

# Tailor Made

ALABAMA HOUSING  
FINANCE AUTHORITY

2004 Annual Report





we realize that no two families are cut from the same cloth. But whether they are overcrowded, short on down payment funds, or living in an apartment overdue for renovation, the Alabama Housing Finance Authority can help.

Because we are uniquely positioned as the state's affordable housing resource, one of our key strengths is the ability to develop tailor-made solutions for Alabama's unique housing needs. With this aim in mind, we present to you AHFA's 2004 Annual Report. It features just a few of the families served this year across the spectrum of our programs. Though their situations are different, they are united by the common threads of better housing and a hope-filled future.

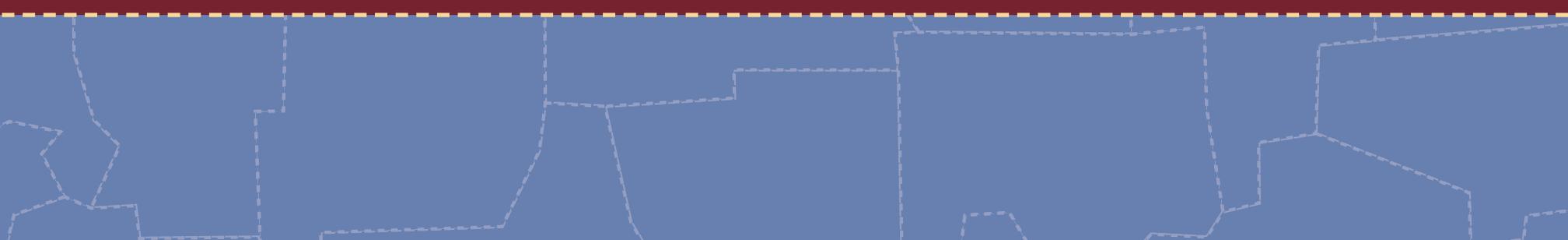
At the close of 2004, it is most fitting to thank our co-workers in this endeavor: the lenders, home builders, developers, Realtors, bankers and others who participate in our programs and work directly with renters and home buyers. We salute their efforts and look forward to another productive year of partnership.



Dr. Shelton E. Allred, Chairman



Robert Strickland, Executive Director



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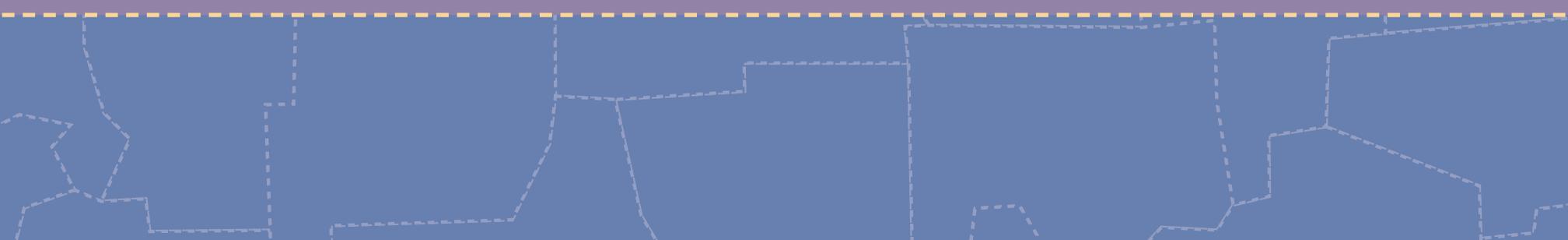
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By statute, AHFA is governed by a Board of Directors which provides policy direction, authorizes bond issues and program development, and evaluates AHFA efforts. AHFA also has a 35-member staff comprising five divisions and managed by the executive director.

**FINANCIAL STATEMENTS  
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AHFA's complete financial reports for FY 2004 were audited by Wilson Price Barranco Blankenship & Billingsley, P.C.



# First Step Mortgage Revenue Bond Program

The First Step Mortgage Revenue Bond (MRB) program, which offers lower-than-market mortgage interest rates to first-time and lower-income home buyers, is the cornerstone of AHFA's single-family programs. To fund this program, AHFA through the banking community sells tax-exempt mortgage revenue bonds to investors. Proceeds are used to purchase mortgages from participating lenders, providing them with the funds to make loans to home buyers.

