

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007**

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SENATE BILL 1420

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

Sponsors: Senator Queen.

Referred to: Appropriations/Base Budget.

March 26, 2007

A BILL TO BE ENTITLED

1 AN ACT TO INCREASE HOMEOWNERSHIP IN NORTH CAROLINA BY
2 DEVELOPING A PUBLIC EDUCATION CAMPAIGN REGARDING
3 HOMEOWNERSHIP PROGRAMS AND THE BENEFITS OF
4 HOMEOWNERSHIP, TO PROVIDE BETTER HOME BUYER PREPARATION
5 AND CONSUMER CREDIT COUNSELING, TO CREATE REGIONAL
6 COALITIONS TO IDENTIFY AND REDUCE BARRIERS TO
7 HOMEOWNERSHIP, AND TO APPROPRIATE FUNDS TO ESTABLISH
8 THOSE PROGRAMS.
9

10 The General Assembly of North Carolina enacts:

11 **PART I. CREATION OF THE EQUITY PLUS HOMEOWNERSHIP**
12 **PROGRAM.**

13 **SECTION 1.1.(a)** There is appropriated from the General Fund to the Rural
14 Economic Development Center, Inc., (Center) the sum of nine million dollars
15 (\$9,000,000) for the 2007-2008 fiscal year and the sum of nine million dollars
16 (\$9,000,000) for the 2008-2009 fiscal year. These funds shall be used to establish the
17 Equity Plus Homeownership Program as provided in this act. The purpose of the Equity
18 Plus Homeownership Program is to increase the number of North Carolinians who are
19 able to purchase and retain equity-building homes through public education, homebuyer
20 preparation, consumer counseling, and Equity Plus mortgage products.

21 As used in this section, the following definitions apply:

- 22 (1) "Equity-building home" means a residential structure that will be the
23 purchaser's primary residence and that met the State and local building
24 code standards in place at the time of construction, or if there were no
25 building codes in effect at the time of construction, that was
26 constructed on-site. An equity-building home will also have
27 characteristics that are likely to cause it to appreciate in value over
28 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) in
11 fiscal year 2007-2008 and the sum of five million dollars (\$5,000,000) in fiscal year
12 2008-2009 shall be used to create, support, and assist programs and products that
13 increase ownership of equity-building homes. The Center shall use these funds to:

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

37 **SECTION 1.1.(c)** Of the funds appropriated in this act to the Rural
38 Economic Development Center, Inc., the sum of three million dollars (\$3,000,000) in
39 fiscal year 2007-2008 and the sum of three million dollars (\$3,000,000) in fiscal year
40 2008-2009 shall be used to allocate grants to nonprofit corporations and local
41 governments to make certified homebuyer credit counselors available to potential
42 Equity Plus homebuyers in every region of the State. The positions shall be used
43 primarily to provide financial literacy, credit counseling, homeownership preparation,
44 and foreclosure prevention and intervention services to increase homeownership of

1 equity-building properties. The Center shall establish performance-based criteria for
2 grant recipients that include tracking inputs and outcomes of the counseling, education,
3 buyer preparation, and foreclosure prevention programs. The Center shall also collect
4 and evaluate data received from grant recipients to determine the number of
5 equity-building homes that are purchased using Equity Plus mortgage products as a
6 result of the Equity Plus Homeownership Program.

7 **SECTION 1.1.(d)** Of the funds appropriated in this act to the Rural
8 Economic Development Center, Inc., the sum of one million dollars (\$1,000,000) in
9 fiscal year 2007-2008 and the sum of one million dollars (\$1,000,000) in fiscal year
10 2008-2009 shall be used to develop a mechanism for identifying equity-building homes
11 and to provide grants to regional coalitions to increase ownership of equity-building
12 homes.

13 (1) The Center shall collaborate with representatives from the building
14 trades, financial institutions, appraisers, developers, local
15 governments, realtors, and architects in order to establish a set of
16 criteria that may be used to evaluate various features of residential
17 buildings. The criteria are intended to examine the quality of
18 construction of a home by taking into consideration features such as
19 durability and quality of building materials, future expandability and
20 adaptability, energy efficiency, and esthetic appeal. The criteria are
21 also intended to examine the quality of the location of a home by
22 taking into consideration its proximity to services, amenities,
23 employment centers, and transportation options. Using the criteria
24 established under this subdivision, the Center shall also develop a
25 mechanism that may be utilized by consumers, builders, or realtors to
26 evaluate the equity building potential of individual properties. Funds
27 allocated under this subsection may be used to pay for the creation and
28 distribution of the mechanism and to pay for third-party evaluations of
29 individual properties. The Center shall implement this subdivision by
30 no later than January 1, 2008.

