

Keeping the Door Open to the American Dream

North Carolina Housing Finance Agency
Advocacy

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Introduction

To better address the challenges of rising home costs and interest rates, the North Carolina Housing Finance Agency (NCHFA) in April 2023 increased its first-time homebuyer Down Payment Assistance (DPA) product from \$8,000 to \$15,000. The enhanced DPA product generated a massive spike in demand among first-time homebuyers, leading to an unprecedented surge in the Agency's single-family lending. By the end of the year, NCHFA had closed an impressive \$1 billion in single-family lending.

This unprecedented surge in closing volume brought the Agency perilously close to its statutory bond debt limit of \$3 billion. With loan reservations continuing to soar, it became clear that legislative action would be necessary to prevent the Agency from shuttering its first-time homebuyer mortgage program by the end of 2024. North Carolina was not alone in facing this challenge; several other states were grappling with similar bond cap constraints.

The situation was further complicated by the fact that 2024 was a "short session" year for the North Carolina General Assembly. With the legislative session not commencing until May 2024 and few bills that would be considered, there was little room for error.

Despite these challenges and a legislative session that ended abruptly without passage of a budget bill, good strategic planning, compelling messaging, a strong coalition of partners, and dedicated legislative champions in both chambers allowed the successful and nimble navigation of a shifting legislative landscape. Just hours before the gavel dropped, the Agency and its partners achieved victory by quadrupling its bond limit to \$12 billion.

The journey to this achievement began with early meetings with key partners and the formation of a robust coalition. NCHFA garnered the support of influential organizations such as the North Carolina Home Builders Association, NC Realtors, and the NC Mortgage Bankers Association. The Home Builders Association made the bond cap increase a part of their legislative platform for 2024. The backing of these partners proved to be critical, especially when budget negotiations collapsed, and the identified fallback vehicle stalled as well. These strong partnerships enabled the Agency to pivot and pursue other bills as an alternative path forward.

NCHFA developed clear and compelling messaging in collaboration with our finance team and external partners. NCHFA created a generic one-pager that could be used by partners and members alike to advocate for the elimination of the bond cap, emphasizing its arbitrary and unnecessary nature, the low risk involved, and the Agency's 50-year track record of success. The Agency's bond limit hadn't changed since 2001, so this was a new conversation with the state's current policy makers. In the context of a \$31 billion total state budget, the bond cap figures were much larger than most policy makers were accustomed to seeing.

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Advocacy Category

The Agency also identified and engaged legislative champions early in the process. The Senate Finance Chairs, who had family members that recently purchased their first homes, became key advocates.

NCHFA actively engaged other House and Senate members who were Home Builders, Realtors, or lenders, and discovered additional members who had personal experience with the Agency's homebuyer products. As the legislative session got underway, the Agency had secured the support of more than a dozen House Majority caucus members and nearly as many Senate Majority Caucus members, including both Finance Chairs. This broad coalition of support led to a compromise consensus budget provision to quadruple the Agency's bond cap from \$3 billion to \$12 billion.

However, the path to success was not without further obstacles. Major budget disagreements on broader social issues, particularly around casinos and cannabis, brought the legislative progress to a grinding halt. NCHFA had fortuitously reserved a spot in the Regulatory Reform Bill as a fallback option, but this bill also became a casualty of the failing budget negotiations. With almost all legislation coming to a stop and the Senate announcing its intention to adjourn, the situation was dire.

Despite these challenges, strong industry partnerships, passionate legislative champions, and nimble actions kept the Agency afloat as the session came to a rapid and unexpected close. One of the few bills still positioned to pass both chambers was the Building Code Reform Bill. The partner coalition proved invaluable in helping carve out an amendment and securing agreement from the bill's legislative sponsors. The measure might not have advanced without the passionate advocacy of the Agency's legislative champions, who made it clear within their caucus that this provision was essential. One House leader aptly stated, "The only risk in this provision is not acting on it."