AHFA distributes low-interest loan funds for Alabama households on 30-year, FHA, VA, Rural Development or conventional mortgages. Since 1980, AHFA has issued more than \$2 billion in MRBs to supply mortgage financing to more than 44,000 Alabamians.

AHFA offers down payment assistance in conjunction with the First Step program since high down payments are typically the greatest barrier to homeownership. To help families with lower incomes, the Down Payment Assistance Program was created for Alabamians who earn no more than \$38,160 (80 percent of the state's median income) with less than \$5,000 in liquid assets.

This is a matching funds program in which AHFA provides, as a non-interest-bearing second mortgage, one-half of the FHA-required down payment, including prepaid item costs, or 2 percent of the sales price on a conventional loan — up to \$2,000. Repayment of the assistance is required upon the sale of the property or upon payment in full of the AHFA mortgage. Since its inception, the program has helped more than 5,500 families.

# W

hen John and Kristal Fox heard that mortgage interest rates had hit an all-time low, the Huntsville couple decided the time was right to make the transition from renters to homeowners.

“The timing was good—that’s the main thing that sold us,” said John. “Really and truly, it was cheaper to buy a house than to rent an apartment. Our house is about the same price as our apartment was.”

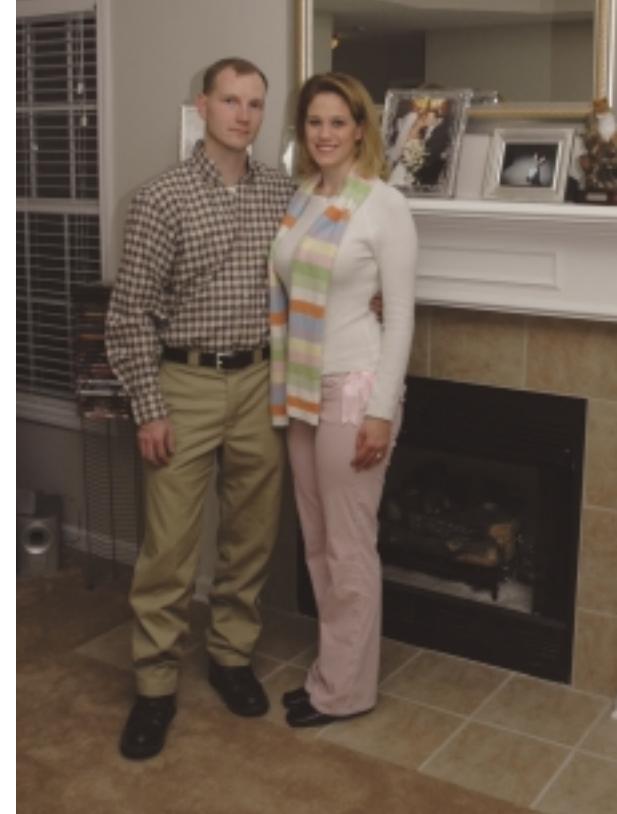
Through AHFA’s First Step program, the Foxes were able to secure a 30-year fixed rate of 5.5 percent.

With the low-interest financing, John and Kristal purchased a three-bedroom, two-bath brick home in a developing subdivision in Madison County.

“I was trying to find something out in the county,” said John. “We were the first house in this whole subdivision.”

Though they are prepared to upgrade should their family expand, John and Kristal are happy with their decision to buy a house.

“I think we’ve done pretty well,” said John. “We’ve done better than expected. We’ve really enjoyed being out here.”



Working three jobs and attending college didn’t keep John and Kristal Fox from finding their dream home through AHFA’s low-interest-rate First Step program.

# Mortgage Credit Certificates/ Step Up Home Loans

In light of rising interest rates, AHFA revived the Mortgage Credit Certificate (MCC) program in 2004. MCCs reduce the amount of federal income tax that first-time home buyers pay, giving them more available income to qualify for a mortgage loan.

