



ABILITIES IN ACTION





Though 2001 will largely be marked and marred by the tragedies of September 11, we at the Alabama Housing Finance Authority seek to remember its “little victories” as well: chiefly the 2,400 Alabama households who found homes and apartments they can afford because of our work. In an uncertain age we still aim to provide certain help to those in search of better places to live. We realize that homes remain a solid, secure investment in turbulent times. And we are committed to holding tightly to fiscal policies and programs that make sense.

SENSIBILITY

This sensibility is the basis for all we do and will continue to be a defining characteristic of our activities and award-winning programs. Other examples of our “abilities” in action are highlighted throughout this report: our flexibility in combining funding sources to maximize their impact, our adaptability in responding to changing housing needs, and the new-found livability we offer people who once faced desperate conditions, to name a few.

Here on the home front we are striving to remember some of the last year’s happier occasions for us: like the family of eight, once crowded into a two-bedroom mobile home, who earned a fresh start in a Habitat for Humanity house of their own. Or the home repairs for an elderly couple whose 59-year marriage had outlasted their flooring and roof.

Read their stories and others in this annual report with our sincere appreciation for your partnership and support.

Dr. Shelton E. Allred, Chairman

Robert Strickland, Executive Director



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Tim McClannahan understands the importance of quality construction. As the head maintenance technician for a Madison apartment complex, he's the one called when doors don't close properly, sinks and faucets leak, and heating units make strange noises. After years of living in the very units he repaired daily, Tim and his wife, Patty, were ready for a home of their own.

VISIBILITY

"I do this stuff all day," said Tim. "I might as well do this stuff to my own home." House shopping in the Madison area uncovered a 1-1/2 story, three-bedroom, two-bath house on Forest Glen Drive.

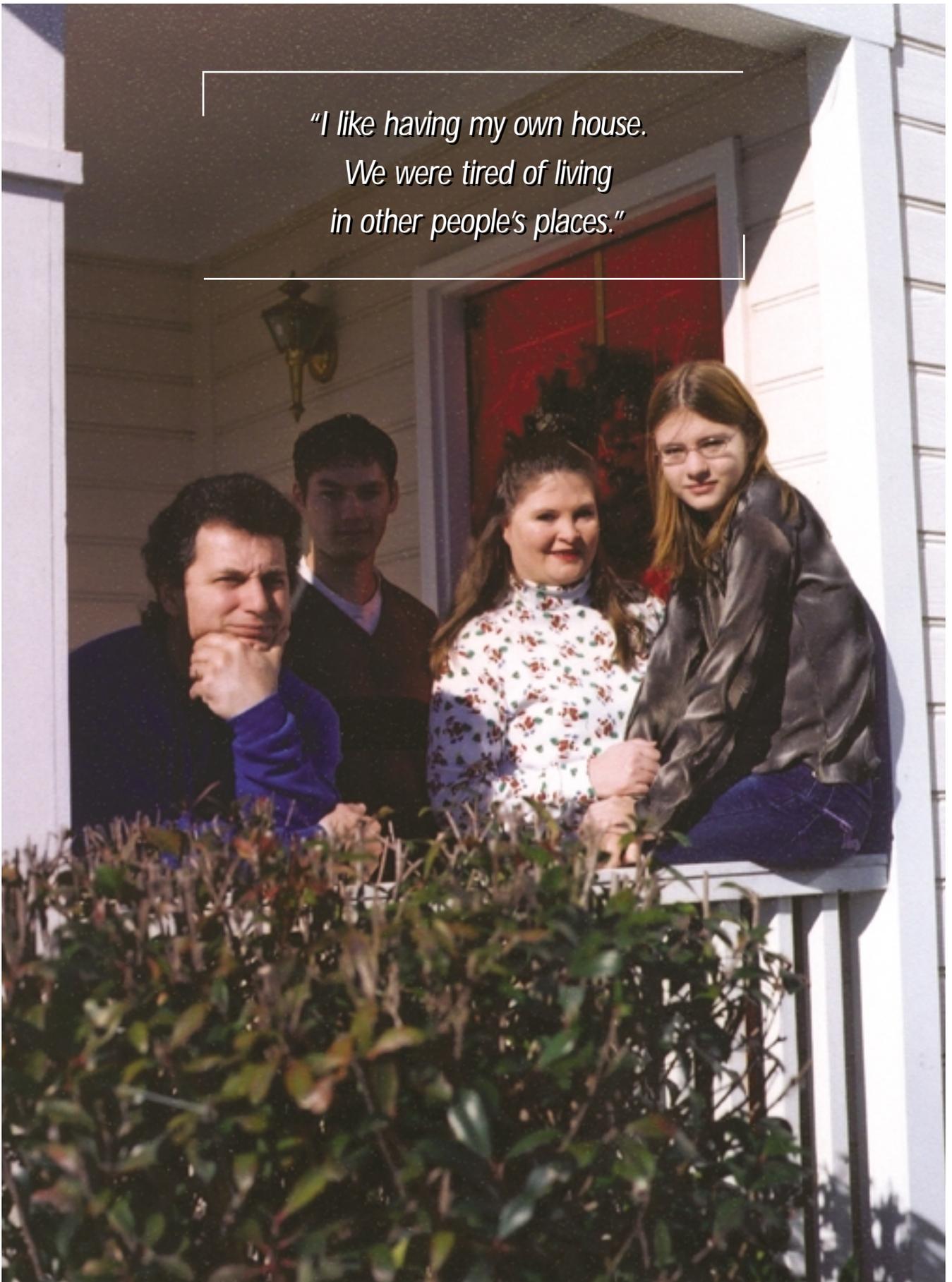
"It's a cute little house," said Tim. "We liked the way it looked." Though little more than 1,200 square feet, the McClannahan home is ideal for Tim and Patty, a fast-food restaurant crewmember, as they plan for life as empty nesters when the last of their five children, 20-year-old Tim Jr. and 14-year-old Charlene, move out.

