



# Message 2013

With encouraging signs of stabilization in the housing market, we are pleased to report that AHFA had another strong year in 2013 – a reflection of our commitment to meeting Alabama’s housing needs.

AHFA’s single-family and multifamily programs continue to be successful year after year — strengthening our state’s communities and reinforcing local economies.

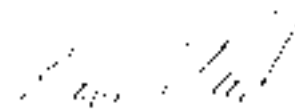
In August, we celebrated a milestone with our 500th loan purchase through the pioneering Habitat for Humanity Loan Purchase Program.

ServiSolutions®, AHFA’s loan servicing department, expanded once again to service mortgage loans for the Missouri Housing Development Commission, in addition to loans in Alabama, Florida, Georgia, Tennessee, and Washington. We are honored that ServiSolutions® has grown to be the largest residential mortgage servicer in the state of Alabama.

Although AHFA has evolved significantly in recent years, our continued success is the result of innovative mindsets and core values that have guided AHFA since its inception in 1980.

We must express our pride in the AHFA team of employees for bringing us to this point and our gratitude to board members and business partners for your unwavering support. It is exciting that our successful past is propelling us into an enormously promising future.

With the perfect combination of balance, momentum and strategy, we are building an even stronger foundation to serve the citizens of this great state.



Dr. Shelton E. Allred, Chairman



Robert Strickland, Executive Director

*Balance*

**STRATEGY**

*Momentum*





<i>Jason Burgess</i>	<b>CASE STUDY</b>
New Market, Alabama	

In its 13th year, the Step Up program has weathered the changing mortgage market and remains a secure and affordable investment for new buyers, like Jason Burgess of New Market.

“I just decided I was tired of renting and throwing my money away,” said Burgess. “I had found rent low enough that allowed me to fix my credit and then I was eligible to purchase a home of my own.”

Burgess was looking for decent property, spacious layout, quality resell, and nice area. He found all that in a 1,197 square foot home in an established neighborhood.

After the 2013 government shutdown delayed Burgess’ initial financing, his loan officer, Kim Chenoweth of Supreme Lending, recommended AHFA’s Step Up program with its affordable interest rates and down payment assistance.

“Kim and I decided that the Step Up was my best option,” said Burgess. “I’m so glad I found this program!”



# STEP UP

*Mortgage Program*

Step Up, a homeownership financing option offered by AHFA, has financed more than 9,800 homes across our state with more than \$1 billion in total mortgage loans.

Introduced in 2000, Step Up helps those who can afford a market-rate mortgage, but whose savings fall short of the amount needed for entry costs like a down payment, closing costs and prepaid items.

Through this program, AHFA is able to offer down payment assistance with generous income limits. The down payment funds are secured by a 10-year second mortgage and are combined with a 30-year, fixed-rate first mortgage. Eligible homebuyers may earn up to \$97,300 in total family income regardless of household size or location.

## *Supreme Lending* - HUNTSVILLE

Loan officer Kim Chenoweth regularly recommends AHFA’s Step Up program to her clients. Recently, she assisted first-time homebuyer Jason Burgess through the mortgage process, which can sometimes be overwhelming.

“I believe the most rewarding part of my job is helping clients that, in some cases, had no idea that they could buy a home. Growing up, my family rented most of my life. It is a great feeling for me to show a person how they can buy a home--often for as much or less than what they have been paying for rent,” said Kim.

She previously sold homes for a local Huntsville builder and has been in the mortgage industry for the past six years.



# SERVISOLUTIONS®

In late 2004, consolidations in the banking industry threatened to move the servicing of AHFA loans outside of the state. AHFA's Board of Directors saw an opportunity to expand the organization's focus beyond long-term mortgage solutions to servicing mortgages and created AHFA's servicing department—now known as ServiSolutions®—thereby preserving jobs for Alabama citizens and creating a new avenue with which to serve our state's homebuyers.

Within weeks, employees had been hired, additional office space obtained, and computer and office equipment and supplies had been purchased. Within 75 days, AHFA had received the necessary approvals from Fannie Mae, Ginnie Mae, USDA Rural Development, VA & HUD. On March 1, 2005, AHFA's servicing department opened with 12,000 loans worth \$750 million.

