

**NORTH CAROLINA HOUSING FINANCE AGENCY
DISCLOSURE REPORT
AS OF SEPTEMBER 30, 2011**

**INDENTURE: SINGLE FAMILY REVENUE BONDS (1998 RESOLUTION)
BOND SERIES: 12**

GENERAL MORTGAGE LOAN INFORMATION

Mortgage Loan Prin Outstanding: \$25,357,587
Mortgage Rates: 4.990% - 13.000%

Average Purchase Price: \$86,493
Average Original Loan Amount: \$82,189

Total No. of Loans Originated: 1,451
Total No. of Loans Paid Off: 1,083
Total No. of Loans Outstanding: 368

PROGRAM

P.O. Box 28066
Raleigh, NC 27611-8066
(919) 877-5700
Contacts:
Rob Rusczak, Manager of Home Ownership Production
Elizabeth Rozakis, Chief Financial Officer

TRUSTEE

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

LOAN PORTFOLIO CHARACTERISTICS (AS OF PERCENTAGE OF LOANS OUTSTANDING)

All loans are 30-year fixed-rate loans.

| <u>Loan Type:</u> | <u># of Loans</u> | <u>%</u> |
|-------------------|-------------------|----------------|
| CONV | 27 | 7.34% |
| FHA | 288 | 78.26% |
| VA | 6 | 1.63% |
| USDA | 15 | 4.07% |
| HUD-184 | 0 | 0.00% |
| Guaranty Fund | 0 | 0.00% |
| Other (< 80%LTV) | 32 | 8.70% |
| Total | 368 | 100.00% |

| <u>Private Mortgage Insurers:</u> | <u># of Loans</u> | <u>%</u> |
|-----------------------------------|-------------------|--------------|
| RMIC | 7 | 1.90% |
| GENWORTH | 14 | 3.80% |
| AIG-UGIC | 1 | 0.27% |
| RADIAN GUARANTY INC. | 2 | 0.54% |
| PMI MTG. INS. CO. | 2 | 0.54% |
| MGIC | 1 | 0.27% |
| Total | 27 | 7.34% |

| <u>New/Existing:</u> | <u># of Loans</u> | <u>%</u> |
|----------------------|-------------------|----------------|
| New Construction | 103 | 27.99% |
| Existing Home | 265 | 72.01% |
| Total | 368 | 100.00% |

| <u>Type of Housing:</u> | <u># of Loans</u> | <u>%</u> |
|-------------------------|-------------------|----------------|
| Single Family Detached | 323 | 87.77% |
| Condominium | 15 | 4.08% |
| Townhouse | 24 | 6.52% |
| Manufactured Home | 6 | 1.63% |
| Total | 368 | 100.00% |

DELINQUENCY STATISTICS

| <u>Loans Outstanding:</u> | <u># of Loans</u> | <u>%</u> |
|---------------------------|-------------------|----------|
| 60 days | 9 | 2.45% |
| 90 days | 11 | 2.99% |
| In Foreclosure | 4 | 1.09% |
| REO (Conv, USDA) | 0 | 0.00% |
| Total | 23 | |

| <u>Principal Outstanding:</u> | <u>\$ of Loans</u> | <u>%</u> |
|-------------------------------|--------------------|----------|
| 60 days | \$711,215 | 2.80% |
| 90 days | \$964,201 | 3.80% |
| In Foreclosure | \$312,495 | 1.23% |
| REO (Conv, USDA) | \$0 | 0.00% |
| Total | \$1,987,910 | |

SERVICER AND MORTGAGE LOAN DATA

| <u>Servicers:</u> | <u># of Loans</u> | <u>%</u> |
|---------------------------|-------------------|----------------|
| NC Housing Finance Agency | 1 | 0.27% |
| RBC Bank | 98 | 26.63% |
| BB&T | 114 | 30.98% |
| Marsh Associates Inc. | 101 | 27.45% |
| Bank of America | 18 | 4.89% |
| US Bank Home Mortgage | 36 | 9.78% |
| Total | 368 | 100.00% |

| <u>Mortgage Rates (%):</u> | <u># of Loans</u> |
|----------------------------|-------------------|
| 13 | 11 |
| 7.75 | 2 |
| 7.5 | 13 |
| 7.25 | 2 |
| 7.125 | 2 |
| 7.05 | 18 |
| 7 | 1 |
| 6.95 | 28 |
| 6.65 | 5 |
| 6.5 | 1 |
| 6.45 | 19 |
| 6.375 | 12 |
| 6.25 | 11 |
| 6.125 | 2 |
| 6.1 | 16 |
| 6 | 2 |
| 5.99 | 106 |
| 5.85 | 27 |
| 5.75 | 45 |
| 4.99 | 45 |
| Total | 368 |