To speed the homeownership process, the McClannahans qualified for a lower interest rate and down payment assistance offered through AHFA's high-visibility, most popular Mortgage Revenue Bond program for first-time buyers.

Despite having been in the new house only a few months and still unpacking, Tim is already planning to put his carpentry skills to work remodeling the garage attic into a music studio, where he enjoys writing and producing jazz and rock music.

"I like having my own house," said Tim. "We were tired of living in other people's places. If you're renting, you're paying somebody else's mortgage and you might as well be paying your own." •

*"I like having my own house.
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in other people's places."*



Eight was more than enough for Frederick and Veronica Bush and their six children living in a rented two-bedroom, one-bath mobile home. After two years, the Anniston family was anxious to escape the lack of insulation and locking doors, the raw sewage in the yard and the continuous plumbing problems. When their application was approved by Habitat for Humanity of Calhoun County, Frederick and Veronica quickly started accumulating the required sweat equity hours at other houses under construction.

POSSIBILITY

“The house got built before we got all of our equity hours in,” said Frederick. “That was really fun. It was nice to see people that really don’t even know you come together and show you love. It was a different experience for all of us, seeing people reach out.”

Frederick, a self-employed painter; Veronica; daughters Brittany, 12, Latasha, 11, Keandrea, 10, Fredreka, 7, and Adrian, 5; and son Devontae, 6; soon moved into their new four-bedroom, two-bath house in Jacksonville. “For a time, I still couldn’t believe it,” said Veronica. “I couldn’t believe I had my own house.” Frederick said, “It’s really something to come home to something that you know is yours. I can’t tell you how much joy comes with that.”

Now the Bushes can concentrate on being a family, including singing together at church, without worry about their living conditions. “Habitat has been a light to those who have been looking down on themselves and feeling no hope,” said Frederick. “It has been a great opportunity for us and for others. It has been a new start for us.”

Veronica reminds others of the possibilities in AHFA’s partnership with Habitat for Humanity. “Somebody out there does care,” she said. “There is hope. There is faith.” •



*"Habitat has been a light to those
who have been looking down
on themselves and feeling no hope."*

Keith and Danielle Nesmith's friends are jealous. The couple, ages 22 and 21, have been married barely more

than a year, both work and go to college full-time, and just purchased their first home.

With the lease for their apartment about to expire, the Nesmiths began house shopping. "The houses that we looked at in our price range needed tons of work done to them," said Danielle.

ADAPTABILITY

Then the Nesmiths found a three-bedroom house on Pleasant Road in Mount Olive, just a few short miles from Danielle's parents. "We couldn't leave the area," said Danielle, a bank teller and nursing student.

The next step was securing financing. "We haven't had a chance to save up," said Danielle, adding that the couple was unwilling to ask family for financial assistance. "We wanted to do it on our own."

Just in time, AHFA's adaptability paid off for the Nesmiths. This year, AHFA saw a gap in homeownership offerings and created the Step Up program to meet the needs of potential homeowners like Keith and Danielle. Armed with Step Up down payment assistance and a reasonable mortgage interest rate, the Nesmiths closed the deal on their starter home. "Without Step Up, we wouldn't have gotten the house," said Keith, an electrician pursuing an accounting degree.