Victory was seemingly within reach, until we were informed by legislative leadership that the Building Code Reform Bill was unlikely to pass as well, and additional legislative maneuvering was required. As we searched for a viable vehicle, our legislative champions stepped up and insisted that the provision be made a priority. In the closing hours of the session, a floor amendment offered by the Senate Majority Leader added the much-needed Bond Cap language to a revenue laws bill, and it passed unanimously. The House concurred with the addition.

Results

Despite a challenging and shifting political environment, NCHFA's robust partner network, effective messaging, early planning, and agile advocacy work led to a resounding success. The Agency's ability to navigate these complexities and secure a four-fold increase in its bond cap is a testament to effective strategic partnerships and planning. As a result of this work, 2024 was a banner year for NCHFA single-family production. The Agency closed over \$1.15 billion in loans helping more than 5,100 lower-income working families achieve the American Dream.



Don't Shut the Door to The American Dream

Without action, NCHFA will stop offering mortgages for first-time homebuyers and veterans by the end of the year.

In 2023 alone, NCHFA helped 5,400 families purchase their first home, financing over \$1 billion in mortgages.

There is an arbitrary limit of \$3 billion that NCHFA will hit this year, closing the door to homeownership for thousands of North Carolina families.

A proven track record- NCHFA has helped over 139,000 families realize the dream of homeownership over the last 50 years, financing over \$15.2 billion in mortgages.

There is no cost to the state- NCHFA mortgages are financed by private capital.

There is no risk to the state- NCHFA is separately rated and audited. By statute and design, NCHFA's obligations will never become obligations of the state.

NCHFA mortgages are safe- conservatively underwritten, and guaranteed in full by the federal government. Every dollar of bonds are backed by a dollar of assets.

NCHFA's homebuyer program is the entryway to the American Dream. Offered in all 100 counties, it helps renters across the state become homeowners.

The opportunity to help families will be shut down by an unnecessary and artificial barrier set back in 2001.

**Open the door to homeownership and prosperity,
remove the cap set in N.C.G.S. 122A-8.**





North Carolina Home Builders Association: 2024 Legislative Day

The 15,756 member firms of the North Carolina Home Builders Association (NCHBA) represent more than 100,000 builders, subcontractors and trade professionals across the state. NCHBA members build the overwhelming majority of new homes in the state. Our members not only provide the American Dream of Homeownership for thousands of our citizens but are also major job creators. Each new home creates three jobs in the local community.

The cost of housing has become a major challenge to economic growth in our state. Studies show that more than two-thirds of North Carolinians can no longer afford a single-family home. More than 24% of the cost of a home is attributable to regulatory costs. NCHBA strongly supports policies that will increase the housing stock in North Carolina, lessen harmful regulations and create more affordable housing opportunities for its citizens.

Major legislative priorities for this session include:

Support SB 166 (2024 Building Code Regulatory Reform). This is NCHBA's Top Legislative Priority

Status: Passed the House on May 8, 2024 (72-34). This bill is now awaiting a concurrence vote in the Senate.

Nearly 30 provisions in the bill are important to the home building industry. These provisions deal with building code reforms, clarifications to onsite wastewater rules, and land development efficiency improvements.

- Prohibit Certain Backflow Preventer Installations
- Prohibit Duplicative Water Service Shut-Off Valve Requirements in Certain Residential Dwellings
- Ensures Building Permit Fees Remain in Building Inspection Department
- Expediate Residential Plan Review
- Clarifies Public Safety Issues for Withholding Building Permit or Certificate of Occupancy
- Clarify Right of Entry as a Condition of Development Approval
- Prohibit Building Code Affidavit
- Provide Consistent Local Government Curb and Gutter Design Standards
- Clarify Ambiguous Sidewalk Requirements within the ETJ
- Clarify Requirements for Model Homes
- Amend Performance Guarantee Release Procedures
- Provide Building Code Consistency Amongst Local Jurisdictions
- Amends Fire Resistance Requirements for Townhome End Units
- Amend Ground Fault Protections for Sump Pumps Located in Crawlspace and Basements
- Provide Flexibility in Window selection to Alleviate Limited Inventory within Supply Chain
- Exempt Electric Water Heaters from Elevation Requirements
- Provide Additional Options for Insulation in Unvented Attics and Enclosed Rafter Assemblies
- Prescribes Rules for the Implementation of 3 and 4 Family Dwellings in the Residential Code
- Plumbing, Heating, and Fire Sprinkler Contractor Licensing Bd. and Electrical Licensing Bd. Attorney's Fee Recuperation
- Amends Electrical Contractor's Licensing Requirements
- Fuel Gas Code Reference for Electrical Contractor Exemption
- Creates A Building Code Permit Tech Certification
- Local Government Review of Seals of Design
- Refines Stormwater Maintenance Fund Requirements
- Revises State Stormwater Operations and Maintenance Plan Recordation Requirements
- Permit Review Shot-Clock for NCDEQ Fast Track Sewer Program
- Various Amendments to Onsite Wastewater Statutes, Well Statutes, and the 18E Wastewater Rules
- Reorganizes the North Carolina Building Code Council (Commercial Building Council)
- Misc. Changes to Implement Building Code Council and Residential Code Council Reorganization