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POOL INSURANCE COVERAGE (DOLLARS IN THOUSANDS): None

SELF INSURANCE COVERAGE: Name of Self-Insurance Fund: Insurance Reserve Fund
Series of Bonds Covered: 1998 Series 12

Current Funding Requirements:
Total Dollar Amount (\$000) \$294
As % of Initial Principal Amount
of Mortgage Loans Purchased 1.16%
Claims to Date 0

Maximum level of funding required over the life of the bonds (\$000) \$705

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) |
|----------------------|---------------|---------------|---------------|-----------------|-------------------|-----------------------|-----------------------|-----------------------------|
| 65820EU65 | 07/01/03 | Serial | 2.55% | \$580,000 | \$515,000 | \$65,000 | \$0 | 2 |
| 65820EU73 | 07/01/04 | Serial | 2.90% | 610,000 | 505,000 | 105,000 | 0 | 2 |
| 65820EU81 | 07/01/05 | Serial | 3.30% | 640,000 | 480,000 | 160,000 | 0 | 2 |
| 65820EU99 | 07/01/06 | Serial | 3.55% | 690,000 | 455,000 | 225,000 | 0 | 2 |
| 65820EV23 | 07/01/07 | Serial | 3.80% | 710,000 | 445,000 | 265,000 | 0 | 2 |
| 65820EV31 | 07/01/08 | Serial | 4.10% | 750,000 | 385,000 | 365,000 | 0 | 2 |
| 65820EV49 | 07/01/09 | Serial | 4.30% | 790,000 | 405,000 | 385,000 | 0 | 2 |
| 65820EV56 | 07/01/10 | Serial | 4.45% | 840,000 | 440,000 | 400,000 | 0 | 2 |
| 65820EV64 | 07/01/11 | Serial | 4.60% | 890,000 | 410,000 | 470,000 | 0 | 2 |
| 65820EV72 | 07/01/12 | Serial | 4.65% | 930,000 | 0 | 485,000 | 445,000 | 2 |
| 65820EV80 | 07/01/17 | Term (Note 2) | 5.05% | 5,360,000 | 0 | 3,120,000 | 2,240,000 | 2 |
| 65820EU32 | 01/01/26 | Term (Note 3) | 4.38% | 10,720,000 | 0 | 10,720,000 | 0 | 1 |
| 65820EU40 | 07/01/31 | Term (Note 4) | 5.45% | 7,505,000 | 0 | 4,115,000 | 3,390,000 | 2 |
| 65820EU57 | 01/01/32 | Term (Note 5) | 5.45% | 780,000 | 0 | 415,000 | 365,000 | 2 |
| 65820EV98 | 07/01/33 | Term (Note 6) | 5.35% | 26,300,000 | 0 | 0 | 26,300,000 | 2 |
| Total 1998 Series 12 | | | | \$58,075,000 | \$4,040,000 | \$21,295,000 | \$32,740,000 | |

Note 1: See optional and special redemption provisions page 4-1998-12, (i.e. "1" denotes first call priority from prepayments).

Note 2: Sinking fund redemptions begin July 1, 2013.

Note 3: Sinking fund redemptions begin July 1, 2017.

Note 4: Sinking fund redemptions begin July 1, 2026.

Note 5: Sinking fund redemptions begin January 1, 2022.

Note 6: Sinking fund redemptions begin January 1, 2019.

OPTIONAL REDEMPTION TRANSACTIONS:

Home Ownership Revenue Bonds (1998 Resolution) on December 20, 2001 purchased 342 loans with a principal balance of \$7,446,181 from Single Family Revenue Bonds (1976 Resolution) Series A, 369 loans with a principal balance of \$8,840,783 from Series B, and loans from (1985 Resolution) Series RST with a principal balance of \$10,949,932.

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LIST OF UNSCHEDULED REDEMPTIONS:

