

**South Carolina State Housing
Finance & Development Authority**

Accountability Report



"Housing South Carolina Is Our Business"

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“Housing South Carolina Is Our Business”

Since the Agency’s creation in 1971, it has been the mission and purpose of the South Carolina State Housing Finance and Development Authority (the “Authority,” or “Agency”) to create quality affordable housing opportunities for the citizens of South Carolina. Every day, our dedicated staff strives to ensure that all low-to-moderate income families, older adults, persons with disabilities and other frequently underserved individuals obtain one of the most basic of human needs—a safe and decent place to call home.

The South Carolina State Housing Finance and Development Authority and its staff operate with the knowledge that helping South Carolinians realize a safe, decent place to live is more than an altruistic public service. Rather, it is an investment. Expanding housing opportunities is, at its core, an investment in individuals, communities, and local economies.

MISSION, VISION, AND VALUES

The Authority envisions that all South Carolinians will have the opportunity to live in safe, decent, and affordable housing. Toward this means, the Authority has the following core values:

- **Customer Focus:** We strive to know and understand our customers and their needs. We respect all persons and value their diversity. We continually seek ways to improve our service. We encourage and appreciate our partnerships.
- **Public Trust:** We take responsibility for our actions and protect the public trust by upholding the constitution and laws of our nation and state. As guardians of public funds and resources, we will exercise competent and judicious management. We value integrity and ethical conduct above all else.
- **Employee Focus:** We value our employees and treat them with dignity and respect. We ensure that our employees have the tools and the training they need to be successful. We recognize and reward them for their outstanding contributions to our mission. We empower them to improve upon the systems and processes that they control.
- **Quality and Innovation:** We are dedicated, committed, and competent public servants. We are visionary, creative, and open to change. We constantly seek to improve our knowledge and ability to serve our customers. Professionalism, Quality, and Innovation are the hallmarks of the Authority.

MAJOR ACHIEVEMENTS OF FY 2004-2005

Not unlike the past, this year has seen significant organizational and leadership changes. Perhaps the most significant of these changes was the arrival of a new Executive Director, and a reorganization to better align the Agency's programmatic and support efforts. With change comes the opportunity to examine how we do things: how processes can be made more efficient, resources allocated more effectively and customer service improved. Fortunately, the Authority has embraced these changes, which have attributed to several major achievements this year. These major achievements include:

- Creation of a new High Cost Loan Counseling program on a statewide basis.
- Introduction of a Homeownership program for disabled citizens and caregivers.
- Redesign of the Qualified Action Plan (QAP) for the Low Income Housing Tax Credit (LIHTC) program to move away from a points driven process to a process that relies more on preferences to insure that the best projects receive funding priority.
- Statewide rollout of the Broker Program to insure that more citizens have access to the Agency's low-cost mortgages.
- Outsourcing a significant portion of the Agency's Section 8 Housing Choice Vouchers to local housing authorities located in the communities that they serve.
- In cooperation with the Strom Thurmond Institute at Clemson University, the Agency unveiled a new Affordable Housing Needs Index to help direct funding across the State.
- 6,539 New Homes and Apartments
- 18,890 Jobs Created
- \$307,513,488 New Tax Base
- \$2.8 Billion Rental Portfolio

KEY STRATEGIC GOALS FOR PRESENT AND FUTURE YEARS

The following strategic goals will continue to drive the Agency in the coming years:

- Create and maintain a positive work culture that reinforces our mission, encourages innovation and is based on a spirit of cooperation and teamwork.
- Constantly review processes and the use of technology to improve customer service and enhance employee performance.
- Develop mutually supportive relationships that expand our ability to provide affordable housing while enhancing the value of investments.
- Actively seek new and innovative ideas to improve affordable housing opportunities.

Section III, Category 2 – Strategic Planning, will discuss in detail the specific objectives created to approach these goals.

OPPORTUNITIES AND BARRIERS IMPEDING STRATEGIC GOALS

Perhaps the greatest barriers in addressing the Agency's strategic goals, and more broadly, in achieving its mission and purpose, are the limitations incurred by being a governmental agency. Many states have found this to be the case and have allowed their Housing Finance Agencies to become quasi-governmental agencies and, in some cases, to become private organizations. This allows the agencies, which are essentially Financial Organizations, to become less encumbered by a slow reacting procurement system, involving convoluted hiring procedures and salary caps that can prevent the Agency from hiring the most qualified candidates, etc. It is inherently difficult for an organization that is at its core a financial institution—an institution that needs the ability of quick reaction time for effective action—to operate within a bureaucratic system.

Another barrier concerns the uncertainty of Bond Cap Allocation. Many other states, including some in the Southeast, have set allocations of the State's bond cap that are earmarked for Mortgage Revenue Bond (MRB) programs. This allows the housing authority in those states to plan and budget for mortgage loan production and income. At present, our Agency must request Bond Cap each year, with no guarantee or expectation in advance as to the amount or availability of Bond Cap. This makes planning for the future difficult, at best.

USING THE ACCOUNTABILITY REPORT TO IMPROVE PERFORMANCE

The Accountability Report has been useful primarily as an opportunity for the Agency to reflect on its annual performance, and to compare a current year's performance to previous ones. However, under past leadership, there was little effort to align the Baldrige Criteria and the guidelines of the Accountability Report with the Agency's organizational infrastructure. This has begun to change as performance measures are put in place to allow the Agency to take a more systematic approach in its focus on customer service, process and information management, leadership, and employee development.

SECTION II

BUSINESS OVERVIEW

EMPLOYEES AND OPERATION LOCATIONS

The Authority has 122 FTE (full time equivalent position) slots available that are currently filled with 112 full-time permanent employees, as well as six temporary employees. The Agency operates at 300-C Outlet Pointe Boulevard, Columbia, South Carolina 29210.

EXPENDITURES/APPROPRIATIONS

The Authority is a self-sustaining Agency that does not rely on state general fund revenues for its operations. It is supported through funds generated by the sale of revenue bonds; Federal programs funded by the U.S. Department of Housing and Urban Development (HUD) and authorized by the Department of Treasury-Internal Revenue Service; user fees; and State Documentary tax funds transferred to the South Carolina Housing Trust Fund. All Notes and Bonds issued by the Authority are special obligations of the Authority and do not constitute a debt, grant, or loan of credit of the State of South Carolina, or any political subdivision thereof. The Authority works in partnership with the private sector and operates in a fashion that more closely resembles a private financial institution than a government entity.

