

**Testimony of
Scott Farmer, Executive Director,
North Carolina Housing Finance Agency
before the
Subcommittee on Intergovernmental Affairs
and
Subcommittee on Government Operations
House Committee on Oversight and Government Reform
2154 Rayburn House Office Building
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Chairman Meadows, Chairman Palmer, and Honorable Members of the committees, my name is Scott Farmer and I am executive director of the North Carolina Housing Finance Agency, a self-supporting public agency with the mission to create affordable housing opportunities for North Carolinians whose needs are not met by the market. We are guided by sound business principles, focusing on maximizing investments in housing and minimizing operating costs.

Since January 2017, it has been my honor to serve as executive director of the North Carolina Housing Finance Agency and I am proud to be with you today representing our Board of Directors and more than 160 dedicated staff. Our Agency has a long and successful record of stewardship of state and federal funds, financing nearly 270,000 homes and apartments worth \$21.2 billion since its creation in 1973.

Thank you for the opportunity to share information about one of our most effective programs—the NC Foreclosure Prevention Fund—and its accomplishments on behalf of citizens in danger of losing their homes in the face of a significant economic downturn.

Using financing from the Hardest Hit Fund, the NC Foreclosure Prevention Fund (The Fund) helps responsible North Carolina homeowners struggling with mortgage payments while they search for work or retrain for a new career. Eligible homeowners include those facing foreclosure due to a no-fault job loss, reduction of income, or temporary financial hardship such as illness, death of a spouse or a natural disaster.

The Fund also provides housing counseling and assistance to veterans who are transitioning to civilian life. Veterans who have given so much in service to our nation should never face the prospect of losing their home.

Recognizing the challenges that returning to civilian life can pose, our state was among the first in the country to create a Veterans Initiative through the NC Foreclosure Prevention Fund. This initiative has already saved more than 400 veteran families from losing their homes.

The Fund was launched in 2010 in the wake of the Great Recession when our state was identified by Treasury as “Hardest Hit” due to high unemployment and a high number of foreclosure filings. Since then, the Fund has helped more than 26,000 homeowners keep their homes during difficult times.

Approximately \$706 million was allocated to our Agency under the Hardest Hit Fund. To develop this program, we had to significantly expand our Agency’s capacity. This included hiring more staff, leasing additional office space, building a complex application portal and website, and training hundreds of partners statewide.

We were notified by Treasury that we were to receive Hardest Hit Funds in April 2010. The initial program was approved by Treasury in August 2010, and we built, marketed, and implemented the Fund by October 2010, in only six months. Standing a program up of this scale and complexity in that timeframe required long hours for staff, many of whom already had existing full-time workloads within our Agency. The work is specialized, involved, and stressful when assisting homeowners who are understandably upset at potentially losing their homes.

We held many outreach events to work with our numerous business partners on program design, implementation, training, and marketing. These events were important tools in developing and maintaining a strong delivery network. Outreach events were also held across the state to reach impacted homeowners and laid-off workers.

Among the thousands of hard-working families assisted by the Fund is a small business owner in Alleghany County who has owned a thriving business since 1998. That changed when the recession hit, and by 2011 he and his wife were about to lose their home. Our assistance enabled them to hold on to their home and keep operating their business. I am pleased to report their business emerged from the recession stronger, and recently celebrated its 20th anniversary.

The Fund also helped a Lee County veteran who struggled to find employment after his discharge from the US Army. The assistance kept his family in their home while he used the GI Bill to acquire the skills he needed for a civilian career. He is now employed by a local government.

A worker in Buncombe County who was laid off from her job was able to keep her home with assistance from the Fund while she sought new employment. She still lives in her home, and now works for a healthcare nonprofit that focuses on providing medical care for underserved rural communities.

In addition to making a difference in the lives of thousands of families facing the financial and emotional trauma of losing their homes, the Fund has also had a noteworthy impact on state and

local economies. It has preserved an estimated \$4.5 billion in property value, sustaining wealth for not only the homeowners we assisted, but for their neighbors as well.¹

On average, lenders and investors can expect to lose almost half of their investment in a foreclosed mortgage. Foreclosures prevented by our work have saved an estimated \$1.5 billion in our state.^{2,3}

This work also offsets the costs associated with the broader social impacts of foreclosure such as familial stress, neighborhood destabilization, crime, and degraded health outcomes.^{4,5}

As noted, we have helped more than 26,000 North Carolinians in the nearly eight years since the program was launched, using a significant portion of the allocated Hardest Hit Funds. We are currently winding down the program and expect to have committed all of our program funds by the second quarter of 2019.

We are proud of what has been accomplished for North Carolina and its citizens through the NC Foreclosure Prevention Fund and we will continue to ensure that eligible homeowners have the opportunity to benefit from this program. Thank you for the opportunity to share our story.

¹ Harding, J., Rosenblatt, E., & Yao, V. (2009). The contagion effect of foreclosed properties. *Journal of Urban Economics*, 66(3):164-178.

² S&P Global. (2016). U.S. Residential mortgage performance snapshot, second-quarter 2016.

³ Fitch Ratings. (2018, April). U.S. RMBS loan loss model criteria.

⁴ Kingsley, G.T., Smith, R., & Price, D. (2009, May). The impacts of foreclosures on families and communities.

⁵ Isaacs, J. (2012, April). The ongoing impact of foreclosures on children.