| Call Date | Call Amount | Type of Call | Source Of Funds |
|-----------|---------------------|--------------|-----------------|
| 04/15/02 | \$2,295,000 | Pro rata | Prepayments |
| 10/01/03 | \$815,000 | Supersinker | Prepayments |
| 01/01/04 | \$530,000 | Supersinker | Prepayments |
| 01/01/04 | \$1,180,000 | Pro rata | Prepayments |
| 05/01/04 | \$285,000 | Supersinker | Prepayments |
| 05/01/04 | \$1,380,000 | Pro rata | Prepayments |
| 09/01/04 | \$370,000 | Supersinker | Prepayments |
| 09/01/04 | \$320,000 | Pro rata | Prepayments |
| 01/01/05 | \$715,000 | Supersinker | Prepayments |
| 05/01/05 | \$660,000 | Supersinker | Prepayments |
| 10/01/05 | \$220,000 | Supersinker | Prepayments |
| 10/01/05 | \$1,150,000 | Pro rata | Prepayments |
| 04/01/06 | \$810,000 | Supersinker | Prepayments |
| 04/01/06 | \$665,000 | Pro rata | Prepayments |
| 08/01/06 | \$765,000 | Supersinker | Prepayments |
| 01/01/07 | \$760,000 | Supersinker | Prepayments |
| 01/01/07 | \$675,000 | Pro rata | Prepayments |
| 05/01/07 | \$715,000 | Supersinker | Prepayments |
| 05/01/07 | \$800,000 | Pro rata | Prepayments |
| 11/01/07 | \$1,335,000 | Pro rata | Prepayments |
| 02/01/08 | \$655,000 | Supersinker | Prepayments |
| 07/01/08 | \$690,000 | Supersinker | Prepayments |
| 07/01/08 | \$10,000 | Pro rata | Prepayments |
| 01/01/09 | \$495,000 | Supersinker | Prepayments |
| 07/01/09 | \$465,000 | Supersinker | Prepayments |
| 01/01/10 | \$725,000 | Supersinker | Prepayments |
| 06/01/10 | \$320,000 | Supersinker | Prepayments |
| 12/01/10 | \$510,000 | Supersinker | Prepayments |
| 06/01/11 | \$215,000 | Supersinker | Prepayments |
| 06/01/11 | <u>\$765,000</u> | Pro rata | Prepayments |
| | <u>\$21,295,000</u> | | |

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Bond Call Information

Excess Redemption

The 1998 Series 12 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) prepayments of mortgage loans financed with the proceeds of the Series 12, including the existing mortgage loans,
- (iii) excess revenues transferred from the revenue reserve fund,
- (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 other than the Series 12 bond 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 12 bonds shall first be applied to the redemption or purchase of Series 12 Term bonds due January 1, 2026 during the periods up to the scheduled principal amounts set forth in the series resolution.

Moneys in excess of the debt service reserve requirement, from excess revenues in the revenue reserve fund and from cross call redemption sources shall be applied to the redemption of the Series 12 bonds in any manner. Moneys to be applied to redemption from prepayments in excess of the scheduled principal amounts 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 12 bonds are redeemable at the option of the Agency, in any manner the Agency shall determine, on or after July 1, 2010, in whole, or in part, at the principal amount thereof plus accrued interest to the date of redemption, without premium.

Additional Information

The Trust Agreement provides that the Debt Service Reserve Fund and the Insurance Reserve Fund may be funded by cash, investment obligations or a "Reserve Alternative Instrument". The Trust Agreement defines a "Reserve Alternative Instrument" as an insurance policy, surety bond, irrevocable letter of credit, guaranty or similar instrument of a provider that is, at the time the Reserve Alternative Instrument is delivered to the Trustee (a) an insurer whose long term debt or claims paying ability has been assigned a rating by each Rating Agency in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus," of such categories), or (b) a commercial bank, insurance company or other financial institution the bonds payable or guaranteed by which are assigned a rating by each Rating Agency in one of the two highest rating categories (without regard gradations such as "plus" or "minus" of such categories). The portion of the Debt Service Reserve Fund for the Series 10 Bonds, the Series 12 Bonds and the Series 14 Bonds was provided by surety bond insurance policies issued by Ambac Assurance Corporation ("Ambac Assurance"). As of June 30, 2008, the coverage provided by such surety bonds is equal to 2% of the outstanding principal of each respective Series of Bonds and equals \$2,076,300. In addition, the Insurance Reserve Requirement for the Series 9 Bonds, the Series 10 Bonds, the Series 11 Bonds and the Series 14 Bonds was provided by separate surety bond insurance policies issued by Ambac Assurance. As of June 30, 2008, the coverage provided by such surety bonds was \$1,339,000.

At the time the respective surety bond insurance policies referenced above were issued, Ambac Assurance had credit ratings meeting the requirements of the Trust Agreement, thus in any event the surety bond insurance policies issued by Ambac will continue to meet the requirements of the Trust Agreement.

On November 5, 2008, Moody's Investors Service announced that it had downgraded the insurance financial strength of Ambac Assurance from Aa3 to Baa1. Ambac's insurance financial strength is now rated CC with negative outlook by Standard & Poor's. Any explanation of the significance of such ratings may be obtained from Moody's Investor Service or Standard & Poor's.