BASE BUDGET EXPENDITURES AND APPROPRIATIONS

| Major Budget Categories | 03-04 Actual Expenditures | | 04-05 Actual Expenditures | | 05-06 Appropriations Act | |
|-------------------------------|---------------------------|---------------|---------------------------|---------------|--------------------------|---------------|
| | Total Funds | General Funds | Total Funds | General Funds | Total Funds | General Funds |
| Personal Service | \$4,793,793 | \$0 | \$5,189,580 | \$0 | \$5,268,083 | \$0 |
| Other Operating | \$3,301,803 | \$0 | \$2,794,115 | \$0 | \$3,351,982 | \$0 |
| Special Items | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Improvements | \$0 | \$0 | \$842,511 | \$0 | \$0 | \$0 |
| Case Services | \$93,252,164 | \$0 | \$96,406,926 | \$0 | \$99,303,371 | \$0 |
| Distributions to Subdivisions | \$8,823,740 | \$0 | \$9,756,447 | \$0 | \$21,200,000 | \$0 |
| Fringe Benefits | \$1,277,663 | \$0 | \$1,586,239 | \$0 | \$1,421,525 | \$0 |
| Non-recurring | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total | \$111,449,163 | \$0 | \$116,575,818 | \$0 | \$130,544,961 | \$0 |

OTHER EXPENDITURES

| Sources of Funds | 03-04 Actual Expenditures | 04-05 Actual Expenditures |
|-----------------------|---------------------------|---------------------------|
| Supplemental Bills | \$0 | \$0 |
| Capital Reserve Funds | \$0 | \$0 |
| Bonds | \$0 | \$0 |

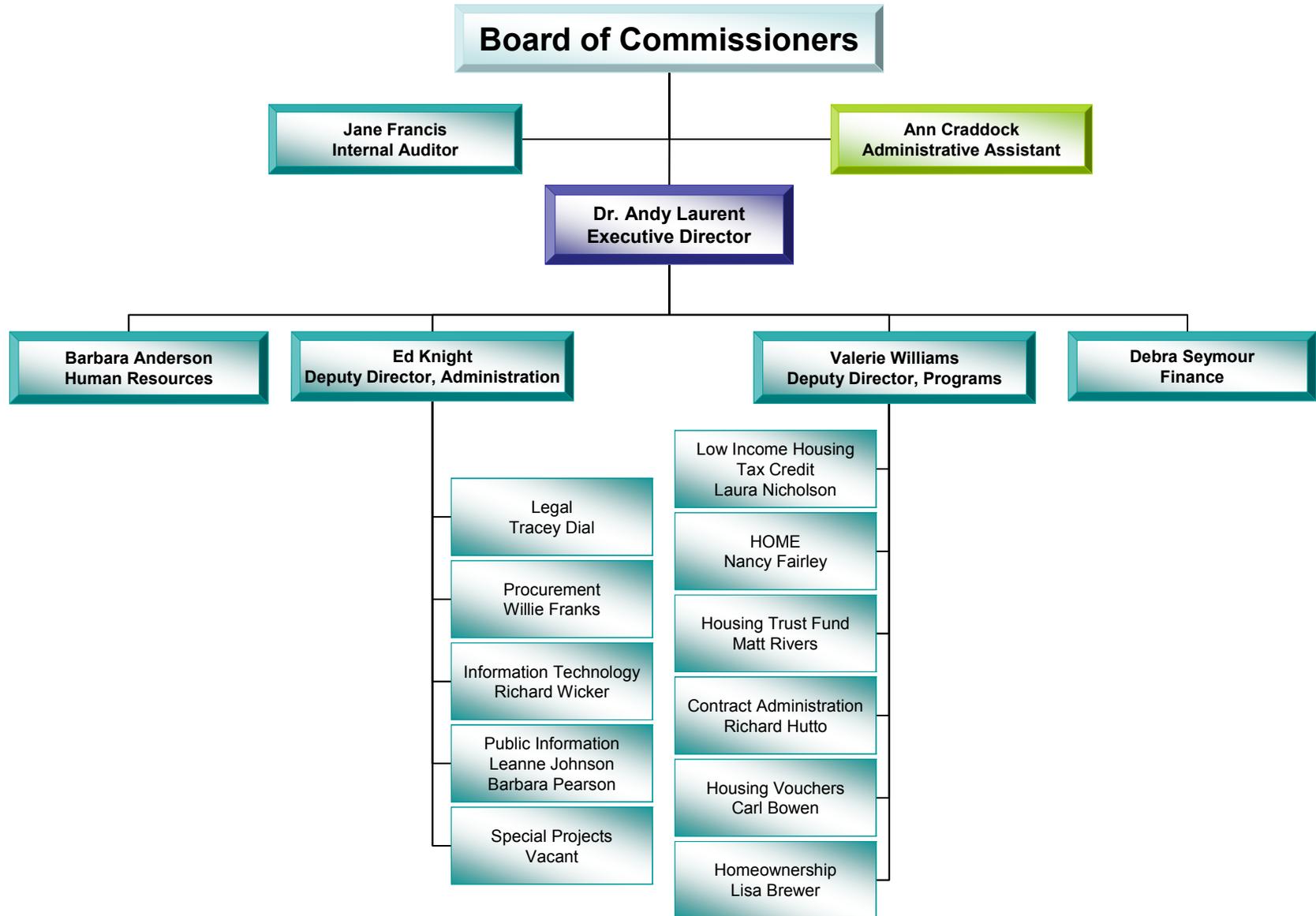
KEY CUSTOMERS/STAKEHOLDERS LINKED TO KEY SERVICES

| Service/Product | Customers | Intermediate Customers | Stakeholders |
|--|--|--|---|
| Mortgage Revenue Bond (MRB) Homeownership Program | Mortgagors (low- to moderate-income) | Lenders; Mortgage Brokers | Investors; Insurers; Federal agencies; Private Service Providers |
| Rental Assistance – Housing Choice Voucher (HCV) | Tenants (extremely low- and very low-income) | Property Owners | US Department of Housing and Urban Development (HUD) |
| Rental Assistance – Contract Administration | Tenants (extremely low- and very low-income) | Property Owners; HUD | |
| Low Income Housing Tax Credit (LIHTC) | Tenants (very low- and low-income) | Developers (both private sector and nonprofit) | |
| Multi-Family Tax-Exempt Bond Financing | Tenants (very low- and low-income) | Developers (both private sector and nonprofit) | |
| HOME Investment Partnerships | Tenants; Homeowners | Developers (both private sector and nonprofit) | |
| SC Housing Trust Fund (HTF) | Tenants; Homeowners; Homeless | Developers (both private sector and nonprofit) | |

KEY SUPPLIERS

| Service/Product | Supplier |
|---------------------------------|--|
| Computer Software | Applications Oriented Design (AOD); Housing Development Software (HDS); Yardi |
| Computer Hardware | Dell Computers; HP Direct CDW Computer Supplies |
| Computer Consulting | Modis |
| Office Supplies | State Central Supply; Lorick Office Supplies; Forms & Supply; J M Grace; Peachtree Business Products; United Product Distributors; Staples |
| Office Equipment (non-computer) | Xerox Corporation; Pitney Bowes |
| Office Furniture | JM Grace Corp; Lorick |
| Printing/Binding | SCDC Printing & Graphics; Professional Printers; University of South Carolina Press; Colonial Printers; Lexington Printers |
| Mail/Freight/Courier Services | US Postal Service; Federal Express; United Parcel Service (UPS) DHL Express |
| Temporary Services | MODIS |
| Travel Services | Travel Network; Forest Lake Travel |
| Promotional Supplies | Paper Pro; Adstreet Specialties; Palmetto Promotions; Joe Henry Company |

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY



1. LEADERSHIP

1.1 How do senior leaders set, deploy, and ensure two-way communication for: a) short and long term direction, b) performance expectations, c) organizational values, d) empowerment and innovation, e) organizational and employee learning, and f) ethical behavior?

