



Annual  
Report

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*the big picture*

The Alabama Housing Finance Authority is pleased to present the 2008 Annual Report. With the housing market on the forefront of everyone's minds these days, AHFA is proud to have successfully maintained our core strength—providing Alabama residents with funds for affordable housing.

The current housing market and credit-crunch chaos has impacted nearly everyone in the housing and finance realm in some way. By offering traditional 30-year, fixed-rate mortgages, AHFA's mortgage products continue to be a safe and secure investment.

Our fiscal year results reflect AHFA's commitment to funding our state's affordable housing needs. In total, the single-family division purchased more than 2,000 loans this year—a robust figure given the dreary housing forecasts heard on the daily news.

This year marks the end of the additional allocation of bond volume cap and Housing Credits authorized by the Gulf Opportunity Zone Act. Since the bill was passed in December 2005, AHFA has issued \$110 million in GO Zone single-family housing bonds and \$47 million in multifamily Housing Credits to the counties hit hardest by the unforgettable Hurricane Katrina.

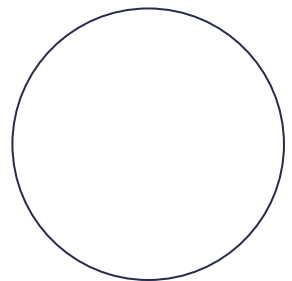
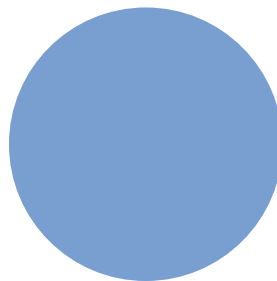
Our unwavering dedication to affordable housing would not be possible without the help and support of many others—homebuilders, lenders, developers, investors, real estate agents, public officials, and AHFA's board and staff members. With your support, we are confident that AHFA will continue to identify and respond to changing housing needs—offering safe, decent and affordable housing to the citizens of Alabama.



*Dr. Shelton E. Allred, Chairman*



*Robert Strickland, Executive Director*





# *First Step Mortgage Revenue Bonds*



The First Step Mortgage Revenue Bond (First Step) program offers 30-year, lower-than-market interest rates to first-time and low- to- moderate income home buyers. The First Step program is funded by the sale of tax-exempt mortgage revenue bonds to investors by AHFA. The bond proceeds are then used to purchase mortgages from AHFA's participating lenders, thus providing more funds for lenders to loan home buyers.

AHFA provides optional entry cost assistance in conjunction with the First Step program since down payments are typically the greatest barrier to homeownership. AHFA combines low-interest loan funds with 30-year, FHA, VA or Rural Development mortgages.

Since 1980, AHFA has issued more than \$2.8 billion in First Step funds to supply mortgage financing to more than 47,000 Alabamians. ●

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- Purchased \$89.7 million in First Step loans
  - 839 families in Alabama purchased homes using the First Step program
  - Authorized \$3.2 million in Down Payment Assistance
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## Kellie & Madison Lawson

Single mother Kellie Lawson has been working steadily to get her education and settle into her career to build a better life for her daughter, eight-year-old Madison. Her hard work paid off this year in the purchase of the Lawsons' first home.

"I have wanted to buy a house for a while," said Kellie, a nurse. Using financing provided through AHFA's First Step program, Kellie was able to purchase a newly constructed home in Wetumpka.

"I knew I wanted three bedrooms," she said. "And, I wanted a neighborhood where my daughter could play."

A satisfied customer, Kellie has been referring her friends to AHFA's programs. Kellie said that the transition into homeownership has been relatively easy. "The house payment was a big change," she said. "But, we absolutely love it!" ●

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# Mortgage Credit Certificates

The Mortgage Credit Certificate (MCC) program gives buyers another homeownership option. Combining AHFA's Step Up program with the MCCs makes homeownership even more affordable. A reduction in qualified home buyer's federal taxes allows for 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.

Participants must meet federally established income and sales price limits. AHFA has issued over \$12 million in MCCs since first offered in 1989. ●

## Step Up Mortgage Program

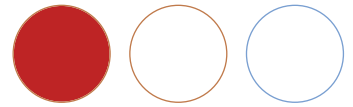
Step Up is another homeownership program designed specifically for moderate-income home buyers that can sustain a market-rate mortgage, but need help with the down payment. AHFA offers down payment assistance with no sales price limits and higher income limits than the First Step program.

In addition, AHFA offers a 30-year, fixed-rate first mortgage with an interest rate slightly higher than current market rate. The down payment funds are secured by a 20-year second mortgage. Since the loans are both serviced by AHFA, homeowners have only one check to write each month. Program participants must complete a homebuyer education course to qualify.

Since inception, approximately 3,500 families have received \$380.1 million in Step Up home financing. ●

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- Purchased \$150.5 million in Step Up loans benefiting over 1,200 Alabama families
  - Authorized \$6.1 million in Down Payment Assistance





# Habitat for Humanity



Working together with Habitat for Humanity, AHFA purchases mortgage loans from Alabama's 36 Habitat affiliates. 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.

Abiding by AHFA's enabling legislation, 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. This productive cycle unites the local Habitat affiliates, the lending community and AHFA to give Alabama's less fortunate families a chance at homeownership.

AHFA has provided funding of approximately \$14.7 million toward this program, the first of its kind in the nation, purchasing 372 loans since 1992. ●

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## *Hurricane Katrina Hammers Alabama Gulf Coast*

Organizations of all types responded after Hurricane Katrina to help families in need—including Habitat for Humanity. Habitat uses volunteer labor to build simple, decent houses with the help of the homeowners. Habitat houses are sold at no profit and financed with affordable loans.