MCCs provide a direct dollar-for-dollar reduction in federal taxes worth 20 percent of the mortgage interest paid each year. The remaining 80 percent of the interest still can be claimed as a tax deduction. Nearly 3,900 households have benefited from this program since it was first offered in 1989.

Combining the MCC's tax credit with AHFA's Step Up down payment assistance makes homeownership even more affordable. The Step Up program is Alabama's first down payment assistance package designed specifically for moderate-income home buyers. AHFA provides up to 6 percent of the home's sales price for down payment and entry costs through this program in partnership with

Fannie Mae. This allows up to 100 percent financing for eligible buyers using FHA, Rural Development or conventional loans with less than \$10,000 in liquid assets.

In conjunction with the up-front funds, AHFA offers a 30-year, fixed-rate first mortgage with an interest rate which may be just slightly higher than the current market rate. The down payment funds are a 20-year second mortgage. The loans are blended together, so homeowners have only one check to write each month.

To help prepare them for the responsibilities of homeownership, program participants also must complete a home buyer education workbook.

Since its creation, nearly 1,250 families have received \$113 million in Step Up home financing.

# C

Chris Griswell led the latest round of MCC homeowners when his mortgage loan closed in May, making him the first MCC recipient since 1996.

After a six-month search of housing options, fate stepped in when an acquaintance of Chris' mother requested the pest control expertise of exterminator Chris. When he arrived at the house to combat an ant problem, Chris found a "For Sale" sign and the homeowners found a buyer.

Luckily for Chris, his loan application was filed at the same time that AHFA resumed offering the MCC program. Not only was he able to obtain low-interest financing and down payment assistance through AHFA's Step Up program, but he also received a 20 percent federal tax credit through the MCC program.

Armed with a great financing deal, Chris packed up his English bulldog, his Persian cat, and a truckload of boxes and headed for his new three-bedroom, two-bath home.

"I've got a lot to do, but I look forward to coming home every day," said Chris, who's using his extra take-home pay to paint and purchase new accessories for his house. "Just to know when I pull in this driveway, this is mine—it's a satisfying feeling."



Exterminator Chris Griswell found his first home purchase problem-free by combining AHFA's Step Up and Mortgage Credit Certificate programs.

# Habitat for Humanity Loan Purchase Program

Through the AHFA/Habitat for Humanity partnership, AHFA purchases mortgage loans from Alabama's 32 Habitat affiliates. This process allows the affiliates to receive the loan amount up front in a lump sum while AHFA receives the monthly payments for the life of the loan. The affiliate then uses the up-front funds to build more housing for low-income families.

Because AHFA's enabling legislation prohibits the purchase of mortgages from entities other than financial institutions, the Habitat affiliate solicits the assistance of a local lender to serve as a conduit for the sale of the loan. The affiliate sells the mortgage at par to the local bank, which then sells the loan at par to AHFA. Through this process, the affiliate also is able to nurture a relationship with the local lender and lay the groundwork for future financial aid. This productive cycle unites the local

Habitat affiliates, the lending community and AHFA to give Alabama's less fortunate families a hand up into homeownership.

This partnership helps home buyers overcome seemingly insurmountable odds. Households with annual incomes as low as \$4,462 now live in homes financed through the program. Half have monthly mortgage payments less than \$153. And the average AHFA-Habitat borrower's income is \$17,708, or 47 percent of the state's median income.

AHFA has allocated \$10 million toward this program, the first of its kind in the nation, and purchased 289 loans to date.

# R

ainy days changed Bertha Butler's life. First, rain blew in the November 2002 tornado that destroyed her family's rental house in Abbeville.

"All of a sudden I heard a big boom, the biggest boom I had ever heard," she said. "The trees were blown down like dominoes."

The clouds over the Butler family broke when Bertha saw a flier about Wiregrass Habitat for Humanity and their offer to help storm victims rebuild their lives.

"Being a storm victim, that sort of sped up the process," said Bertha. "It was some hard work, but it was worth it."

Almost a year and 500 sweat equity hours later, the Butler family finally had a home to call their own—this time located in Dothan, closer to Bertha's job at Ramsay Youth Services.