In early 2010, the state's banking industry notified AHFA about legislation that would require banks to escrow for taxes and insurance on many of the mortgage loans they service. As part of the Home Ownership Equity Protection Act, new rules were released amending Regulation Z (the Truth in Lending Act). The amendments to the regulations were intended to enable borrowers to make better purchasing decisions and prevent foreclosures. However, the new reporting requirements created significant work for banks servicing mortgage loans—particularly small and/or community banks who had historically serviced the mortgage loans that they originated.

In response, AHFA created its BankServe product, through which AHFA performs those servicing functions on behalf of participating community banks. AHFA's enabling legislation was changed to allow AHFA to service loans for borrowers with incomes other than low to moderate and to allow AHFA to service loans in states other than Alabama.

The new bill allowing AHFA to service loans for housing finance agencies in other states. AHFA became the master servicer for the Washington State Housing Finance Commission in 2012 and for the Missouri Housing Development Commission in 2013.

ServiSolutions® services all types of mortgages including FHA, VA, Rural Development, conventional uninsured and conventional insured loans. In addition, ServiSolutions® is an approved seller/servicer for Ginnie Mae and Fannie Mae. Currently, ServiSolutions® services mortgage loans in Alabama, Florida, Georgia, Missouri, Tennessee, and Washington.

## *Mortgage Credit Certificates*

AHFA recently restructured the Mortgage Credit Certificate (MCC) program rate structure to give homebuyers the maximum benefit possible.

### **How does the MCC program work?**

- May be paired with AHFA's Step Up program or any other amortizing mortgage offered by a participating lender.
- Provides a tax credit to reduce the amount of federal taxes owed by a qualified homebuyer, by a percentage of the annual mortgage interest paid by the homebuyer each year.
- In addition, the remaining percentage of annual interest may be claimed as a home mortgage interest deduction on the homebuyer's federal tax return.

### **What are the benefits?**

Qualified homebuyers pay lower federal taxes and can see immediate savings by updating their withholdings on the W-4 form.

### **The Mortgage Credit Rate is based on the loan amount:**

- 20% MCC for loans of \$150,001 or greater - no cap
- 30% MCC for loans of \$100,001 to 150,000 - \$2,000/year cap
- 50% MCC for loans of \$100,000 or less - \$2,000/year cap

Homebuyers must meet federally established income and sales price limits. MCCs are available with conventional fixed-rate, FHA, VA, Rural Development, and privately insured mortgages. Applications are offered through AHFA's statewide network of participating lenders.

AHFA has issued approximately \$303 million in MCCs since first offered in 1989.



# HABITAT FOR HUMANITY

*Celebrating 500  
Loans in 2013*

Since 1992, AHFA has worked together with Habitat for Humanity (HFH) to purchase mortgage loans from Alabama's Habitat affiliates. In August, this simple, but effective, program celebrated its 500th loan purchase.

This process allows the affiliates to receive the loan amount up front in a lump sum while AHFA receives the monthly payments from the affiliates for the life of the loan. The affiliate then uses the up-front funds to build more housing for low-income families.

"By helping households with very low incomes, this program effectively surpasses the reach of other housing programs," said AHFA Executive Director Robert Strickland. "The partnership is a valuable service uniting AHFA, Habitat for Humanity and the financial community to benefit Alabama's low-income families."

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 to the local bank, which then sells the loan to AHFA. This productive cycle unites the local Habitat affiliates, the lending community and AHFA to give Alabama's low-income families a chance at homeownership.

For 500th homeowner Shanika Nixon of Prattville, the occasion was more than a financial transaction. It was another step on her road to homeownership.

"I am very thankful and glad to have this home for me and my kids," said Nixon during a press conference to mark the event. "They are doing better in school. I just want to thank Habitat so much, because this has been a life-changing experience for me and my family."

Nixon's \$53,503 loan was purchased in conjunction with Habitat for Humanity of Autauga & Chilton Counties and River Bank & Trust.

"AHFA has partnered with Habitat to help Alabama's lowest-income homeowners since 1992, when there were only 10 Habitat affiliates in our state," said Strickland. "Today there are 35 operating affiliates, giving service to all major cities in Alabama. It has been a privilege to watch Habitat grow in Alabama over the years."

HFH is available statewide to qualified homeowners on a first-come, first-served basis.



## HARDEST HIT ALABAMA

Hardest Hit Alabama (HHA), a foreclosure prevention program, was introduced in early 2011 for homeowners struggling to pay their mortgage payments.