Support Addressing NC Housing Finance Agency Bond Limit

The North Carolina Housing Finance Agency (NCHFA) is subject to an arbitrary and outdated \$3 billion bond volume limit. NCHFA's bond issuances are used primarily for single-family mortgage products which may be used by first-time homebuyers and veterans. NCHFA will hit this arbitrary ceiling this year and will have to stop offering mortgage products for first-time buyers and veterans if the General Assembly does not address the limit.

This activity is funded entirely by private capital at **no cost** to the state. NCHFA's single-family mortgages carry **no risk** to the state as well, as the Agency's bond obligations are separate from that of the state and NCHFA mortgages are fully insured by the federal government.

NCHBA favors the removal of the cap or substantially raising the bond volume limit.

Securing Additional Resources for NCHFA

NCHBA has always supported state investments in housing such as the state's Housing Trust Fund and Workforce Housing Loan Program. This session there is a substantial amount of federal pandemic-era State and Local Fiscal Recovery Funds (SLFRF) being returned because these funds do not meet Treasury guidelines or that they cannot be expended by the federal deadline. Since Treasury guidelines are very favorable to the prospect of utilizing these funds for affordable housing development, the NCHFA is uniquely suited to expend the funds before federal deadlines expire.

Support Department of Environmental Quality Permitting Efficiency Reforms

Improved customer service and shorter regulatory review timeframes are greatly needed.

The budget last session included significant fee increases for NCDEQ permit reviews directly affecting our members (state water/state sewer/state stormwater) with the hope of providing more revenue for the Department to achieve faster permit review timeframes. While the stormwater permitting program received expedited permitting shot-clock reforms in conjunction with fee increases, the state water and sewer programs received increased fees last session but still lack expedited permit review shot-clocks. Legislating expedited state sewer and state water permitting program shot-clocks is important in our industry's attempt to help alleviate increasing housing costs by being able to quickly deliver more homes to the market to increase the available housing supply.

NCHBA opposes all legislation that harms the affordability of housing for all its citizens especially impact fees, transfer taxes and inclusionary zoning.

As North Carolina's population continues to grow, we must ensure that all of our citizens have the opportunity to purchase housing as close to where they work as possible. That's why it's important that we **avoid doing anything that would unnecessarily increase the cost of housing**. Among the barriers to homeownership are **impact fees** that force home buyers to bear the cost of public amenities and services that benefit the entire community and **land-transfer taxes** that rob property owners of the equity they depend on to purchase a larger home for a growing family, to finance their children's college education, or for their retirement.

Other types of policies like inclusionary zoning increases the cost of housing by forcing developers to charge more for those houses not designated affordable to be able to build the project. Such misguided programs exacerbate, rather than alleviate, housing affordability.

Therefore, the **NCHBA strongly opposes HB 1065/SB 904 (Garner/Community Facilities Impact Fee) and HB 645 (Inclusionary Zoning/Workforce Housing Funds).**

For more information regarding these issues, please feel free to reach out to our lobbyists: Steven Webb, Chris Millis, Mike Carpenter or Tim Minton.