Once again, it was raining, but Bertha wasn't going to let that ruin the house dedication.

"They dedicated my house on a Wednesday," she said. "We spent that night on the floor. It's sad that I had to go through a storm to get my new house, but God has blessed us with this."



After a tornado destroyed their home, the Butler family found sunny skies through AHFA's partnership with Habitat for Humanity.

# Rural Alabama Mortgage Program

New to AHFA's program roster this year is the Rural Alabama Mortgage Program (RAMP). A partnership of AHFA and USDA Rural Development (RD), RAMP is designed to increase homeownership in the state's rural areas, where access to 30-year, fixed-rate mortgage lending is limited.

AHFA and RD each finance half of the RAMP mortgage, combining their tools to offer the lowest rate available. AHFA also provides up to \$2,000 in interest-free down payment assistance to reduce home buyers' up-front, out-of-pocket expenses. RAMP participants learn the basic responsibilities of buying and maintaining a home through a homeownership education course.

RAMP's income limits are set by RD and range from \$13,800 to \$64,000, depending on family size and location. Maximum sales prices range from \$94,000 to \$110,000.

RAMP covers rural areas across Alabama. Residents of several entire counties are eligible, while in other counties only specific areas are considered rural.

In its inaugural year, RAMP funded \$737,829 in mortgages for 23 families in Alabama's rural areas.

**J**

eff Lang makes friends with everyone he meets, even during the difficult process of purchasing a home.

Like most first-time home buyers, Jeff relied heavily on real estate and mortgage financing professionals for advice and assistance as he shopped for and prepared to buy his 1,361-square foot Eastwood Avenue home.

“It took us about two months,” he said, of house-hunting. “After that it was fast.”

With the help of a Rural Alabama Mortgage Program loan through AHFA and USDA Rural Development, Jeff, who has a visual impairment and works in the paper department of the Alabama Institute for the Deaf and Blind, was able to secure a monthly mortgage payment for less than he was paying in apartment rent.

The Talladega resident moved into his new home in late October, but continues to maintain relationships with his real estate agent and the staff at USDA’s local office.

“I really appreciate all their hard work,” said Jeff, a die-hard University of Alabama football fan. “I’m doing good with my new house. I’m happy. I’m going to stay here until I pay it off.”



Jeff Lang visits with his friend and Realtor, Elaine Stringer, in the kitchen of his first home, made affordable through the Rural Alabama Mortgage Program.

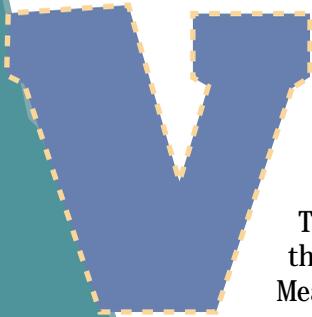
# HOME Investment Partnerships Program

HOME, a federally funded program, was created in 1990 as part of the Cranston-Gonzalez National Affordable Housing Act (NAHA). It provides participating jurisdictions like Alabama with annual allocations which may be used by developers to buy, build or repair affordable housing.

AHFA has been designated to administer the HOME program for the state of Alabama. Its responsibilities include developing a regular, comprehensive demographic survey and long-range strategy to address affordable housing needs.

AHFA distributes HOME funds through a competitive and unbiased application process, and monitors the apartment complexes closely to ensure that they operate under the law, renting their units to low-income families at affordable rates. Alabama is one of several states choosing to combine HOME funding with another multifamily housing program, the Housing Credit. This method of stretching scarce resources is just one example of the measures AHFA takes to ensure its programs benefit the greatest number of Alabamians possible.

Since the program's creation, Alabama has been awarded about \$175 million to build 7,127 apartments for Alabamians in need. Nearly 530 families and elderly and handicapped citizens will benefit from \$16.9 million in 2004 HOME funds AHFA committed to build 13 new complexes.



V

Viola Hardnett spent 23 years living in public housing — but no longer.

Thanks to a persistent granddaughter, Viola was one of the first residents to move into the newly constructed Meadow Park Apartments in Opelika.

