

**NORTH CAROLINA HOUSING FINANCE AGENCY
DISCLOSURE REPORT
AS OF SEPTEMBER 30, 2007**

INDENTURE: SINGLE FAMILY REVENUE BONDS (1985 RESOLUTION)
BOND SERIES: SERIES KK/LL

PAGE NO. 1-1985KKLL

SERIES DATE: 10/01/96

SERIES SOLD: 10/31/96

GENERAL INFORMATION:

Bonds Outstanding: 7,130,000
Bond Yield: 5.89%
Mortgage Loan Prin Outstanding: 6,387,382
Mortgage Rate(s): 6.45% - 7.25%
Outstanding Commitments: 0
Uncommitted Lendable Funds: 0

Average Purchase Price: 67,934
Average Original Loan Amount: 66,558
Total No. of Loans Originated: 417
Total No. of Loans Paid Off: 298
Total No. of Loans Outstanding: 119

LOAN PORTFOLIO CHARACTERISTICS (AS A % OF LOANS OUTSTANDING)

| | | | |
|----------------------|----------------|-----------------------|----------------|
| New Construction: | 14.29% | Private | 0.00% |
| Existing Home: | <u>85.71%</u> | FHA | 100.00% |
| Total | <u>100.00%</u> | VA | 0.00% |
| | | Self Insured | 0.00% |
| | | Guaranty Fund | 0.00% |
| | | Other | |
| Fixed Rate Mortgages | 100.00% | (less than 80.00 LTV) | <u>0.00%</u> |
| Graduated Pmt Mtgs | 0.00% | Total | <u>100.00%</u> |
| Growing Equity Mtgs | 0.00% | | |
| Variable Rate Mtgs | <u>0.00%</u> | | |
| Total | <u>100.00%</u> | | |

Effective May 1, 2006

Trustee: The Bank of New York Trust Company, NA
10161 Centurion Parkway
Jacksonville, FL 32256
(904) 645-1956
Contact: Christine Boyd

Type of Housing:

| | |
|------------------------|----------------|
| Single Family Detached | 90.76% |
| Condos/Townhouses | 9.24% |
| Manufactured/Duplexes | <u>0.00%</u> |
| Total | <u>100.00%</u> |

Breakdown of Private Mortgage Insurers
(List by % of total portfolio):

| | |
|-----------|--------------|
| 1985KK/LL | |
| GEMICO | 0.00% |
| RMIC | 0.00% |
| UG | 0.00% |
| VEREX | <u>0.00%</u> |
| | <u>0.00%</u> |

Program: P.O. Box 28066
Raleigh, NC 27611-8066
(919) 877-5700
Contact:

Sharon Drewyor, Director of Home Ownership Lending (919) 877-5621
Elizabeth I. Rozakis, Chief Financial Officer (919) 877-5687

POOL INSURANCE COVERAGE (DOLLARS IN THOUSANDS): None

SELF-INSURANCE COVERAGE:

Name of Self-Insurance Fund: Mortgage Deficiency Fund
Series of Bonds Covered: 1985 Series D through WW (excluding Series U/V)

Current Funding Requirements: (data is for 1985 Series KK/LL only):
Total Dollar Amount (\$000) Note 1
As % of Initial Principal Amount of Mortgage Loans Purchased Note 1
Claims to Date 0

Maximum level of funding required over the life of the bonds (\$000) Note 1

DELINQUENCY STATISTICS (AS A % OF LOANS OUTSTANDING):

| | % | # |
|----------------|-------|---|
| 60 days | 4.20% | 5 |
| 90 days | 2.52% | 3 |
| In Foreclosure | 0.00% | 0 |

(AS % OF PRINCIPAL BALANCE OUTSTANDING):

| | % | \$ |
|--|-------|---------|
| | 4.28% | 273,594 |
| | 2.53% | 161,359 |
| | 0.00% | 0 |

No. of Loans Foreclosed to Date since 1/1/87: Not available
Foreclosed (Loss)/Gain to Date: Not available
Net of Insurance Proceeds (\$000): Not available

Real Estate Owned
Number of Loans: 0
Outstanding Mtg Amount
At time of Default: \$0
Current Balance: \$0

MORTGAGE LOAN SERVICERS:

| Servicer | # of Loans | % of Portfolio |
|-----------------|-------------------|-----------------------|
| BB&T | 59 | 49.58% |
| RBC Centura | 33 | 27.73% |
| Marsh | 18 | 15.13% |
| Bank of America | <u>9</u> | <u>7.56%</u> |
| TOTAL | <u>119</u> | <u>100.00%</u> |

MORTGAGE LOAN RATES (BY BOND SERIES):

| Series | # of Loans | Mtg Rate |
|-------------------|-------------------|--------------|
| 1985 SERIES KK/LL | 1 | 6.45% |
| | 74 | 6.75% |
| | <u>44</u> | <u>7.25%</u> |
| Total | <u>119</u> | |

Note 1: The provisions of the Mortgage Deficiency Fund were extended to Series KK and LL Bonds. However, additional funding was not required in consequence of the extension of such provisions.