The State of Alabama was allocated approximately \$162 million to provide assistance for financially distressed homeowners. The U.S. Department of Treasury's "Hardest Hit Fund" is authorized under the Emergency Economic Stabilization Act of 2008 and is available in 18 states and the District of Columbia.

HHA offers programs including mortgage payment assistance for unemployed homeowners, as well as loan modification and short sale options for borrowers facing financial hardships.

HHA assistance is available statewide to qualified homeowners on a first-come, first-served basis.

Tracy Stuart, a single mother in Montgomery, purchased her home in 2012. Then, she was laid off from her job and faced possible foreclosure on the house she had worked so hard to obtain for her and her 13-year old son. Thankfully, Tracy heard about Hardest Hit Alabama and was quickly approved, enabling her to search for new employment without worry about how she would make her house payments.

*Tracy Stuart*

Montgomery, Alabama

**CASE  
STUDY**





# HOME & HOUSING CREDITS

Serving as Alabama’s administrator of the Housing Credit program, AHFA helps developers build or rehabilitate housing to be rented to low-income families at affordable rates. This financial incentive encourages developers to increase the supply of rental housing for economically disadvantaged families. Housing Credits provide a dollar-for-dollar reduction to a developer’s federal tax liability. In turn, the developer must reserve a percentage of the units for the area’s lower-income residents, based upon the area’s median income. The credits are awarded annually through a competitive application process to ensure the credits are distributed throughout the state to areas with the greatest needs.

HOME, a federally funded program, provides annual allocations that may be used by developers to buy land and build affordable housing. As Alabama’s HOME program administrator, AHFA directs an application cycle on a competitive basis. In addition, AHFA’s compliance staff is responsible for monitoring HOME-assisted developments and conducting on-site visits. They check rental property annually for compliance with HUD tenant incomes, rent levels and Housing Quality Standards.

Housing Credits and HOME, as primary AHFA funding sources, are often utilized with other supplemental housing resources administered by AHFA, from time to time. This method, which encourages leveraging of additional loan, grant and philanthropic sources, is an example of the measures AHFA takes to ensure its programs benefit the greatest number of Alabamians as possible.



# MULTIFAMILY BONDS

## *The Plaza at Centennial Hill,* MONTGOMERY

Montgomery’s Centennial Hill, once the home of the civil rights movement and Dr. Martin Luther King Jr., has suffered the fate of many inner-city historic neighborhoods—decline, vacancy, and crime.

Sitting in its heart is The Plaza at Centennial Hill, a new 129-unit development built on the former site of Victor Tulane Court and its outdated and obsolete public housing. Featuring both apartment flats and townhouses in two- and three- bedroom layouts, The Plaza at Centennial Hill will also include a community center where supportive services will be offered to Plaza residents as well as the community at large.

“The Plaza at Centennial Hill will serve as a catalyst of things to come,” said Evette Hester, executive director of the Montgomery Housing Authority. “The Montgomery Housing Authority is proud to be part of the redevelopment planned for this neighborhood. Better communities result in happier lives.”

Funding for the \$22.7 million development includes city and housing authority funds as well as money raised through the sale of tax-exempt bonds issued by AHFA and equity raised through the sale of AHFA-administered Housing Credits.

“The Plaza is the foundation on which many families will build and strengthen prosperous lives. This development respects the expanded needs of housing communities to ensure that we thrive together for years to come,” said John F. Knight Jr., Chairman of the MHA Board of Commissioners.

In May, the development’s first residents, including some former residents of Tulane Court, moved in.

“I stayed in Tulane Court about 13, 14 years, so I decided to come back over here,” said Kenneth Hudson. “With us being the first residents, you can get the feel, smell the fresh paint, and all that kind of stuff.”

## Total Active Multifamily Units

Program	Developments	Units	Funding \$
Bonds (Bond only and Tax-exempt)	38	5,305	\$212,519,989
Housing Credits/HOME	582	26,698	\$430,436,420
Housing Credit/HOME with Other Programs	19	1,005	\$64,715,762
Other Programs (TCAP, GO Zone and Exchange)	61	4,251	\$81,998,046
TOTAL	700	37,259	\$789,670,217





## *Rosedale Court*

Tuscaloosa, Alabama

**CASE  
STUDY**

Rosedale's 88 units off 10th Avenue in Tuscaloosa gleam with newness and hope, giving no hint of the development's storied past.