In Alabama, HFH in Mobile County was at the epicenter of the destruction. To aid the affiliate's rebuilding efforts, AHFA allocated \$1 million from its HFH Loan Purchase Program. Habitat for Humanity in Mobile County used the funds to provide new homes for Gulf Coast families.

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## Rehab Assistance Partnership



Rebuilding the areas of Alabama hardest hit by 2005's Hurricane Katrina wasn't always about new construction. Sometimes the rebuilding efforts were just that—rebuilding and repairing homes that were simply damaged and not destroyed. Nowhere was that more true than in the fishing community of Bayou La Batre.

“Most of the homes in south Mobile County were destroyed not by wind, but by rising water,” said Susie D. Cleveland, executive officer of the Home Builders Association of Metro Mobile. “There was a tremendous amount of flood damage—damage to flooring, sheetrock and cabinets.”

AHFA directed \$230,000 in funds through its Rehab Assistance Partnership program to aiding these families. Offered in a one-time joint venture with the Home Builders Association of Alabama, the RAP initiative provided up to \$10,000 of interest-free forgivable mortgage financing to home owners needing home repair, weatherization and access modification.

The HBA of Metro Mobile oversaw the application process and enlisted volunteer labor to stretch the \$10,000 allotments as far as possible. Nearly 50 applications for assistance were accepted.

“Most of the homes had to be completely gutted—then new flooring, new walls, new cabinets, new doors—just about everything,” said Cleveland. “ But, we were able to do a lot with the \$10,000 given for each house.”

Today, Bayou La Batre is well on its way to leaving Katrina behind. The shrimp boats have returned to the water, and life is returning to normal.

In conjunction with the Home Builders Association of Alabama summer meeting this past July, AHFA Executive Director Robert Strickland recognized Susie Cleveland of the HBA of Metro Mobile for her hard work toward the utilization of the RAP funds for Bayou La Batre families in need. ●



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# HOME Investment Partnerships Program

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. Funding decisions are based on strict project selection criteria and a point scoring system outlined in the application package. 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.

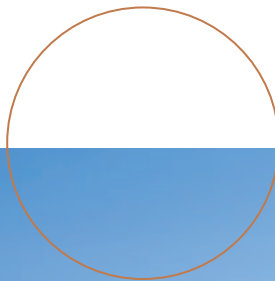
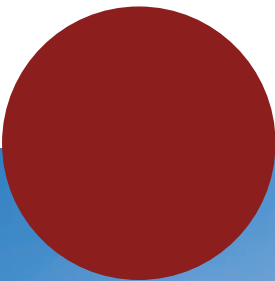
Alabama combines HOME funding with another multifamily housing program—

Housing Credits. This method of stretching scarce resources exemplifies how AHFA works to ensure its programs benefit the greatest number of Alabamians possible.

Since inception, Alabama has been awarded \$233.7 million in HOME funds to finance approximately 8,951 apartment units in 231 complexes. ●

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- Allocated \$14.3 million in HOME funds
  - Financed 420 apartment units in 9 complexes
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# Housing Credits

Serving as Alabama’s administrator of the Housing Credit program, AHFA helps developers buy land or buildings and build or repair 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 of 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.

Since the program’s creation, AHFA has issued more than \$177.2 million in Housing Credits to build or rehabilitate 716 apartment complexes housing more than 33,700 families. ●

- Allocated \$26 million in Housing Credits, including \$15.7 million in GO Zone Credits
- Awarded Housing Credits to 34 developments and a total of 2,424 new units

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Kimberly Mack



The Lindsey  
Family



## Janis Lindsey / Kimberly Mack

With a population of approximately 2,500, the sleepy West Alabama town of Aliceville had seen little new apartment development in the last twenty years—until construction began on Aliceville Estates, a 32-unit single-family rental housing complex near the city’s center.

Funded in part by \$452,606 in AHFA-administered Housing Credits, Aliceville Estates’ three- and four-bedroom rental homes are available for Pickens County families who earn 60 percent or less of the area median income—families like the Lindseys and the Macks.

Janis Lindsey was looking for more accessible housing for her son who is wheelchair-bound following a car accident.

“Now we have the room we needed to take care of him,” said Janis, a single mother of two boys. “I love it here—it’s very convenient.”

With two teenage sons of her own, Kimberly Mack also needed more room for her family.

“I actually needed three bedrooms,” said Kimberly. “My sons are loving it because they have their own rooms now.” ●

## 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 area's 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 almost \$862 million in multifamily bonds for developers to purchase, repair or build 114 apartment complexes with more than 17,400 units throughout the state.

When profiled in AHFA's 2007 Annual Report, Alison Pointe Apartment Homes was more dream than reality. This year, however, it's a different story.

Opened in late summer, Alison Pointe is now providing affordable rental housing for 128 families in the Foley area who earn 60 percent or less of the area median income—\$34,860 for a family of four. Residents are enjoying a playground, exercise room, picnic area, and swimming pool with splash center at the community-centered complex.

The development was financed in part by \$8.4 million in 2007 Series B Multifamily Bonds issued by AHFA. ●

- Issued approximately \$12 million in multifamily bonds for developers to purchase, repair or build 3 developments comprising 344 total units

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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 2008 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 or Post Office Box 230909, Montgomery, Alabama 36123-0909, or by calling (334) 244-9200 in Montgomery or (800) 325-2432 in Alabama.

All project management, typesetting and graphic design for this project were performed in-house by the communications department of the Alabama Housing Finance Authority. No taxpayer dollars were used to produce this document.



*Come on home, Alabama.*

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