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LIST OF BONDS BY MATURITY:

| CUSIP Number | Maturity Date | Bond Type | Interest Rate | Original Amount | Principal Matured | Principal Redemptions | Principal Outstanding | Bond Call Sequence (Note 1) |
|-------------------------|---------------|---------------|---------------|-----------------|-------------------|-----------------------|-----------------------|-----------------------------|
| 65820EMU1 | 03/01/99 | Serial | 4.40% | \$185,000 | \$185,000 | \$0 | \$0 | 2 |
| 65820EMU9 | 09/01/99 | Serial | 4.40% | 190,000 | 190,000 | 0 | 0 | 2 |
| 65820EMW7 | 03/01/00 | Serial | 4.55% | 195,000 | 195,000 | 0 | 0 | 2 |
| 65820EMX5 | 09/01/00 | Serial | 4.55% | 200,000 | 200,000 | | 0 | 2 |
| 65820EMY3 | 03/01/01 | Serial | 4.65% | 205,000 | 205,000 | | 0 | 2 |
| 65820EMZ0 | 09/01/01 | Serial | 4.65% | 210,000 | 205,000 | 5,000 | 0 | 2 |
| 65820ENA4 | 03/01/02 | Serial | 4.75% | 215,000 | 205,000 | 10,000 | 0 | 2 |
| 65820ENB2 | 09/01/02 | Serial | 4.75% | 220,000 | 205,000 | 15,000 | 0 | 2 |
| 65820ENC0 | 03/01/03 | Serial | 4.85% | 225,000 | 205,000 | 20,000 | 0 | 2 |
| 65820END8 | 09/01/03 | Serial | 4.85% | 230,000 | 195,000 | 35,000 | 0 | 2 |
| 65820ENE6 | 03/01/04 | Serial | 5.00% | 235,000 | 185,000 | 50,000 | 0 | 2 |
| 65820ENF3 | 09/01/04 | Serial | 5.00% | 240,000 | 160,000 | 80,000 | 0 | 2 |
| 65820ENG1 | 03/01/05 | Serial | 5.05% | 245,000 | 155,000 | 90,000 | 0 | 2 |
| 65820ENH9 | 09/01/05 | Serial | 5.05% | 255,000 | 145,000 | 110,000 | 0 | 2 |
| 65820ENJ5 | 03/01/06 | Serial | 5.15% | 260,000 | 145,000 | 115,000 | 0 | 2 |
| 65820ENK2 | 09/01/06 | Serial | 5.15% | 270,000 | 130,000 | 140,000 | 0 | 2 |
| 65820ENL0 | 03/01/07 | Serial | 5.30% | 270,000 | 120,000 | 150,000 | 0 | 2 |
| 65820ENM8 | 09/01/07 | Serial | 5.30% | 280,000 | 120,000 | 160,000 | 0 | 2 |
| 65820ENN6 | 03/01/08 | Serial | 5.40% | 290,000 | | 165,000 | 125,000 | 2 |
| 65820ENP1 | 09/01/08 | Serial | 5.40% | 295,000 | | 175,000 | 120,000 | 2 |
| 65820ENQ9 | 03/01/09 | Serial | 5.50% | 305,000 | | 180,000 | 125,000 | 2 |
| 65820ENR7 | 09/01/09 | Serial | 5.50% | 315,000 | | 190,000 | 125,000 | 2 |
| 65820ENS5 | 09/01/16 | Term (Note 2) | 5.88% | 5,460,000 | | 3,230,000 | 2,230,000 | 2 |
| 65820ENT3 | 09/01/17 | Term (Note 3) | 5.88% | 980,000 | | 590,000 | 390,000 | 2 |
| 65820ENU0 | 09/01/22 | Term (Note 4) | 5.50% | 6,480,000 | | 6,480,000 | 0 | 1 |
| 65820ENV8 | 03/01/26 | Term (Note 5) | 6.20% | 5,710,000 | | 3,510,000 | 2,200,000 | 2 |
| 65820ENW6 | 09/01/28 | Term (Note 6) | 6.20% | 5,000,000 | | 3,185,000 | 1,815,000 | 2 |
| Total 1985 Series KK/LL | | | | \$28,965,000 | \$3,150,000 | \$18,685,000 | \$7,130,000 | |

Note 1: See optional and special redemption provisions beginning on page 4-1985KK/LL. (i.e. "1" denotes first call priority from prepayments.)
 Note 2: Sinking fund redemption begins March 1, 2010.
 Note 3: Sinking fund redemption begins March 1, 2017.
 Note 4: Sinking fund redemption begins March 1, 2018.
 Note 5: Sinking fund redemption begins March 1, 2023.
 Note 6: Sinking fund redemption begins September 1, 2026.