Originally built in 1952, Rosedale is the oldest public housing community in Tuscaloosa. Plans to rebuild were a long time in the works.

Then the storms hit. April 27, 2011.

"Out of pure coincidence, the tornado destroyed the majority of our proposed Phase I development area," said Chris Hall, director of development for the Tuscaloosa Housing Authority.

Seventy-three-year-old Bessie Davis won't talk about that day. She just says, "I hope it never happens again."

Davis would rather regale visitors with memories of the 35 years she lived at Rosedale before the storms – like living in a far corner of the community between her mother and her friend and her poor skills at gardening.

Or things that have happened since the tornadoes. Her desire to move back home to Rosedale as soon as the units were rebuilt. How her family took care of her after a heart attack in early 2013. And the new, happy memories she's making in the unit that she now shares with a granddaughter.

John Wedgeworth, a 12-year Rosedale resident, says what happened the day of the storms has changed him forever. Tears well in his eyes as he describes the strong urging—a feeling like something or someone tapped him on his shoulder and told him to go home—that drove him back to his apartment under a darkening sky. As he started toward his unit, he turned back to see the massive funnel cloud in the background and looked forward to see children outside playing.

He shouted for the other residents to take cover. "I stood on my porch and watched it pick up a house," said Wedgeworth. He rode out the storm in his bathtub. When he emerged, he couldn't believe what he saw. "It looked like somebody had dropped a bomb," he said.

Wedgeworth stayed at Rosedale four days in the aftermath—helping neighbors, assisting with clean up (his efforts earned him the recognition of the City of Tuscaloosa)—until aid workers and emergency personnel forced him to leave. But he didn't go far. He found temporary housing in the neighborhood until Rosedale could be rebuilt.

Phase I of the Rosedale redevelopment was financed in part by \$1.5 million in AHFA-administered Low-Income Housing Tax Credits. The new buildings and infrastructure replace the barrack-style housing with a residential community that provides walkable streets connecting to the surrounding neighborhood. The public spaces and community facilities encourages residents to participate in community activities.

Manager Tyra Brown said, "The residents that survived the tornadoes have an unspoken bond—a connection—that is indescribable."

Wedgeworth added, "I don't see the tornadoes as a bad thing. It's a good thing. Rosedale is better than it was."





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### IN MEMORY OF JOHN O. MOORE



In May 2013, the Alabama Housing Finance Authority staff and Board mourned the death of long-time Board member John O. Moore of Birmingham, Alabama.

In 1986, Alabama Lt. Governor Bill Baxley appointed John to the Alabama Housing Finance Authority board of directors and he was reappointed by Alabama House Speaker James Clark and again by House Speaker Seth Hammett. He served on the board until his death.

John had a long-time career as a multifamily lender and will be missed.

### IN MEMORY OF SENATOR HINTON MITCHEM



The Alabama Housing Finance Authority staff and Board mourned the death of former Senator Hinton Mitchem this past January.

Hinton Mitchem served in the Alabama Legislature for more than three decades. In 1980, Senator Mitchem sponsored the bill that created AHFA.

His district included Marshall County and parts of Blount, Madison, and at one time, DeKalb County.

# STAFF MEMBERS

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Sherri Springer  
Vickie Wallace

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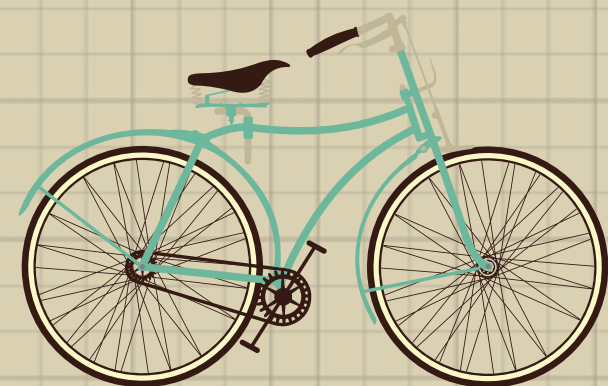
**TO VIEW AHFA'S FY2013 FINANCIAL STATEMENTS,**  
please visit [www.ahfa.com/financials](http://www.ahfa.com/financials) or scan QR code.

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 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 [ahfa.com](http://ahfa.com) or Post Office Box 242967, Montgomery, Alabama 36124-2967, or call 334.244.9200 in Montgomery or 1.800.325.2432.

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*Come on home, Alabama.*

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