"It's a great feeling—a sense of accomplishment," said Keith of their newfound pride in ownership. "It's worth it to be building equity, to be saving money instead of throwing it away. We got from an apartment to a house for less than \$100 more a month." •

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Leonard and Almeda Weeks have been living in the same Fairhope home since their wedding in 1942. In the ensuing 59 years, the little white house has survived eight children and the extreme weather that often batters the Alabama coast.

"We've been here all our lives," said Leonard. "We're just here by ourselves right now. We'll be living here until they haul us to the cemetery. We don't have anywhere else to go."

LIVABILITY

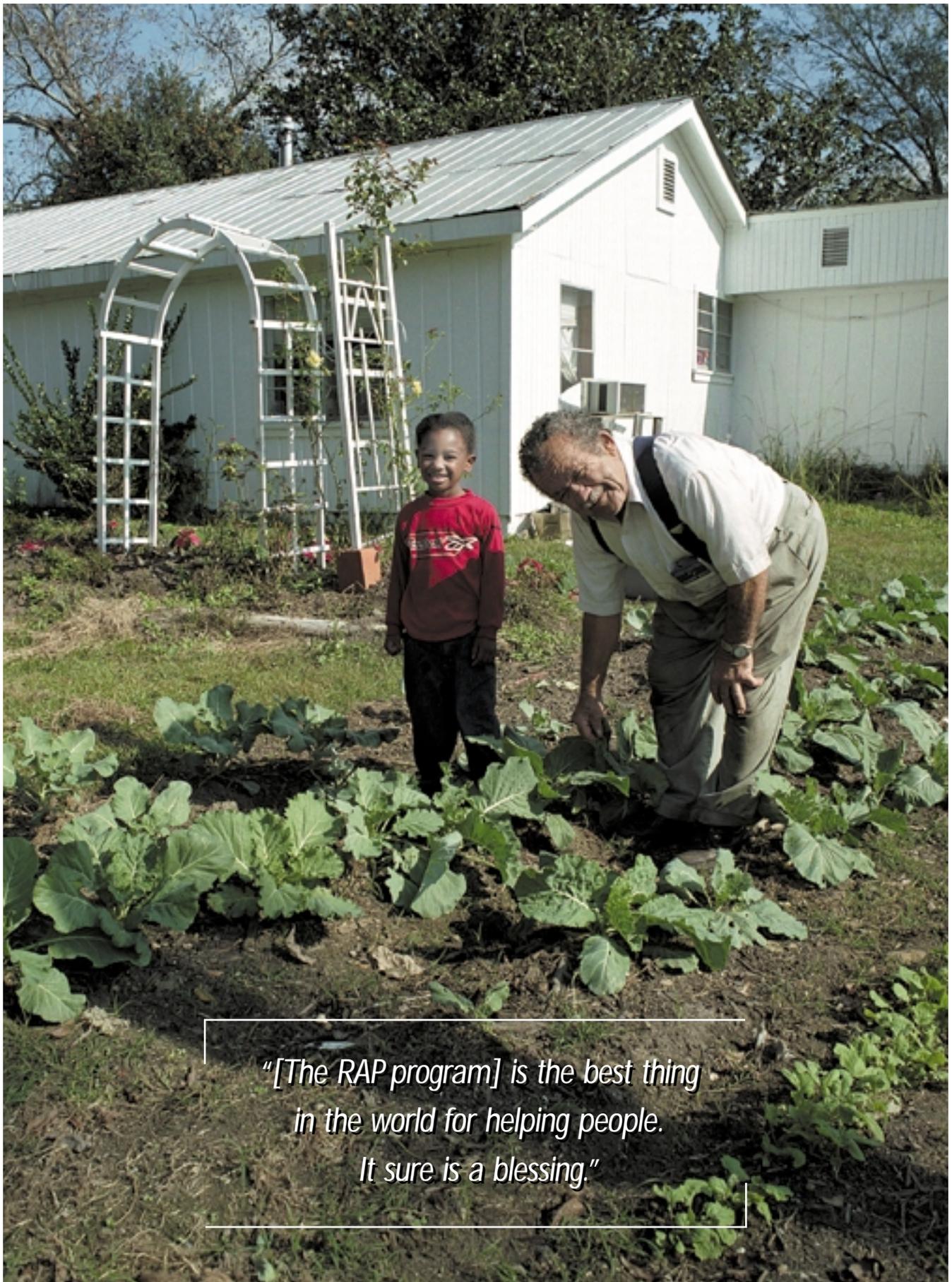
At age 79 and living with painful arthritis, Leonard found himself unable to make repairs to their home. A leaking roof and rotten floors in the bedroom and bathroom required more agility and more money than Leonard could provide. On the recommendation of Ecumenical Ministries Inc. of Fairhope and the Baldwin County Home Builders Association, the Weeks were referred to AHFA's Rehab Assistance Partnership program. Once Leonard and Almeda, who has severe diabetes, were approved for participation in the program, local contractors quickly went to work.

