

*NCSHA Awards Entry Description*  
*Special Achievement*

**N. C. Housing Finance Agency and State Employees Credit Union Foundation Partnership**  
**North Carolina Housing Finance Agency**

While the impact of the economic downturn on homeowners is well-known, often forgotten is the havoc wreaked on persons with very low incomes and disabilities who have the fewest housing options. That was the challenge facing the N.C. Housing Finance Agency and its supportive housing partners as the economy soured.

Our Supportive Housing Development Program (SHDP) is the state's main source of housing options for persons with special housing needs, and generally provides about half the financing needed for a new development. Raising the remaining funds is always a challenge for sponsors, which are typically small service organizations that look to foundation grants and local donations for matching funds. As the recession gained footing, these resources dwindled, leaving less money to pay for the high-interest construction loans needed to get their developments off the ground.

To alleviate the problem, the Agency built on its growing relationship with the N.C. State Employees Credit Union (SECU), a \$10 billion enterprise and the second largest credit union in the United States. SECU had participated in our FirstHome Mortgage Program for several years, and we had recently helped them develop a lower cost reverse mortgage product for their members. In 2008, we forged a financing arrangement that has reduced supportive housing development costs by providing zero-interest construction loans. So far, the partnership has saved six supportive housing projects an average of \$50,000 each to serve persons with traumatic brain injury, homeless veterans, domestic violence survivors and teen mothers.

**Evolution of Partnership**

The North Carolina Housing Trust Fund, managed by our Agency, is the primary source of funding for supportive housing in the state, as well as for homeowners and renters with incomes below 30 percent of median. To stretch the resource, the Trust Fund's supportive housing investments are limited to \$500,000 per development. Since 1987, this investment formula has produced 200 emergency, transitional, and permanent supportive housing projects that house more than 2,600 persons throughout North Carolina.

In the last several years, construction loan interest rates have hovered around 7 to 8 percent. As grants and local funds to pay these costs have dried up, construction interest was taking a bigger bite out of project budgets. The Agency wanted to find a way to help its partners reduce their development costs and maximize use of Trust Fund dollars. In particular, the Agency wanted to prevent Trust Fund money from going toward interest charges that add no value to a project.

After the successful collaboration with the State Employees Credit Union (SECU) on the reverse mortgage product, the Agency suggested a partnership with the SECU Foundation. The Foundation – funded solely by \$1 per month member contributions – promotes local community development in North Carolina, primarily through high impact projects in education, health, and human services.

The partnership between the Agency and the Foundation would align with the Foundation's mission, build SECU's visibility in communities across the state, and maximize the Agency's investment in supportive housing. We asked the Foundation to provide zero interest construction loans for supportive housing projects funded by the Agency. In addition, since supportive housing developments sometimes need additional permanent funding, the Agency asked the Foundation to offer below-market-rate gap financing or grants.

The Foundation had no previous experience with housing for persons with special needs. However, its experience with the Agency had given it great confidence in our expertise in vetting and underwriting projects. As SECU Foundation Chair David King said in the initial press release:

“The SECU Foundation's partnership with NCHFA will allow SECU members to assist many North Carolinians who are desperately in need of housing. ‘People Helping People’ is the philosophy our Foundation was founded upon and these joint housing projects embody the spirit of this philosophy. Individually, it can be difficult to make a difference, but collectively, SECU members can accomplish great things in our state.”

### **How it Works**

The Agency Board of Directors approves primary financing for the supportive housing projects, which are then presented to the SECU Foundation for construction and secondary financing. This approach benefits the Foundation because the Agency already made the initial site visits and reviewed the plans, using its expertise to ensure a safe investment and saving SECU staff time.

Once the Foundation provides the construction loan, it conducts monthly site visits and inspections. This saves the Agency staff time and travel costs and enhances the quality of the projects since the Agency usually has had to limit its inspections to strategic points during construction.

The Foundation gets input on project selection from its local advisory boards. As the program has grown, however, supportive housing sponsors have begun to seek local SECU input on their development plans prior to coming to the Agency, a move that strengthens local partnerships for the development as well as for potential future projects.

### **Outcomes**

In the first award cycle since the partnership began, the Foundation offered construction loans to every development presented to them by the Agency. All but one sponsor accepted. The Foundation provided loans for six supportive housing projects, saving each project an average of \$50,000 in interest. This \$300,000 savings was enough to fund an additional project.

In addition, the SECU Foundation has provided permanent gap financing for one project at a rate significantly below market. Commercial loans that traditionally serve as gap financing run at nearly 8 percent interest, while the Foundation is able to offer the same loan at less than 4 percent.

The six developments crisscross the state and represent a diversity of special needs:

- In Winston Salem and Greensboro, pregnant teens and teen mothers and their babies can call My Aunt's House and My Sister's House home until they are ready to move into their own affordable housing.
- Six adults with traumatic brain injury now have a shared home at Rowan Way in Charlotte.
- Hospitality House in Boone offers emergency and transitional housing for 64 homeless individuals and families.
- Haven Complex in Sanford provides safe harbor for up to 24 women and children who have survived domestic violence.
- Randolph Fellowship Home in Asheboro offers housing for 11 men in substance abuse recovery.
- And, 24 homeless veterans now call Maple Court in Durham home and are able to get the services they need at the nearby Travis Porter Veteran's Resource Center.

Without the Foundation's support, it is doubtful these projects would have gotten off the ground as quickly in the current economic climate. Maple Court's sponsor, the Volunteers of America of the Carolinas, benefitted from both a construction loan and gap financing, Rob Rogers, president/CEO, says:

“Volunteers of America of the Carolinas was truly blessed by the generosity of the SECU Foundation when they supplied critical funding to the success of the Maple Court Transitional Housing facility for homeless veterans. SECU's contribution served to strengthen a very worthy project that was in dire need of another secure funding stream. We are grateful to NCHFA for introducing SECU to the project.”

The Foundation plans to continue offering the construction loans, with gap financing as needed. Already, sponsors across the state are getting input from local SECU offices on potential developments.

SECU Foundation Director Mark Twisdale comments:

“The projects made possible through this partnership represent housing for a variety of disabled and homeless individuals and families in North Carolina, including initiatives to address domestic violence and substance abuse. NCHFA and SECU align in our philosophy of helping others, and this partnership is making a positive difference for so many of our state's citizens.”

There was no cost to the Agency to develop and execute this partnership other than about a week's worth of staff time to draft the proposal and meet the Foundation leaders. This means that the return on investment for the partnership has been considerable - \$300,000 and growing! A congruence of mission and strengths has enabled the N.C. Housing Finance Agency and the SECU Foundation to leverage their resources to help meet supportive housing needs across North Carolina.