to increase homeownership of equity-building properties. The
43 Center shall establish performance-based criteria for grant recipients that include
44 tracking inputs and outcomes of the counseling, education, buyer preparation, and

1 foreclosure prevention programs. The Center shall also collect and evaluate data
2 received from grant recipients to determine the number of equity-building homes that
3 are purchased using Equity Plus mortgage products as a result of the Equity Plus
4 Homeownership Program.

5 **SECTION 1.1.(d)** Of the funds appropriated in this act to the Rural
6 Economic Development Center, Inc., the sum of one million dollars (\$1,000,000) shall
7 be used to develop a mechanism for identifying equity-building homes and to provide
8 grants to regional coalitions to increase ownership of equity-building homes.

9 (1) The Center shall collaborate with representatives from the building
10 trades, financial institutions, appraisers, developers, local
11 governments, realtors, and architects in order to establish a set of
12 criteria that may be used to evaluate various features of residential
13 buildings. The criteria are intended to examine the quality of
14 construction of a home by taking into consideration features such as
15 durability and quality of building materials, future expandability and
16 adaptability, energy efficiency, and esthetic appeal. The criteria are
17 also intended to examine the quality of the location of a home by
18 taking into consideration its proximity to services, amenities,
19 employment centers, and transportation options. Using the criteria
20 established under this subdivision, the Center shall also develop a
21 mechanism that may be utilized by consumers, builders, or realtors to
22 evaluate the equity building potential of individual properties. Funds
23 allocated under this subsection may be used to pay for the creation and
24 distribution of the mechanism and to pay for third-party evaluations of
25 individual properties. The Center shall implement this subdivision by
26 no later than January 1, 2005.

27 (2) The Center shall make grants to local governments to organize and
28 operate Regional Equity Plus Coalitions in every region of the State.
29 These coalitions shall have representatives from financial institutions,
30 homebuilders, realtors, architects, housing counselor grantees,
31 community-based nonprofit organizations, and local governments. The
32 coalitions shall be responsible for preparing and carrying out local and
33 regional campaigns to increase homeownership by marketing Equity
34 Plus mortgages, Equity Plus homes, and connecting potential
35 homebuyers to these products.

36 **SECTION 1.1.(e)** There is established the Equity Plus Advisory Committee
37 to collaborate with the Center on the implementation of the Equity Plus Homeownership
38 Program. The Advisory Committee shall include representatives from the Department
39 of State Treasurer, the North Carolina Department of Commerce, the North Carolina
40 Housing Finance Agency, the Center for Self-Help, the North Carolina Housing
41 Coalition, the North Carolina Association of Housing Counselors, the State Employees'
42 Credit Union, the North Carolina Credit Union League, the North Carolina Bankers'
43 Association, the North Carolina Association of Mortgage Professionals, the Mortgage
44 Bankers Association of the Carolinas, the North Carolina Community College System,

1 the Agricultural Extension Service, the North Carolina Home Builders Association, the
2 North Carolina Association of Realtors ©, the North Carolina League of Municipalities,
3 and the North Carolina Association of County Commissioners. The President of the
4 Rural Economic Development Center, Inc., shall serve as an ex officio member of the
5 Advisory Committee. The Center shall arrange for the Advisory Committee to meet at
6 least four times a year.

7 **SECTION 1.1.(f)** Of the funds appropriated in this act from the General
8 Fund to the Rural Economic Development Center, Inc., the Center may use up to three
9 percent (3%) for the 2004-2005 fiscal year to cover expenses in administering this act.

10 **SECTION 1.1.(g)** The Rural Economic Development Center, Inc., shall:

11 (1) By January 15, 2005, and more frequently as requested, report to the
12 Joint Legislative Commission on Governmental Operations and the
13 Fiscal Research Division the following information:

14 a. State fiscal year 2004-2005 planned activities, objectives, and
15 accomplishments including actual results through December 31,
16 2004; and

17 b. State fiscal year 2004-2005 estimated itemized expenditures
18 and fund sources including actual expenditures and fund
19 sources through December 31, 2004.

20 (2) Develop a plan to add a total of 42,000 additional equity-building
21 homeowners in North Carolina by July 1, 2008, and to establish goals
22 for continuing to substantially increase homeownership in
23 equity-building homes through 2018. The plan shall be included as a
24 component of the North Carolina Consolidated Plan for 2005-2010,
25 and shall include a budget for its implementation. The Center shall
26 submit its plan to the Joint Legislative Commission on Governmental
27 Operations and the Fiscal Research Division no later than January 15,
28 2005.

29 (3) Provide to the Fiscal Research Division a copy of each grant
30 recipient's annual audited financial statement within 30 days of
31 issuance of the statement.