"They did a wonderful job," said Leonard. "It all turned out all right. I wouldn't have been able to pay for it out of my pocket."

Despite the fact that the RAP funds are a forgivable loan, the Weeks do not see themselves as charity cases. Charity is reserved for those with worse problems.

"I keep pretty busy in spite of being in pain all the time," said Leonard, who delivers day-old bread to the local food bank. "I keep moving to help people who are worse off than I am."

These days, Leonard is also quick to promote the RAP program to others. "That's the best thing in the world for helping people," he said. "It sure is a blessing." •



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It sure is a blessing."*

Every morning, Dorothy Hall readies for work and settles into her car for the hour-long trip from Greenville north on Interstate 65 to her job as a division secretary for the State of Alabama in Montgomery. Nine hours later after a full day of work, she'll do it again—fighting other tired, frustrated drivers, road construction and traffic mishaps. Flexible in her commute, she's been doing this for three years and will continue to make the trek as long as necessary.

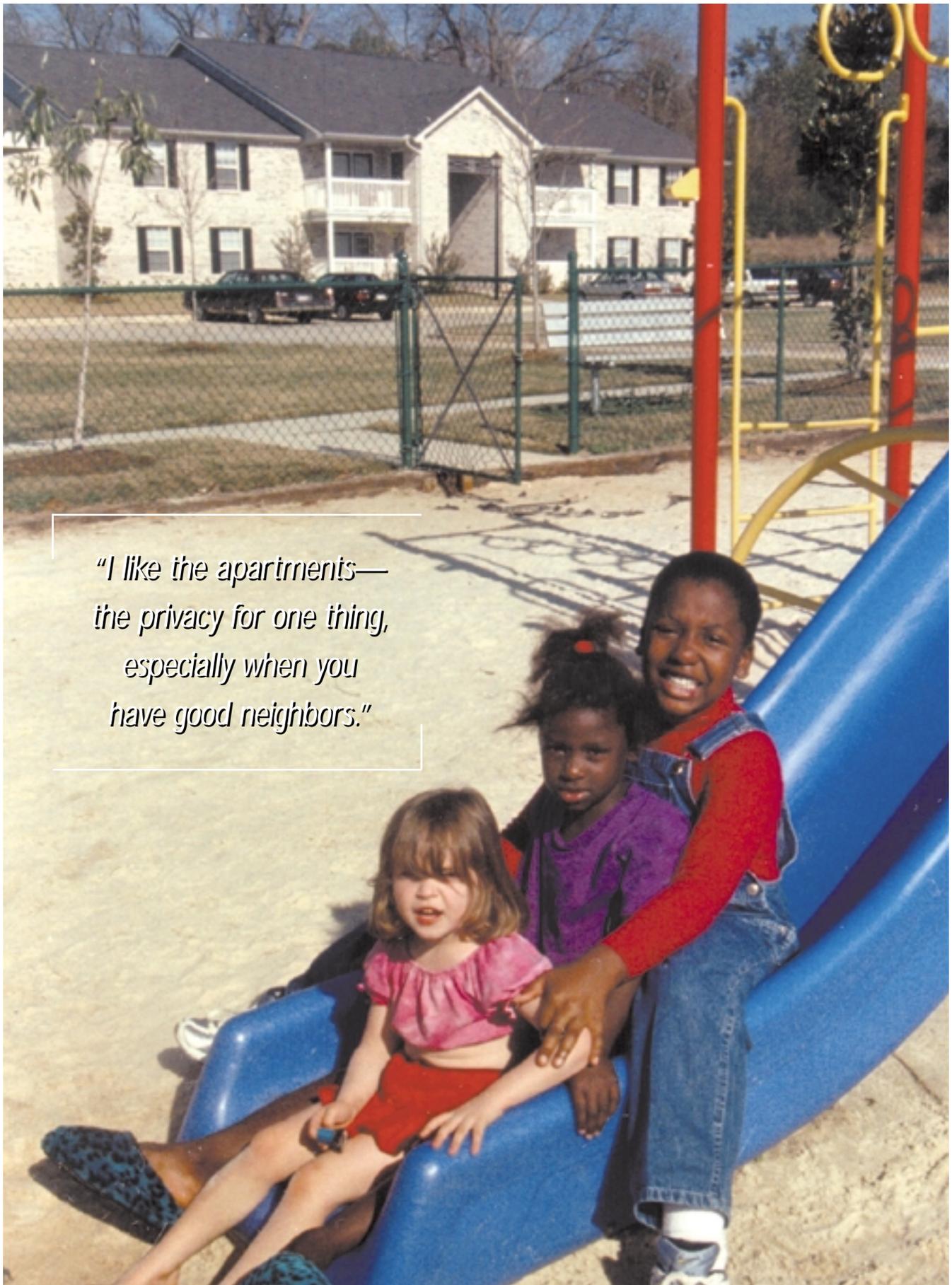
FLEXIBILITY

Dorothy, husband Robert and 9-year-old Keonca have made their home in Greenville and found sanctuary at Perdue Village, an AHFA-financed development there. "I'm happy. I like the apartments—the privacy for one thing, especially when you have good neighbors," said Dorothy. The Halls originally toured the 56-unit complex on Greenville's south side on the recommendation of a church friend. "One of my church members had moved out here," said Dorothy. "I was told that they were nice apartments. It was peaceful."

Perdue Village is an example of AHFA's funding flexibility, built with assistance from three major programs: HOME Investment Partnerships Program funds and Housing Credits combined with permanent financing from the Alabama Multifamily Loan Consortium.

The Hall family moved into one of the development's 28 three-bedroom, two-bath units. "These apartments are big, like houses," said Dorothy. She quickly put her decorating skills to work. "Compared to when I moved here, I had plenty of wall space, but now that's changing."

If Dorothy's décor continues to grow, the Halls will need to speed their future plans for homeownership. "Right now, we're just trying to save up for a house," said Dorothy. "We want a house, hopefully soon." •