“I didn’t know they were going to put up apartments here,” said Viola. “But I just love it. I’ll stay as long as I live.”

Conveniently located within walking distance of shopping and professional services, Meadow Park’s 56 units were financed in part by AHFA-administered HOME Investment Partnership funds and are reserved for elderly residents.

For Viola, living at Meadow Park has been a vast improvement over her previous living conditions. Once she had no view, a window unit air conditioner, and gas heat that she felt was too expensive. Today, she occupies the development’s front apartment across from the office and can sit in her living room and watch all the comings and goings.

“Now, I can get warm when I get ready,” she said, of the all-electric heating and cooling system. “And, I can get cold when I get ready. This is my home. I love it.”



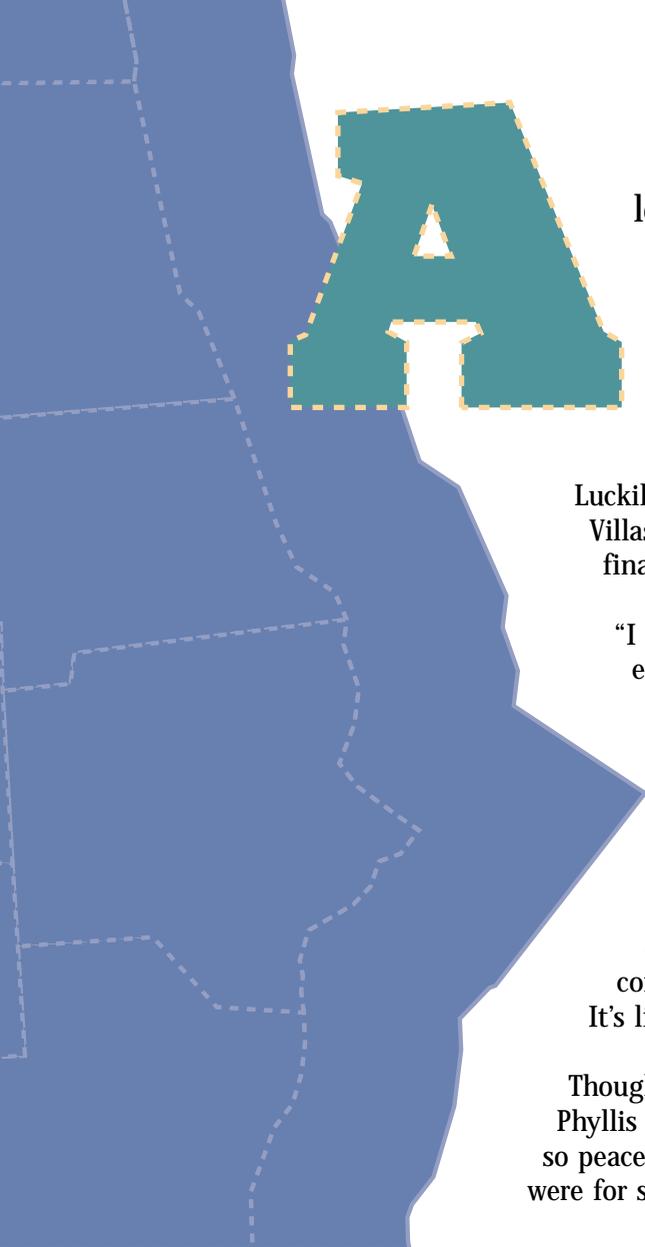
Viola Hardnett particularly enjoys controlling her climate at Opelika’s Meadow Park Apartments, an AHFA-financed development for elderly residents.

# Low-Income Housing Tax Credits

Through the Low-Income Housing Tax Credit program, AHFA helps developers and property owners buy land or buildings and build or repair housing to be rented to low-income families at affordable rates. This financial incentive, created by Congress in the Tax Reform Act of 1986, encourages business interests to increase the supply of rental housing for economically disadvantaged families.

The housing credits provide a dollar-for-dollar reduction in federal tax liability for developers of income-restricted housing. In exchange for the credits, the developer must reserve either 20 percent of the units for residents who earn 50 percent or less of the median income or 40 percent of the units for residents who earn 60 percent or less of the median income. As administrator of the program, AHFA directs a competitive application process to ensure the credits are distributed throughout the state to areas with the greatest needs.