32 **PART II. CREATE 6,000 EQUITY PLUS MORTGAGES.**

33 **NORTH CAROLINA HOUSING FINANCE AGENCY**

34 **SECTION 2.1.** There is appropriated from the General Fund to the North
35 Carolina Housing Finance Agency the sum of two million dollars (\$2,000,000) for the
36 2004-2005 fiscal year. These funds shall be used to create a loan loss reserve to offset
37 expenses that may occur from defaults or delinquencies on mortgages purchased by the
38 Agency in furtherance of the Equity Plus Homeownership Program. Loans purchased
39 by the Agency under this section shall meet the Agency's criteria regarding sales price
40 limits.

41 **CENTER FOR COMMUNITY SELF-HELP**

42 **SECTION 2.2.(a)** There is appropriated from the General Fund to the
43 Department of Commerce the sum of five million dollars (\$5,000,000) for the
44 2004-2005 fiscal year that shall be allocated to the Center for Community Self-Help in

1 furtherance of the Equity Plus Homeownership Program. These funds will be leveraged
2 on a twenty-to-one basis, generating at least twenty dollars (\$20.00) of nontraditional
3 home loans for every one dollar (\$1.00) of State funds. Payments of principal shall be
4 available for further loans or loan guarantees. Loans purchased by Self-Help under this
5 subsection shall meet Self-Help's criteria regarding sales price limits.

6 **SECTION 2.2.(b)** The Center for Community Self-Help shall submit, within
7 180 days after the close of its fiscal year, audited financial statements to the State
8 Auditor. All records pertaining to the use of State funds shall be made available to the
9 State Auditor upon request. The Center for Community Self-Help shall make quarterly
10 reports on the use of State funds to the State Auditor in form and format prescribed by
11 the State Auditor or his designee. The Center for Community Self-Help shall make a
12 written report by May 1 of each year for the next three years to the General Assembly
13 on the use of the funds allocated under this section.

14 **SECTION 2.2.(c)** The Center for Community Self-Help shall report to the
15 Joint Legislative Commission on Governmental Operations, the House Appropriations
16 Subcommittee on Natural and Economic Resources, the Senate Appropriations
17 Committee on Natural and Economic Resources, and the Department of Commerce on a
18 quarterly basis for the next three years.

19 **SECTION 2.2.(d)** The Office of the State Auditor may conduct an annual
20 end-of-year audit of the revolving fund for economic development lending created by
21 this appropriation for each year of the life of the revolving fund.

22 **SECTION 2.2.(e)** If the Center for Community Self-Help dissolves, the
23 corporation shall transfer the remaining assets of the revolving fund to the State and
24 shall refrain from disposing of the revolving fund assets without approval of the State
25 Treasurer.

26 **SECTION 2.2.(f)** The Department of Commerce shall disburse this
27 appropriation within guidelines established by the Office of State Budget and
28 Management. The request shall include a commitment of the leveraged funds by the
29 Center for Community Self-Help or its affiliates.

30 **PRIVATE LENDERS**

31 **SECTION 2.3.** The Rural Economic Development Center, Inc., shall
32 collaborate with the State Employees Credit Union, the North Carolina Credit Union
33 League, and the North Carolina Bankers Association to develop new and identify
34 existing Equity Plus mortgage products, as defined in subsection 1.1(a) of this act, that
35 are or will be offered by member institutions and that will increase the number of public
36 employees and other North Carolinians purchasing equity-building homes.

37 **PART III. INCREASE MORTGAGE MARKET LIQUIDITY.**

38 **SECTION 3.1.** The State Treasurer shall work with the entities listed in
39 G.S. 147-69.1(c)(2) to develop a North Carolina specific mortgage portfolio in which
40 the Treasurer may invest funds under G.S. 147-69.1(c)(2). The State Treasurer shall
41 attempt to invest at least one hundred million dollars (\$100,000,000) in this mortgage
42 portfolio in order to assist with mortgage financing liquidity in this State.

43 **SECTION 3.2.** G.S. 147-69.1(c)(2) reads as rewritten:

1 "(c) It shall be the duty of the State Treasurer to invest the cash of the funds
2 enumerated in subsection (b) of this section in excess of the amount required to meet the
3 current needs and demands on such funds, selecting from among the following:

4 ...

5 (2) Obligations of the Federal Financing Bank, the Federal Farm Credit
6 Bank, the Federal Home Loan Banks, the Federal Home Loan
7 Mortgage Corporation, Fannie Mae, the Government National
8 Mortgage Association, the Federal Housing Administration, the
9 Farmers Home Administration, the United States Postal Service, the
10 Export-Import Bank, the International Bank for Reconstruction and
11 Development, the International Finance Corporation, the
12 Inter-American Development Bank, the Asian Development Bank, the
13 African Development Bank, and the Student Loan Marketing
14 Association. The Treasurer may consider indirect economic benefits to
15 the citizens of the State when selecting particular investments under
16 this subsection."

17 **PART IV. EFFECTIVE DATES.**

18 **SECTION 4.1.** This act becomes effective July 1, 2004.