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Sisters and friends, Cathy and Michelle Robinson are roommates as well, sharing an apartment in Montgomery's Southlawn Commons. Cathy, 35, and Michelle, 32, moved into the complex six years ago to be closer to their mother, who lived in an adjacent neighborhood.

"We've always been together," said Michelle, who baby-sits children. Cathy, a worker in the drycleaning industry, said, "It's great. We have our little tiffs and taffs, but our mother raised us to take care of each other and that's what we do. We stick together."

FEASIBILITY

Together they prepared to face the beginnings of decline and crime in their neighborhood. Then Southlawn Commons, formerly Windwood Apartments, was purchased by a Montgomery development company, Summit America, for extensive renovation.

"Everything got better," said Cathy. "They made us feel safer out here."

The acquisition and rehabilitation of Southlawn Commons' 176 units was made feasible by AHFA-administered multifamily bonds and Housing Credits. New roofs, flooring, paint, appliances, paving and landscaping were a small portion of the changes made possible with AHFA financing. "It's nice," said Cathy. "Summit came along and changed everything." Michelle said, "I just love it out here, especially since Summit came. It's so different."

One change the sisters noticed was an influx of tenants occupying formerly vacant apartments. "We had to get used to seeing a lot of people," said Cathy. Fortunately, they have gotten to know their neighbors. "We get along with people very well," said Michelle.

Though their hopes for the future include a home of their own, the Robinson sisters are content to call Southlawn Commons home for now. "We've been out here so long and we've never had any problems," said Michelle. "I like the community itself." •



*"Summit came along
and just changed everything.
They made us feel safer out here."*

MORTGAGE REVENUE BONDS

The Mortgage Revenue Bond program offers 30-year, lower-than-market interest rates on FHA, VA, Rural Development and conventional mortgages to first-time and lower-income home buyers. To fund the program, AHFA through the banking community sells tax-exempt mortgage revenue bonds to investors. Proceeds are used to purchase mortgages from a statewide network of participating lenders, providing them with funds to make loans to home buyers. During FY 2001, AHFA issued nearly \$58 million in low-interest loan funds for 730 Alabama households. Since 1980, AHFA has issued more than \$2.4 billion in MRBs to supply mortgage financing to more than 42,500 Alabama families.

