



**Date: October 17, 2014**

To: Mayor Kleinschmidt and the Chapel Hill Town Council  
From: Robert Dowling, Executive Director  
Re: Quarterly status report for quarter ended September 30, 2014

The first quarter of the 2014-15 fiscal year included the following highlights:

1. We sold three homes, one of which is new to our inventory
2. We continue to face significant challenges with lenders
3. Releasing the first Home Trust home from our inventory

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**Three homes sold** – The three homes sold in the quarter required \$20,000 of subsidy, all of which came from the NC Housing Finance Agency. One of the two resales was sold to a buyer who earned more than 80% of median income. We repaid HOME funds that had previously been invested in that property. As of September 30<sup>th</sup> there were 229 homes in our inventory, 191 of which are in Chapel Hill; 38 of which are in Carrboro. As of September 30<sup>th</sup> we were actively marketing fifteen homes, three of which were under contract.

**Challenges with lenders** – Only one lender is willing to make loans to our buyers – the NC Housing Finance Agency (NCHFA). NCHFA allocated \$5 million for Home Trust mortgages in 2012. These funds will be exhausted in early 2015. We are working on several new lending options, but progress is exceedingly slow. However, most lenders will not make mortgages unless they can sell the loans. Our loans are not easily sold, but we are trying to address this challenge. Some lenders will consider making loans to our buyers if they are able to have an unrestricted, fee simple interest as collateral. The Home Trust board has approved this change to our model, but we require approval from the local governments before we can implement the change. Approval has already been obtained from the Town Council and the Hillsborough Town Board. The Board of County Commissioners will consider this request later this month. One of the lenders who has agreed to make loans to our buyers once this accommodation is approved is State Employees Credit Union.

**The first Home Trust home** - In June of 2000, we purchased a mill house in Carrboro. That was our first Home Trust property. In August we re-purchased that home from the long-time owners, who were moving out of state. We paid about \$121,000 for the home in August. There is also \$43,000 of HOME funds invested in this property. That represents a total investment of about \$164,000. This charming old house is in bad shape and requires lots of work. The Home Trust board has approved selling it out of our portfolio and repaying as much of the HOME funds as possible. Although we do not know the market value of the home, we may not realize \$164,000 of proceeds. Furthermore, the Home Trust board would like to encumber the property with a deed restriction requiring owner occupancy. We are still exploring this option with our attorney.