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LIST OF UNSCHEDULED REDEMPTIONS:

| Call Date | Call Amount | Type of Call | Source Of Funds |
|--------------|----------------------------|--------------|----------------------|
| 09/01/97 | \$5,000 | Supersinker | Prepayments |
| 03/01/98 | 85,000 | Supersinker | Prepayments |
| 07/01/98 | 80,000 | Supersinker | Prepayments |
| 01/01/99 | 605,000 | Supersinker | Prepayments |
| 05/01/99 | 500,000 | Supersinker | Prepayments |
| 07/01/99 | 265,000 | Supersinker | Prepayments |
| 09/01/99 | 245,000 | Supersinker | Prepayments |
| 12/15/99 | 670,000 | Supersinker | Prepayments |
| 05/01/00 | 290,000 | Supersinker | Prepayments |
| 05/01/00 | 135,000 | Pro rata | Prepayments |
| 07/01/00 | 665,000 | Supersinker | Prepayments |
| 01/01/01 | 1,035,000 | Supersinker | Prepayments |
| 01/01/01 | 355,000 | Pro rata | Prepayments |
| 06/01/01 | 525,000 | Supersinker | Prepayments |
| 10/01/01 | 305,000 | Supersinker | Prepayments |
| 10/01/01 | 480,000 | Pro rata | Prepayments |
| 01/01/02 | 570,000 | Supersinker | Prepayments |
| 04/15/02 | 200,000 | Supersinker | Prepayments |
| 04/15/02 | 575,000 | Pro rata | Prepayments |
| 04/15/02 | 20,000 | Pro rata | Debt Service Reserve |
| 07/01/02 | 430,000 | Supersinker | Prepayments |
| 07/01/02 | 220,000 | Pro rata | Prepayments |
| 07/01/02 | 20,000 | Pro rata | Debt Service Reserve |
| 01/01/03 | 595,000 | Pro rata | Prepayments |
| 06/01/03 | 380,000 | Pro rata | Prepayments |
| 06/01/03 | 55,000 | Pro rata | Debt Service Reserve |
| 06/01/03 | 840,000 | Pro rata | Prepayments |
| 10/01/03 | 540,000 | Pro rata | Prepayments |
| 10/01/03 | 75,000 | Pro rata | Debt Service Reserve |
| 10/01/03 | 945,000 | Pro rata | Prepayments |
| 01/01/04 | 1,645,000 | Pro rata | Prepayments |
| 05/01/04 | 785,000 | Pro rata | Prepayments |
| 09/01/04 | 735,000 | Pro rata | Prepayments |
| 09/01/04 | 250,000 | Pro rata | Debt Service Reserve |
| 01/01/05 | 375,000 | Pro rata | Prepayments |
| 01/01/05 | 30,000 | Pro rata | Debt Service Reserve |
| 05/01/05 | 740,000 | Pro rata | Prepayments |
| 05/01/05 | 40,000 | Pro rata | Debt Service Reserve |
| 10/01/05 | 455,000 | Pro rata | Prepayments |
| 04/01/06 | 810,000 | Pro rata | Prepayments |
| 04/01/06 | 70,000 | Pro rata | Debt Service Reserve |
| 08/01/06 | 240,000 | Pro rata | Prepayments |
| 08/01/06 | 20,000 | Pro rata | Debt Service Reserve |
| 01/01/07 | 505,000 | Pro rata | Prepayments |
| 01/01/07 | 30,000 | Pro rata | Debt Service Reserve |
| 05/01/07 | 230,000 | Pro rata | Prepayments |
| 05/01/07 | <u>15,000</u> | Pro rata | Debt Service Reserve |
| TOTAL | <u>\$18,685,000</u> | | |

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Bond Call Information:

Special Redemption

The 1985 Series KK and LL bonds may be redeemed in whole or in part on any date at the principal amount plus accrued interest to the date of redemption, from:

- (i) unexpended proceeds,
- (ii) excess revenues transferred from the revenue reserve fund,
- (iii) prepayments of mortgage loans financed with the proceeds of the Series KK and LL bonds,
- (iv) moneys withdrawn from the debt service reserve fund in connection with an excess over the debt service reserve requirement, and
- (v) from prepayments of mortgage loans financed with proceeds from series of bonds issued subsequent to the Series D bonds other than the Series KK and LL bonds and from certain moneys in excess of the debt service reserve requirement on deposit in the debt service reserve fund ("Cross Call Redemption").

Prepayments on mortgage loans financed with the proceeds of the Series KK and LL bonds, shall first be applied to the redemption or purchase of Series LL Term bonds due March 1, 2023 during the periods up to the scheduled principal amounts set forth in the series resolution.

Moneys in excess of the debt service reserve requirement shall be applied to the redemption of the series KK and LL bonds in any manner. Moneys to be applied to redemption from excess revenues in the revenue reserve fund, from prepayments in excess of the scheduled principal amounts or from cross call redemption sources, shall be applied pro rata. However, the Agency may redeem on other than a pro rata basis, if the Agency files a notice with the Trustee together with a cash flow certificate.

Optional Redemption

The Series KK and LL bonds are redeemable at the option of the Agency, in any manner the Agency shall determine, on or after March 1, 2006, in whole or in part, on any date, at the following redemption prices, plus accrued interest to the date of redemption:

| Period (Both Dates Inclusive) | Redemption Price (Expressed as a Percentage) |
|--|---|
| March 1, 2006 to February 28, 2007 | 102.00% |
| March 1, 2007 to February 29, 2008 | 101.00% |
| March 1, 2008 and thereafter | 100.00% |