

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2007**

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**SENATE DRS15052-RC-11 (03/13)**

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

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Sponsors: Senator Queen.

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Referred to:

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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 2007-2008 fiscal year and the sum of nine million dollars (\$9,000,000) for the 2008-2009 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

1 characteristics that are likely to cause it to appreciate in value over  
2 time.

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

11 **SECTION 1.1.(b)** Of the funds appropriated in this act to the Rural  
12 Economic Development Center, Inc., the sum of five million dollars (\$5,000,000) in  
13 fiscal year 2007-2008 and the sum of five million dollars (\$5,000,000) in fiscal year  
14 2008-2009 shall be used to create, support, and assist programs and products that  
15 increase ownership of equity-building homes. The Center shall use these funds to:

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

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

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

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

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

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

42 **SECTION 1.1.(e)** There is established the Equity Plus Advisory Committee  
43 to collaborate with the Center on the implementation of the Equity Plus Homeownership  
44 Program. The Advisory Committee shall include representatives from the Department

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

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

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

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

39 **PART II. CREATE 6,000 EQUITY PLUS MORTGAGES.**  
40 **NORTH CAROLINA HOUSING FINANCE AGENCY**

41 **SECTION 2.1.** There is appropriated from the General Fund to the North  
42 Carolina Housing Finance Agency the sum of seven million dollars (\$7,000,000) for the  
43 2007-2008 fiscal year and the sum of seven million dollars (\$7,000,000) for the  
44 2008-2009 fiscal year. These funds shall be used to create a loan loss reserve to offset

1 expenses that may occur from defaults or delinquencies on mortgages purchased by the  
2 Agency in furtherance of the Equity Plus Homeownership Program, and to provide  
3 other assistance to home buyers under the Equity Plus Homeownership Program. Loans  
4 purchased by the Agency under this section shall meet the Agency's criteria regarding  
5 sales price limits.

6 **PRIVATE LENDERS**

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

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

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

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

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

23 ...

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

36 **PART IV. EFFECTIVE DATES.**

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