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

40 **SECTION 1.1.(e)** There is established the Equity Plus Advisory Committee
41 to collaborate with the Center on the implementation of the Equity Plus Homeownership
42 Program. The Advisory Committee shall include representatives from the Department
43 of State Treasurer, the North Carolina Department of Commerce, the North Carolina
44 Housing Finance Agency, the North Carolina Housing Coalition, the North Carolina

1 Association of Housing Counselors, the State Employees' Credit Union, the North
2 Carolina Credit Union League, the North Carolina Bankers' Association, the North
3 Carolina Association of Mortgage Professionals, the Mortgage Bankers Association of
4 the Carolinas, the North Carolina Community College System, the Agricultural
5 Extension Service, the North Carolina Home Builders Association, the North Carolina
6 Association of Realtors ©, the North Carolina League of Municipalities, and the North
7 Carolina Association of County Commissioners. The President of the Rural Economic
8 Development Center, Inc., shall serve as an ex officio member of the Advisory
9 Committee. The Center shall arrange for the Advisory Committee to meet at least four
10 times a year.

11 **SECTION 1.1.(f)** Of the funds appropriated in this act from the General
12 Fund to the Rural Economic Development Center, Inc., the Center may use up to three
13 percent (3%) for the 2007-2008 fiscal year and the 2008-2009 fiscal year to cover
14 expenses in administering this act.

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

- 16 (1) By January 15, 2008, and more frequently as requested, report to the
17 Joint Legislative Commission on Governmental Operations and the
18 Fiscal Research Division the following information:
- 19 a. State fiscal year 2007-2008 planned activities, objectives, and
20 accomplishments including actual results through December 31,
21 2007; and
- 22 b. State fiscal year 2007-2008 estimated itemized expenditures
23 and fund sources including actual expenditures and fund
24 sources through December 31, 2007.
- 25 (2) Develop a plan to add a total of 42,000 additional equity-building
26 homeowners in North Carolina by July 1, 2010, and to establish goals
27 for continuing to substantially increase homeownership in
28 equity-building homes through 2018. The plan shall be included as a
29 component of the North Carolina Consolidated Plan for 2005-2010,
30 and shall include a budget for its implementation. The Center shall
31 submit its plan to the Joint Legislative Commission on Governmental
32 Operations and the Fiscal Research Division no later than January 15,
33 2005.
- 34 (3) Provide to the Fiscal Research Division a copy of each grant
35 recipient's annual audited financial statement within 30 days of
36 issuance of the statement.

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

38 **NORTH CAROLINA HOUSING FINANCE AGENCY**

39 **SECTION 2.1.** There is appropriated from the General Fund to the North
40 Carolina Housing Finance Agency the sum of seven million dollars (\$7,000,000) for the
41 2007-2008 fiscal year and the sum of seven million dollars (\$7,000,000) for the
42 2008-2009 fiscal year. These funds shall be used to create a loan loss reserve to offset
43 expenses that may occur from defaults or delinquencies on mortgages purchased by the
44 Agency in furtherance of the Equity Plus Homeownership Program, and to provide

1 other assistance to home buyers under the Equity Plus Homeownership Program. Loans
2 purchased by the Agency under this section shall meet the Agency's criteria regarding
3 sales price limits.

4 **PRIVATE LENDERS**

5 **SECTION 2.2.** The Rural Economic Development Center, Inc., shall
6 collaborate with the State Employees' Credit Union, the North Carolina Credit Union
7 League, and the North Carolina Bankers Association to develop new and identify
8 existing Equity Plus mortgage products, as defined in subsection 1.1(a) of this act, that
9 are or will be offered by member institutions and that will increase the number of public
10 employees and other North Carolinians purchasing equity-building homes.

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

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

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

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

21 ...

- 22 (2) Obligations of the Federal Financing Bank, the Federal Farm Credit
23 Bank, the Federal Home Loan Banks, the Federal Home Loan
24 Mortgage Corporation, Fannie Mae, the Government National
25 Mortgage Association, the Federal Housing Administration, the
26 Farmers Home Administration, the United States Postal Service, the
27 Export-Import Bank, the International Bank for Reconstruction and
28 Development, the International Finance Corporation, the
29 Inter-American Development Bank, the Asian Development Bank, the
30 African Development Bank, and the Student Loan Marketing
31 Association. The Treasurer may consider indirect economic benefits to
32 the citizens of the State when selecting particular investments under
33 this subsection."

34 **PART IV. EFFECTIVE DATES.**

35 **SECTION 4.1.** This act becomes effective July 1, 2007.