a.) The Board of Commissioners provides policy direction for the Agency, and executive and senior management are responsible for translating this direction into strategic and tactical plans. Most direction is set by senior leaders during regularly scheduled meetings, as well as monthly Board meetings. The Board of Commissioners utilizes several committees composed of Board members to address important decisions regarding organizational direction that must be dealt with outside of the normal planning process. Although goals and plans are published and disseminated to all employees, it is the ultimate responsibility of all managers to communicate these goals and their importance. The most effective way in which senior leaders set, communicate, and deploy direction at the individual level is through annual review using the Employee Performance Management System (EPMS). This review ensures that the employee is aware of the goals of the Agency, and the responsibilities of the employee toward helping the Agency meet those goals. A team comprised of Agency employees worked this year to redesign the EPMS forms to more closely align ratings to the mission and goals of the Agency.

b.) Senior leaders have set the tone for setting, deploying and communicating performance expectations by requiring that each employee's objectives and success criteria as outlined in the employee's EPMS align with the Agency's strategic goals. Senior leaders also communicate a high standard for performance by placing a strong emphasis on maintaining excellent standing with our stakeholders, particularly the US Department of Housing and Urban Development which conducts annual audits of the Agency's performance in several departments.

c.) Organizational values are the nucleus of the Authority's operations. New employees are introduced to our core values of public trust, quality and innovation, employee focus, and customer focus at an orientation program designed to instill the importance of these values and their importance to the Agency's mission. These values are reinforced in Agency newsletters, other internal communiqués and the Employee Handbook. As role models, senior leaders display these values by remaining good stewards of public funds and resources, by always endeavoring to improve processes and services and encouraging the same of their employees, by cultivating their employees to be contributors and treating them with respect, and by realizing and communicating a strong customer focus, remembering that meeting the often divergent needs of our customers is at the center of what they do.

d.) *Innovation* and *employee focus* are among our most important stated organizational objectives. Senior leaders empower their employees with the information, education, resources, and flexibility employees need to do their jobs to the best of their abilities. Creativity and innovation in the services (“products”) the Agency provides, the delivery of those services, and process management are encouraged through awards and recognition. Perhaps the best examples of recognition are the Employee Recognition Program, a biannual award which recognizes outstanding performance and contributions, “Kudo” awards, which are given for short-term, immediate-impact employee contributions, and “Atta-Boys”, where employees can publicly praise their peers for making an extra contribution. Each of these programs stresses the importance of individual contributions in productivity and teamwork.

e.) Organizational and employee learning is encouraged through access to seminars and other training. All supervisors and managers are encouraged to participate in the Associate and Certified Public Manager courses and all employees are encouraged to make use of the Authority’s Tuition Assistance program. The amount of training each employee and each department receives annually is tracked by the Human Resources Division, which has concentrated much effort in the last fiscal year into creating an infrastructure to ensure continual employee development. Each employee follows an individualized training plan to ensure consistency and thoroughness.

f.) Ethical behavior standards are endorsed and communicated by the actions and examples of Agency leadership, and through the employee handbook and personnel policies. Progressive discipline and proper conduct are addressed in performance reviews and on an ongoing basis as needed. *Public trust* is one of our four core stated organizational values.

1.2 How do senior leaders establish and promote a focus on customers and other stakeholders?

The Agency has continued its emphasis on business development initiatives in order to continue expanding the knowledge and awareness of Authority products by reaching out to current and prospective customers and stakeholders. The senior staff has begun creating a technical assistance function to assist customers and stakeholders in their utilization and application of Authority products.

1.3 How do senior leaders maintain fiscal, legal, and regulatory accountability?

Fiscal accountability is accomplished via a comprehensive internal budgeting process. This process is conducted in addition to the usual agency-level budgets required by the Comptroller General’s office. The internal budgeting process requires each Division Director to carefully review past and expected revenues and expenses and to provide a detailed estimate for each line item.

Legal and regulatory accountability is driven by both external and internal forces. Externally, each Program area is subject to various compliance audits by HUD or other outside parties. These audits generally focus on process compliance in addition to results. The results of all audits are reviewed in detail by the Division Director, the Executive Director, the Internal Auditor, and any other affected staff.

Internally, each program area carefully coordinates new processes or products with internal and external legal counsel to ensure compliance with all legal and regulatory requirements. In addition, our Internal Auditor periodically reviews different areas of the agency for compliance.

1.4 What key performance measures are regularly reviewed by your senior leaders?

Performance measures vary widely by program. The following are the key performance measures regularly reviewed by senior leaders:

| Program/ Support Area | Measure |
|--|--|
| Rental Assistance | % Housing Voucher Participant Satisfaction |
| | % Housing Voucher Owner Satisfaction |
| | HUD SEMAP Score |
| | % Administrative Fees Earned (CA only) |
| | # Annual Compliance Review Findings |
| | # of Families Assisted |
| | # Vouchers per FTE |
| | # CA Units per FTE |
| | \$ cost per voucher - Direct Cost |
| | \$ cost per CA unit - Direct Cost |
| Homeownership | # Mortgage Loans Purchased |
| | # Mortgage Loans Managed (Total Portfolio) |
| | # Mortgage Loans Serviced |
| | SHA Foreclosure Rate |
| | # Serviced loans per Servicing FTE |
| | \$ cost per Service Loan |
| | \$ cost per Purchased Loan |
| HOME | # Awards |
| | Awards \$ |
| | # HOME Units |
| | % of Budget Awarded |
| | \$ Awards to FTEs |
| | \$ cost per \$ award |
| Low Income Housing Tax Credit | Tax Credits \$ |
| | # Developments Awarded |

| Program/ Support Area | Measure |
|----------------------------------|---|
| | # LIHTC Units |
| | \$ cost per \$ award |
| Housing Trust Fund | # Awards |
| | Awards \$ |
| | # HTF Units |
| | % of Budget Awarded |
| | \$ Awards to FTEs |
| | \$ cost per \$ award |
| | |
| Finance | % Change MRB Balance |
| | \$ cost per FTE |
| | % Change Asset-to-Debt Ratio |
| | Financial Audit Results (from CPA, HUD, and OSB) |
| Human Resources | # Of Employees using Tuition Assistance |
| | % Turnover to State % Turnover |
| | Average Sick Leave per Employee |
| | Average Training Courses per Employee |
| | % of employees w/in 5 years retirement eligibility |
| | % of employees w/in 10 years retirement eligibility |
| | Average Training Hours per Employee |

1.5 How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the organization?

Senior leaders compare organizational performance with either industry standards or historical data to determine progress and effectiveness, where possible. Senior leaders regularly review findings collected as part of the EPMS process, and exit interviews to evaluate leadership effectiveness. All senior leaders are also encouraged to complete the Certified Public Manager program. Within this curriculum is the Edge 360 class which includes a formal assessment by peers, supervisors, and employees.

1.6 How does the organization address the current and potential impact on the public of its products, programs, services, facilities and operations, including associated risks?

Public trust is a core value of the Authority; therefore, addressing the impact of its programs and services on the public is of great importance. The Authority gauges the current and potential impact of its programs and services on the public in a variety of ways. Perhaps the most important tool for determining impact is through our annual Stakeholder Investment Report which outlines how much money has been invested in the state through Agency programs that create affordable housing. This report measures the

impact these programs have on job creation, expansion of tax base, generation of tax revenues and, most importantly, families assisted. This report not only serves as a means to address our Agency's impact on the public, but is also our way of being held accountable to our customers and stakeholders.