Since the program's inception, AHFA has issued more than \$91.1 million in Low-Income Housing Tax Credits to build or repair 579 apartment complexes housing more than 25,000 families. In FY 2004, AHFA used its \$9.6 million allocation to fund the construction or renovation of 24 developments comprising 1,550 apartments.



# A

long-time mobile home resident, Phyllis Smith of Montgomery had begun to believe homeownership was within her grasp. Then her rent-to-own arrangement turned sour with only 30 days to relocate.

Luckily, she had been watching the construction of Ashley Villas, a 41-unit single-family rental development financed in part by AHFA.

“I was looking for a place to stay,” said Phyllis, who is employed by a uniform supplier. “I had heard a lot of good things about it.”

One look was all it took for Phyllis, 10-year-old son Cachavious, 16-year-old daughter Kendra, and 19-year-old son Marcus to make a decision in favor of Ashley Villas. “I just fell in love with the house. This is what I always wanted,” she said. “I wanted a brick house. I wanted a corner house. I wanted a fenced-in private backyard. It’s like God led me here.”

Though she would still like to own her own home one day, Phyllis has no immediate plans to leave Ashley Villas. “It’s so peaceful. It feels like home,” she said. “I just wish they were for sale.”



Phyllis Smith’s dreams of a brick house on a corner lot with a fenced yard came true with the help of AHFA-administered Housing Credits.

# Multifamily Mortgage Revenue Bonds

AHFA provides financing for multifamily housing through Multifamily Mortgage Revenue Bonds, which offer developers lower-than-market interest rates in exchange for reserving a portion of their units for tenants earning less than the local median income. Multifamily bonds are issued on a project-specific basis.

Because most of these bonds are tax-exempt, developers receive more favorable interest rates, reducing their interest expense and allowing them to set lower rents. Taxable bonds may be issued as well to offer additional funds for the production of affordable rental housing.

Since the program's inception in 1983, AHFA has issued more than \$773 million in multifamily bonds to refinance, repair or build 107 apartment complexes with nearly 17,000 units throughout the state.

In FY 2004, five developments comprising 747 apartment units began construction or renovation thanks to \$29.6 million in multifamily bonds issued by AHFA.

# B

Brenda Scarbrough has spent more than half of her life at Tuscaloosa's Creekwood Village Apartments.

"I love my neighborhood. I've always loved it. That's why I've stayed here this long," she said. "I raised my children here and it's always been home to me."

When Brenda and her children, then four and six, moved in 30 years ago, her subsidized rent was a mere \$30 a month. Three decades later, her monthly rent is still less than \$100 per month.

"I've always had low-paying jobs and I didn't get a good education," said Brenda, who is now retired and subsists on a disability income. "But, I'm fortunate enough to qualify for the programs that came along."

The grandmother of eight has watched Creekwood change greatly during her time there, including an extensive renovation financed in part by AHFA's Multifamily Bond program.

"I appreciate having a place to stay, and I appreciate having a nice place to stay," she said. "It's been a lot of fun living here. The memories are wonderful."



Brenda Scarbrough appreciates the AHFA-funded renovations to her Creekwood Village home of 30 years.

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The Alabama Housing Finance Authority is a public corporation and instrumentality of the State of Alabama created July 25, 1980, by Act No. 80-565. Additional information is furnished in the Audited Financial Statements which accompany the Alabama Housing Finance Authority's 2004 Annual Report.

The bonds of the Alabama Housing Finance Authority are not obligations of the State of Alabama and are not repaid with tax dollars. AHFA is a self-sustaining organization which pays all operating expenses from program revenues.

If you are an individual with a disability who needs assistance with this document, please contact the Alabama Housing Finance Authority in writing at [www.ahfa.com](http://www.ahfa.com) or Post Office Box 230909, Montgomery, Alabama 36123-0909, or by calling (334) 244-9200 in Montgomery, (800) 325-2432 in Alabama, or (334) 271-6785 for TTY communications equipment.

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