DOWN PAYMENT ASSISTANCE

The Down Payment Assistance Program was created for Alabamians with less than \$5,000 in liquid assets who earn no more than \$36,880, or 80 percent of the state's current median income. AHFA provides 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—as a non-interest-bearing second mortgage. The assistance must be repaid when the property is sold or the AHFA mortgage is paid in full. Since its inception in 1990, the program has helped more than 5,500 families, including 244 in FY 2001.

AVAILABILITY

REHAB ASSISTANCE PARTNERSHIP

The Rehab Assistance Partnership offers interest-free loans up to \$10,000 to low-income homeowners for basic renovations through local home builders associations. In just two years, AHFA has participated in the repair of 47 homes for elderly individuals who were unable to perform or pay for the work.

HABITAT FOR HUMANITY LOAN PURCHASE PROGRAM

Through its partnership with Habitat for Humanity, the first of its kind in the nation, AHFA purchases loans from Alabama's 32 Habitat affiliates. The affiliate receives the funds in a lump sum while AHFA receives the mortgagors' monthly payments for the life of the loan. AHFA has dedicated \$6 million to the program since 1992, funding 172 Habitat homes. In FY 2001, loans topping \$1 million were purchased for 28 families.

STEP UP

The Step Up program is Alabama's first down payment assistance program designed specifically for moderate-income home buyers. AHFA provides up to 100% financing through this pilot program in partnership with Fannie Mae. In conjunction with the down payment funds, AHFA offers a 30-year, fixed-rate mortgage with an interest rate just slightly higher than the current market rate. Program participants also must complete a home buyer education workbook. Since the program's premiere in 2000, AHFA has provided \$1 million in down payment assistance for 296 households with \$24.6 million in mortgage financing. •

Multifamily Programs

HOME INVESTMENT PARTNERSHIPS PROGRAM

HOME, a federally funded program, provides participating jurisdictions like Alabama with annual allocations which may be used by developers to buy, build or repair affordable housing.

AHFA's responsibilities include developing a 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.

Since the program's inception in 1992, AHFA has allocated \$129 million in HOME funds to build 168 apartment complexes to house nearly 5,700 families. In FY 2001, AHFA used its \$15.3 million allocation to fund 19 developments containing more than 400 units for families and elderly and disabled citizens.

HOUSING CREDITS

AHFA helps developers and property owners purchase 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 1986, provides a dollar-for-dollar reduction in federal tax liability for developers of income-restricted housing. In exchange, the developer must reserve a portion of the units for residents who earn a fraction of the median income.

As administrator of the program, AHFA directs a competitive application process to ensure the credits are distributed statewide to areas with the greatest needs.

Since the program's inception, AHFA has issued \$66.9 million in Housing Credits to build or repair 517 apartment complexes that are home to nearly 21,500 families. In FY 2001, AHFA used its \$6.7 million allocation to fund 21 developments containing 1,011 units.

ALABAMA MULTIFAMILY LOAN CONSORTIUM

The Alabama Multifamily Loan Consortium is a joint venture of AHFA and the Alabama Bankers Association. These entities are working to unite the state's banks and savings and loan institutions to provide long-term financing for affordable multifamily housing development and rehabilitation. The consortium currently has 44 members who have committed a total of \$26.2 million, funding 19 loans and 1,120 units of new multifamily construction across the state to date.

MULTIFAMILY BONDS

AHFA provides financing for multifamily housing through multifamily 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.

Since the program's inception in 1983, AHFA has issued more than \$646 million in multifamily bonds to refinance, repair or build 100 apartment complexes with more than 14,600 units, including 600 units in FY 2001. •

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. By statute, AHFA is governed by a Board of Directors which provides policy direction, authorizes bond issues and program development, and evaluates AHFA efforts. Their leadership is a vital, guiding force in meeting Alabama's housing needs. AHFA has a 35-member staff comprising four divisions. The executive director is designated by the board to manage the staff and day-to-day operations.

RESPONSIBILITY

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Julie Gray
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Blair Hawthorne
Quality Control Examiner
Cathy James
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Shunta McKeithen
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Operations Manager
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MULTIFAMILY

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Jeff Little
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Multifamily Auditor
Barbara Wallace
HOME/Housing Credit Coordinator

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Carylee Cheatham
Communications Manager
Carol Goodson
Receptionist
Amber Hilliard
Public Relations Assistant
Coella Judkins
Information Systems Manager
Teron Wood
Information Systems Associate

Additional information is furnished in the Audited Financial Statements which accompany the Alabama Housing Finance Authority's 2001 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 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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