Additionally, the Agency statistician, in collaboration with Clemson University's Strom Thurmond Institute of Government and Public Affairs, has created a new needs index. This needs index provides an assessment of affordable housing need at the county and census tract levels based on a variety of housing-related data. Unlike past efforts of this type, this index is not a snapshot of current affordable housing need, but rather is a "living" tool which can be adapted over the years to measure current need. As a reflection of the importance the Agency has placed on public impact, the Authority invited over thirty customers, partners and stakeholders to participate in the creation of the needs index.

The Agency also makes use of "roundtables" and public hearings to outline proposed program enhancements. These forums are used to garner public input that is incorporated into any final decisions.

1.7 How does senior leadership set and communicate key organizational priorities for improvement?

Major organizational priorities for improvement are generally set and addressed through regular meetings of the senior management group. Depending on the complexity of the improvement task, the Agency assembles a "GO TEAM", comprised of employees from across the organization working collectively to come up with a final solution. Of course, the EPMS process is another very effective way in which senior leaders communicate the organizational priorities that have been chosen for improvement.

1.8 How does senior leadership actively support and strengthen the community? Include how you identify and determine your areas of emphasis.

Providing affordable housing is, by its nature, a community strengthening public service. Every time our employees place a very low-income family in an affordable apartment, each time we are able to finance the new home of a low-income single parent, each time we help a nonprofit build an affordable housing complex for elderly, disabled, or low-income individuals, the Authority is strengthening the community. Beyond this, the Agency supports many community activities benefiting low-income individuals and families. Community activities sponsored by the Agency and its staff concentrate on helping individuals who are in the same economic positions as our customers. Some of these activities include an annual children's coloring and essay contest that benefits many children whose families are served by our various programs; supporting Harvest Hope Food Bank by holding food drives; participation in the Angel Tree Charity supporting orphaned children; fundraising for Salvation Army; participation in Red Cross blood drives; and the Authority's Education and Outreach Program which includes a Speaker's

Bureau. In addition to these, senior leadership encourages voluntary payroll deductions to charity causes such as the United Way Campaign and Community Health Charities.

2. STRATEGIC PLANNING

2.1 What is your Strategic Planning process, including KEY participants, and how does it account for: a) customer needs and expectations, b) financial, regulatory, societal and other potential risks, c) human resource capabilities and needs, d) operational capabilities and needs, e) supplier/contractor/partner capabilities and needs?

Strategic planning is accomplished through regular meetings among the senior staff group of the Agency. For 2005, this process was initiated during a two-day offsite retreat where the management group made changes to the overall mission statement of the agency, and then used those changes to frame the primary strategic objectives.

By directly involving personnel with programmatic, regulatory, oversight, and support responsibilities, this planning process insured that all internal and external needs and risks were addressed.

2.2 What are your key strategic objectives?

- Create and maintain a positive work culture that reinforces our mission, encourages innovation and is based on a spirit of cooperation and teamwork.
- Constantly review processes and the use of technology to improve customer service and enhance employee performance.
- Develop mutually supportive relationships that expand our ability to provide affordable housing while enhancing the value of investments.
- Actively seek new and innovative ideas to improve affordable housing opportunities.

2.3 How do you develop and track action plans that address your key strategic objectives?

Action plans are developed by small groups of Authority staff members, usually led by a member of the senior management team, who are charged with analyzing the strategic objective, including gathering all relevant data, and developing an action plan. The action plan is then shared with senior management for consensus. In most cases, the group responsible for creating the action plan is also responsible for creating performance measures and tracking performance.

2.4 What are your key action plans/initiatives?

The following are our key action plans as they relate to key strategic objectives:

Create and maintain a positive work culture that reinforces our mission, encourages innovation and is based on a spirit of cooperation and teamwork.

- Coordinate and share freely project development data and/or recipient information with other divisions.
- Actively participate in internal meetings that assist in the creation or improvement of agency programs and special initiatives.
- Produce a complete operations manual for Loan Production/Loan Servicing including all desktop procedures to assist in cross-training employees, managing processes during employee absences, training new employees, defining performance measures.
- Review the Authority's procedures.
- Review and determine the Authority's existing controls.
- Build positive working relationships with staff and all external parties.
- Ensure appropriate directors/managers/staff members are notified of legal issues involving their program areas.
- Ensure appropriate staff members are notified of new bond closings.
- Advise staff on legal issues arising from housing opportunities created by the Authority.

Constantly review processes and the use of technology to improve customer service and enhance employee performance.

- Review our processes, by program, to determine inefficiencies and subsequently work to correct them.
- Work to get Housing Development Software (HDS) software up and operational in as many programs as possible by the end of the calendar year, thereby increasing the affected program areas ability to be more responsive to inquiries.
- Make the first web-based application available to recipients by 2006 for the HTF and HOME programs.
- Design and implement a customer-based training / certification program for all entities.
- Purchase software that provides local construction cost data, update it quarterly, and make it available to recipients via the web.
- Evaluate production and servicing operations to enhance accountability by defining performance measurements, identify training and cross-training needs/opportunities.
- In consultation with division directors, direct a pro-active workforce-planning model to identify key leaders.
- Work with staff to create/revise program guidelines for housing opportunities.

Develop mutually supportive relationships that expand our ability to provide affordable housing while enhancing the value of investments.

- Expand each division’s list of stakeholders to be more inclusive of entities that are either providers of direct housing or supportive services in various types of affordable housing.
- Explore new ways in which the Authority can partner through Memorandums of Understanding (MOU) with other entities to enhance our effectiveness by reducing duplication of effort.
- Evaluate lender/broker performance on a quarterly basis. Set volume goals for lenders, put measurements in place to track volume and quality, manage lender/broker relationships based on their performance against the thresholds.
- Define and assess contract attorney performance on a quarterly basis. Set threshold measurements for time-frames, put measurements in place to track volume and quality, manage attorney relationships based on their performance.
- Update the web portal for borrowers and partners. Evaluate usage of pre-qualification of borrowers; define lenders/brokers by geographic area for ease of locating.
- Produce an online lender-broker training site in addition to an updated manual for lenders and brokers.
- Evaluate file imaging for Production and Servicing files.
- Stay abreast of current compliance/control/audit issues and requirements.
- Ensure the Authority’s procedures remain current and up-to-date.

Actively seek new and innovative ideas to improve affordable housing opportunities.

- Contact other states on a frequent basis to inquire about new and/or existing housing initiatives and processes.
- Develop the Housing Action Partnerships Program (HAPP) further to make it both flexible yet accountable.
- Work with private mortgage insurance companies to lower monthly insurance
- Meet with private companies to investigate “matching” opportunities.
- Draft an emergency repair program for the Homeownership Division.

2.5 How do you communicate and deploy your strategic objectives, action plans and performance measures?

The Senior Staff of the agency meets weekly to discuss a variety of issues. Part of this process involves periodic updates on objectives, plans and measures from the strategic plan. Work groups from across the agency are assembled to tackle specific strategic objectives or related tactical issues, and the progress and/or results generated by these teams are communicated both to the Senior Staff group and all employees in general.

Specific objectives or duties are also included in the EPMS that directly relate to components of the strategic plan. By including these objectives in each employee’s planning document, objectives, plans and measures are pushed down to all levels of the organization.

2.6 If the agency's strategic plan is available to the public through the agency's internet homepage, please provide an address for the plan on the website.

The current plan is not available on the Agency's website.

3. CUSTOMER FOCUS

3.1 How do you determine who your customers are and what their key requirements are?

Regulatory guidelines and enabling legislation of the various State Housing Finance and Development Authority programs mandates the beneficiary class of Authority programs and awards. The beneficiary classes range from extremely low-income households (less than 30% of the area median income, or AMI) to low-income households (less than 80% of the AMI). Some beneficiaries include moderate-income individuals and families. Intermediary customers and stakeholders are determined by the services the Authority must provide in order to effectively administer its housing programs.

In an effort to stay abreast of changing customer/business needs, the Authority administered random sampling surveys and implemented quality assurance programs to streamline processes with more user friendly products. These changes reflect the Authority's desire to tailor industry products with new trends. In addition to customer service interaction and workshops, the Authority encourages customers to submit suggestions, comments and concerns to the Communications Department either in writing, via email or over the phone. Builders/investors/owner-agents in multi-family projects and lenders/brokers in the Homeownership Division participate in training, "wellness" meetings and workshops to ensure customers' (intermediary customers) needs have been met.

The Authority is the host of South Carolina Partners in Homeownership, an organization consisting of over 50 partners, many of whom are customers, stakeholders or interested parties. The primary objective of the "Partnership" is education through best practices and the sharing of relevant information. Involvement in the Partnership has placed the Agency in the middle of a unique forum, providing opportunities through education and providing information to its partners, beneficiaries, and customers.

The Annual Palmetto Affordable Housing Forum continues to provide helpful, thought provoking opportunities for over 400 affordable housing professionals from across the state. This is an excellent opportunity for customers and stakeholders to share best practice techniques and voice opinions and needs.

3.2 How do you keep your listening and learning methods current with changing customer / business needs?

In an effort to stay current regarding changes in the business environment, staff employees routinely attend Local and National Conferences. Interaction with such organizations as the National Council of State Housing Authorities (NCSHA), Southeastern Affordable Housing Management Association (SAHMA), HUD, and industry groups such as the Southeast Regional Section 8 Housing Association (SERSHA) and Nan McKay and Associates provide feedback from customers and stakeholders that encourage change. This exchange of information has prompted change in the development of products that better meet customers' needs. Quality control, changes in regulatory guidelines and monthly conference calls with HUD liaisons allow staff to learn and share with other agencies which also indirectly help meet changing customer needs.

3.3 How do you use information from customers/stakeholders to keep services or programs relevant and provide for continuous improvement?

The Authority receives information and feedback from customers and stakeholders that is reflected in the action plans, applications and criteria of our programs.

This year, several brochures and publications were designed and made available on the agency website to enhance an understanding of our products. These publications range in focus from loan processing guides for our lending partners to step by step homeownership information for our current borrowers. Also, coordinated visits by Tax Credit, Contract Administration and Rental Assistance make it possible for owner/agents to schedule fewer visits to properties in an effort to save time and money. Wellness training to beneficiaries, HTF Advisory committee, public hearings and market studies also encourage continuous improvement. Customer/stakeholder feedback is used to adjust programs.

3.4 How do you measure customer/stakeholder satisfaction?

Customer satisfaction is measured differently according to program areas. For example, the Authority's Contract Administration program measures performance by annual HUD Audits and IG Audits (regulatory exchange). The determination of fees earned as a ratio of potential fees is the primary indicator of customer satisfaction. The Authority's Section 8 Voucher program uses 14 key performance indicators (prescribed by HUD) which result in a good indication of customer satisfaction. Suggestions from lenders and a volume of products are a strong indicator in customer satisfaction for homeownership. The Authority Servicing Complaint Log is also an indicator of the customer feedback received. The Authority's Rental Assistance programs, measures for customer satisfaction are prescribed by HUD in the form of performance indicators. Comprehensive briefings are provided to owners and participants regarding the intricacies of the program. Continuous communication, trust and respect are key

elements in establishing customer/stakeholder satisfaction. Satisfaction is then measured against past performance and, where relevant, changes are made to address needs.

3.5 How do you build positive relationships with customers and stakeholders? Indicate any key distinctions between different customer groups.

The Authority hosts a statewide conference annually bringing affordable housing stakeholders together to network, sharing best practices, and developing business strategies in an effort to expand and improve affordable housing opportunities. Authority staff participating in public hearings, NCSHA and SAHMA also build positive relationships. Each customer is assigned a counselor to ensure courteous, timely and accurate service. Lenders, Realtors, developers and builders are satisfied by a quick turn around time. HUD, the IRS and other regulatory agencies are primarily interested in compliance with rules and regulations and timely reporting. Property owners and managers look for correct and timely payments and consistent application of the rules.

The Authority believes that building and maintaining positive relationships through interaction, availability, respect, trust, new and updated products, automation, a willingness to work with problem loans and quick processing time satisfies customers, lenders, realtors, developers and builders.

4. MEASUREMENT, ANALYSIS, AND KNOWLEDGE MANAGEMENT

4.1 How do you decide which operations, processes and systems to measure for tracking financial and operational performance?

Federal and State legislation mandates many of the financial and operational measurements for the Authority's programs. NCSHA has best practices that our programs use to decide what processes to measure.

The Authority's support services communicate with executive and program management to get feedback on performance measures. In addition, our support services provide measurements requested by State Government.

4.2 What are your key measures?

The Authority's key program measures deal primarily with utilization, efficiency, and effectiveness. Common program measures are production (housing units served), investment (program dollars awarded or disbursed), customer satisfaction (number of complaints and commendations), budget utilization, and quality control (error rates and timeliness).

The Authority's key support measures focus on management information systems, namely summary reports of timeliness, accuracy, and efficiency provided to senior management and State Government.

4.3 How do you ensure data integrity, timeliness, accuracy, security and availability for decision making?

The Authority uses a series of checks and balances. For our programs and support areas, the Authority utilizes quality control software that audits the data, generating summarized reports reviewed by Authority staff. In addition, staff manually reviews workload and interacts with those persons assigned to various pieces of work.

The Authority equally uses customer feedback as an indicator of data integrity and quality control. Customer responses compliment the report audits and findings generated by Authority software.

4.4 How do you use data/information analysis to provide effective support for decision making?

Note: Analysis includes trends, projections, comparisons, and cause-effect correlation intended to support performance reviews and the setting of priorities for resource use. Analysis draws upon many types of data including customer related, financial, mission requirements, operational, competitive, and others.

The Authority uses data/information analyses to allocate and reallocate program resources, which include, but are not limited to program funds, program staff and responsibilities, and program equipment. Analysis is important to the Authority to monitor operating funds and resources which support the programs the Authority administrates.

4.5 How do you select and use comparative data and information?

The selection of comparative data varies from program to program. The Authority selects comparative data based on the suitability of the information on a regional or national basis. Examples of comparative data are bond and loan yield rates, homeownership rates, HUD performance-based contract fees, and the ratio of operating costs to production. The Authority staff also compares internal data year-to-year as a measurement of performance and quality.

The Authority annually hosts an affordable housing forum bringing housing professionals together to discuss affordable housing issues and share comparative data. Authority staff attends seminars and conferences that present comparative data staff reviews as indicators of performance.

4.6 How do you manage organizational knowledge to accomplish the collection and transfer and maintenance of accumulated employee knowledge, and identification and sharing of best practices?

The Authority uses cross-training, on-the-job training, annual reviews, certification classes, training and development plans, and work teams called “Go Teams” to manage organizational knowledge in program and support areas.

Go Teams consist of Authority staff working on projects that accomplish Authority objectives linked to the Authority mission. The Authority selected Go-Team members from across the agency based upon knowledge and experience. Senior Authority Staff reviews the goals of each team. The Go-Team sets benchmarks and presents the results. The Go Teams use project sheets called “Go Sheets” that provide quality control for the project’s workflow. Current Go Teams include Servicing of Multifamily Loans, Development Division Database & Software Upgrade, and Website Redesign.

5. HUMAN RESOURCES

5.1 How do Agency managers/supervisors encourage and motivate employees (formally and/or informally) to develop and utilize their skills.

The Authority is committed to training, developing and motivating the staff, and maintaining a clear channel of communication. The Authority offers several recognition programs in order to encourage, motivate, and recognize employees. Each of these programs stresses the importance of individual contributions in productivity and teamwork.

- The Outstanding Employee of the Year award recognizes two outstanding employees each year who are nominated by their peers.
- “Kudo” awards, which are given for short-term, immediate-impact employee contributions. Employees who do not use their sick leave during the year are recognized with a gift certificate.
- Safe Driving awards for employees who have not received a ticket or who have not been charged in an automobile accident during the year.
- “Atta-Boys” awards, where employees can publicly praise their peers for making an extra contribution.

The hard work of all employees is recognized each year with an annual picnic, a holiday luncheon, and an Employee Recognition Luncheon. In addition, the Agency also offers flexible work hours, casual dress Fridays, and an after work golf league that crosses agency lines.

5.2 How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation and safety training?

The Authority encourages and supports each employee in developing their ambition, commitment, and ability to meet current and future agency needs. A training plan is outlined for each employee for technical and professional development needs. Training activities are directly linked to the Authority's goals and objectives. They include:

- Diversity Training
- Sexual Harassment
- Defensive Driving
- Facilitation Skills
- Agency Orientation for all new hires
- Staff Introduction of each employee (via the Intranet)
- Total Quality Management

Supervisors are required to complete the Associate Public Management (APM) course and all managers are encouraged to complete the Certified Public Management (CPM) course. Senior managers are also encouraged to complete the Executive Institute. Tuition assistance is offered to provide educational opportunities and provide job enhancement opportunities for employees. A presentation, available on the Agency's Intranet, introduces each member of the Authority, including employee pictures and job functions, and has proven to be an invaluable tool in orienting new staff members.

5.3 How does your employee performance management system, including feedback to and from employees, support high performance?

The Authority utilizes the combined Position Description (PD) / EPMS form that is instrumental in ensuring that employee job descriptions and objectives mesh. The EPMS reflects what the employee's position responsibilities include and PDs are updated annually. This ensures that the employee's PD is current with the EPMS. This year characteristics have been realigned and are weighted to 40 percent for staff and 50 percent for managers. Continuous communication between employee and supervisor is required on the managerial EPMS and managers are rated on their communication. Employees participate in the drafting of the combined planning document and are encouraged to make suggestions where appropriate. Interim reviews are conducted and the EPMS has a July 1 Universal Review date that is more in line with the annual accountability report timeframes.

5.4 What formal and/or informal assessment methods and measures do you use to determine employee wellbeing, satisfaction, and motivation?

The Human Resource Staff performs exit interviews with each employee leaving the agency to measure and assess agency weaknesses and strengths. This has resulted in receiving valuable input on providing training to future employees. Overall, information gathered from the exit interviews has been very positive. Our tuition assistance program

(undergrad and grad), casual work Fridays, and a flexible work schedule allow our employees to balance and pursue developmental needs.

5.5 How do you maintain a safe and healthy work environment?

The Authority follows OSHA guidelines to maintain a safe working environment. Employees are also offered:

- Annual health screening
- Walking club
- On-site CPR training
- Body Bulletin Magazine (a monthly health magazine delivered to each employee)

5.6 What is the extent of your involvement in the community?

The Authority participates in the following activities:

- Community Health Charities
- United Way Campaign
- Outreach and Education to enlighten the people of our state about the Authority
- National Homeownership Month
- Harvest Hope Food Bank
- The Angel Tree (Epworth Children's Home)

6. PROCESS MANAGEMENT

6.1 What are your key processes that produce, create or add value for your customers and your organization, and how do they contribute to success?

The Authority program areas provide workshops on and off-site to applicants interested in program resources and information. The Authority communicates to the customer program application status and program changes. The Authority's Housing Forum provides an environment for customers to meet staff and exchange information on general and specific topics. Customers discuss program information with staff via phone and e-mail.

The Authority automates many support processes including payroll, procurement, and human resources. Authority staff can access human resource information (attendance, forms, etc.) on the Web or on the local area network. Career opportunities at the Authority are available online at <http://www.state.sc.us/jobs>.

6.2 How do you incorporate organizational knowledge, new technology, changing customer and mission-related requirements, cost controls, and other efficiency and effectiveness factors into process design and delivery?

The Authority's website (<http://www.schousing.com>) allows customers access to program applications and guides, staff directories, press releases and publications, and

EXTRAnet (a customer-based intranet) access. The Authority uses the EXTRAnet to deliver information that is targeted to each partner's specific interest and to create new ways for partners to interact with our data systems and staff from any internet-ready computer. Through the Authority's EXTRAnet, customers can obtain such information as subsidy look-ups and business partner information.

To ensure Agency work practices are efficient and effective, Authority staff (1) attends workshops and conferences nationally and statewide, (2) utilizes feedback from our internal and external customers, and (3) follows best practices standards established by NCSHA. The Authority maintains a customer focus throughout operations.

6.3 How does your day-to-day operation of these processes ensure meeting key performance requirements?

The Authority uses EPMS to ensure that staff meets performance requirements. Daily meetings, audit controls, daily quality checks, staff involvement, and government guidelines also ensure daily program and operational performance.

6.4 What are your key support processes, and how do you improve and update these processes to achieve better performance?

The Authority's key support processes are in human resources, finance and accounting, and planning and communications. Employee attendance, payroll and benefits, and performance are tracked via computer systems linked to State Government. State Government computer systems also determine accounting reporting and procurement procedures. The Authority strives for continuous improvement. The Authority's relocation in 2004 was successful in part to extensive planning, anticipating potential setbacks, and quick resolution of problems. The Authority continuously informs the media on Authority news and events to serve our customers.

7. BUSINESS RESULTS

The Authority's efforts to promote and provide housing opportunities for low- to moderate- income South Carolinians last year were productive. Noteworthy accomplishments for the year include:

- Assisted 42,454 South Carolinians with their housing needs
- Provided over \$402 million in direct assistance
- Helped push South Carolina's homeownership rate to 76.2%, a rate that continues to surpass the national rate of 69.0%
- Generated 18,890 construction jobs
- Generated \$308 million of new tax base
- Generated \$139 million in state and local revenue
- Provided rental subsidies for over 20,000 very-low income families and individuals
- 3.4% Cost to production ratio
- Moody's Rating of Mortgage Revenue Bonds – A2 (stable) as of November, 2004

The Authority staff continues to increase productivity in all program areas.

7.1 What are your performance levels and trends for the key measures of customer satisfaction?

Authority divisions measure customer and stakeholder satisfaction in different ways:

Section 8 Housing Choice Voucher Program

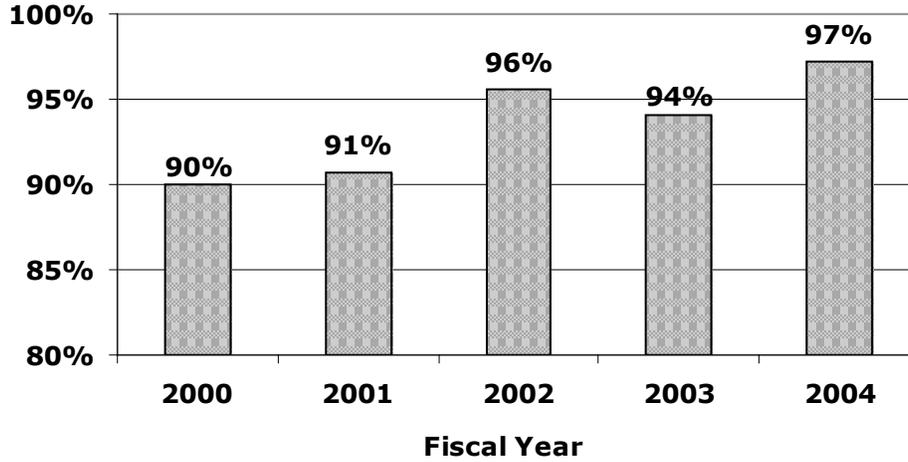
The HUD Section 8 Housing Choice Voucher Program provides rental subsidies to very-low income families and individuals in the private rental market. Subsidies are based on family income and composition. Participants may select a house, mobile home, duplex or apartment that meets HUD Housing Quality Standards (HQS), rents for a reasonable amount, is affordable and whose owner is willing to participate in the Voucher Program. HUD pays 100% of the rental subsidies and an administrative fee to the Authority to cover operating costs. The Authority administers the Voucher Program in **eight** counties.

Participants and rental property owners are the two primary customers of the Voucher Program. HUD is the primary stakeholder. The Authority's performance for each of these groups is measured.

Customers:

The Voucher Program provided assistance for **2,565** participant families during the past fiscal year. **Participation in the program is limited due to the number of vouchers and budget available from HUD.** The Authority re-certifies a family's eligibility, income and expenses as well as the unit's condition at least annually. The Authority continues to survey participants to determine the level of customer support and satisfaction (See Graph 7.1a.).

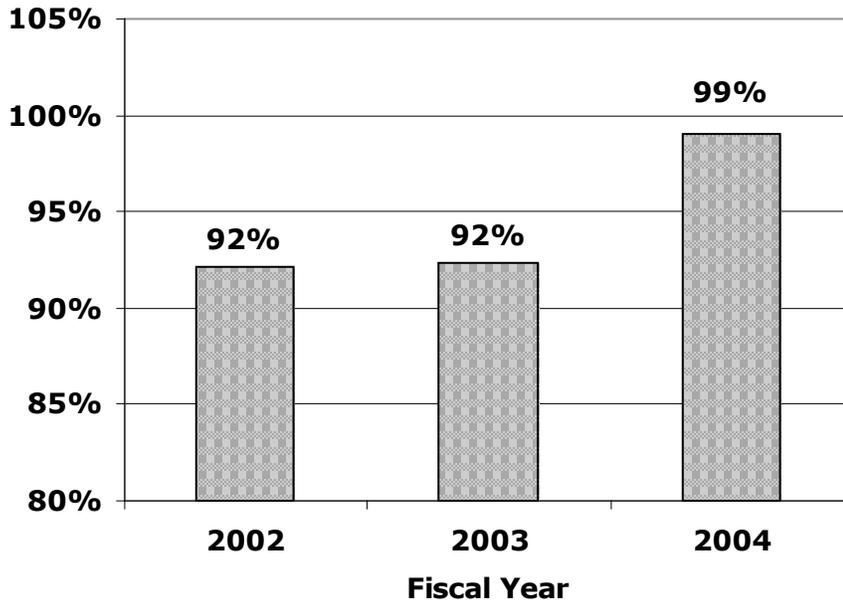
Housing Voucher Participant Satisfaction



Graph 7.1a

Approximately 800 property owners/apartment complexes rent units to Voucher participants. The units are inspected based on HUD HQS at least annually. The Authority continues to survey owners in an effort to track performance and customer satisfaction (See Graph 7.1b.).

Housing Voucher Owner Satisfaction



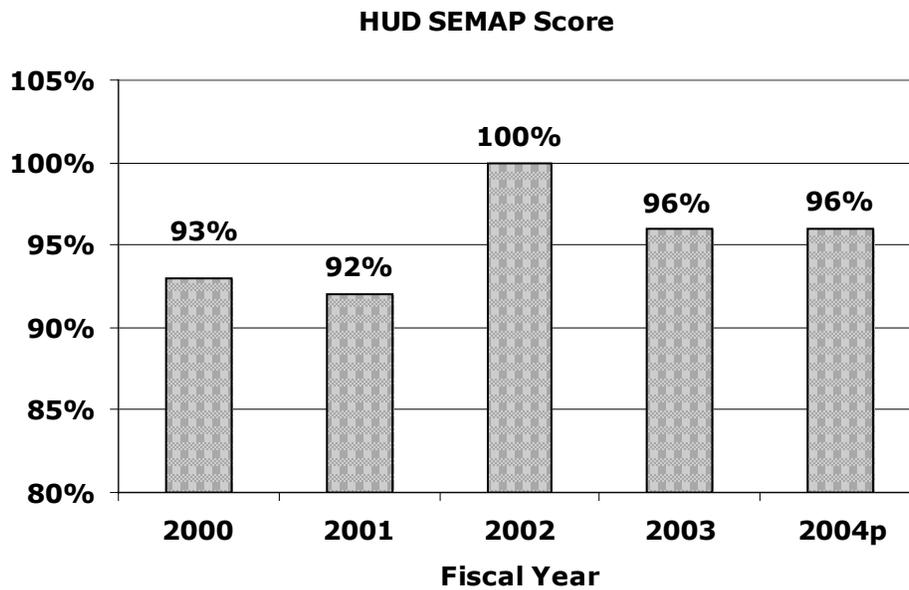
Graph 7.1b

Stakeholders:

HUD established a grading system for housing authorities (HA) that administer the Voucher Program. The Section Eight Management Assessment Program (SEMAP) measures 14 indicators of the program success covering compliance, timeliness, unit inspections and occupancy. HUD issues grades to the housing authorities from 1 to 100.

| | |
|---------------------|-----------|
| High Performers | 90 to 100 |
| Standard Performers | 60 to 89 |
| Troubled | Below 60 |

Troubled PHAs may be sanctioned or their operations taken over by HUD. SEMAP issued grades during fiscal year 2000 for the first time (See Graph 7.1c).

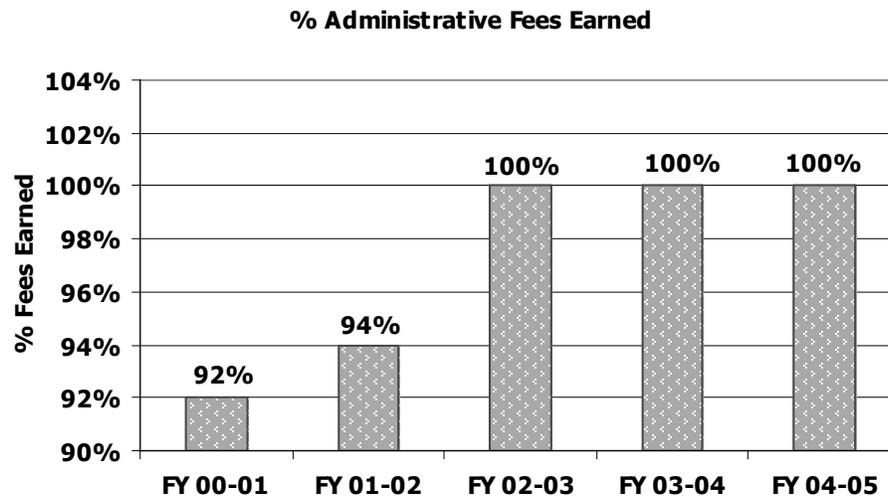


p - Projected

Graph 7.1c

Section 8 Contract Administration

Customer satisfaction is measured primarily by the determination of fees earned as a ratio of potential fees. We are a subcontractor for HUD. They have created very specific accountability measures to include performance timeframe requirements. Maximization of fees is the truest indicator of performance. For example, tenant complaints of a life threatening nature require our office to respond within 1 hour of receipt of the complaint. If this deadline is missed we are charged with a “disincentive” or reduction in fees. The chart titled “Percentage Administrative Fees Earned Fiscal Years 2001 – 2005” (See Graph 7.1d) provides the amount of fees earned as a percentage of potential monthly earnings.



Graph 7.1d

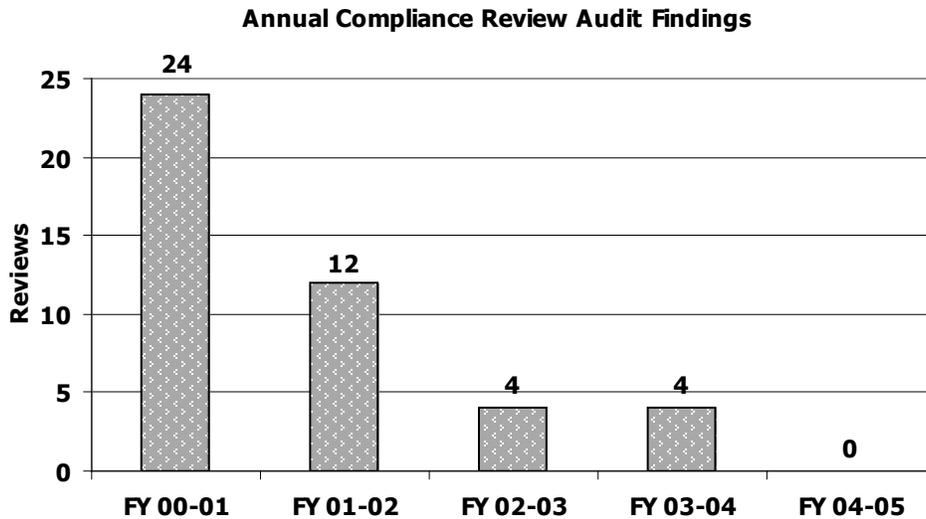
The contract allowed an initial grace period in which 100% of fees were paid to our Authority regardless of performance. The performance-based contract requires the timely completion of 28 core tasks. These tasks are:

1. Management & Occupancy Review
2. Documenting Owner Civil Rights Compliance
3. Processing Rental Adjustments
4. Owner Opt-Out Notices and Contract Terminations
5. Owner Opt-Out and HAP Contract Termination: Submit resident data to HUD
6. Review, Verify, and Authorize Monthly Section 8 Vouchers
7. Notice of Corrective Actions
8. Monitoring & Reporting Owner's follow-up efforts on discrepancies identified as a result of tenant income matching initiatives.
9. Life-threatening Health & Safety Issues
10. Non-life-threatening Health & Safety issues
11. Budgets, Requisitions, Revisions
12. Year-end Statement
13. Public Housing Authority Audit
14. Renewals of Expiring HAP Contracts
15. General Reporting Requirements
16. Monitoring Physical Inspection Results

Completion of core tasks involving electronic payments to owners and renewals of subsidy contracts require that owners make system preparations and provide information to our staff. Many owners did not make necessary system changes in a timely manner or were slow to provide information to staff. This combined with the lack of a system to provide for task prioritization and issues with private contractors hired to obtain data resulted in early fee losses. Property owners have updated or established systems that allow timely electronic funds transfers that have eliminated fee losses in this area.

Contract Administration staff have implemented the use of tracking and prioritization spreadsheets to efficiently process subsidy contract renewals. These changes have resulted in fee maximization over the last 28 months.

Another indication of staff effectiveness or customer satisfaction is the Annual Compliance Review. This review is an audit performed annually by HUD in relation to the Contract Administration performance-based contract. The chart titled “Annual Compliance Reviews” (See Graph 7.1e) indicates the results of the five years of this contract. Audit findings have significantly decreased over this period. The most recent audit report indicated that “the PBCA (Performance Based Contract Administrator) staff has developed some excellent computer checklists, reports and tracking charts to assist them in meeting the requirements of the Annual Contributions Contract.” Contract Administration was also audited this past year by the Department of Housing and Urban Development’s Office of the Inspector General. This audit is part of a nationwide review of the Performance Based Contract. The audit team from the Office of the Inspector General indicated that our Contract Administration system for computerized auditing and error tracking was among the best in the country.



Graph 7.1e

We also continue to enhance customer satisfaction as we build positive working relationships with HUD by responding quickly and courteously to requests for information. We continually demonstrate a willingness to meet to discuss implementation of regulatory changes. Positive working relationships are developed with HUD and Owners as we demonstrate our program competency. All CA staff are required to successfully complete third party sponsored training. Staff meetings are held monthly to discuss issues and best practices. In addition, Contract Administration Staff is always represented at user group meetings sponsored by our primary software provider. Strong relationships are developed with tenants by responding to their complaints within the timeframes established in our performance-based contract.

Homeownership – MRB

In Loan Purchase, turn around time is used as an indicator of customer satisfaction. Lenders and Realtors[®] are generally satisfied when turn around time is three days or less.

Customer satisfaction in the Mortgage Servicing Department is measured by the number of complaints received from homeowners concerning errors in the department in our escrow accounting and default record keeping areas. The Mortgage Servicing Department monitors complaints about errors in property taxes, insurance, and payoffs.

Although the Mortgage Servicing Department currently keeps a ledger of the more formal customer complaints, the Department will soon establish a system that will allow employees to more easily capture all customer complaints and inputs, which will create a more measurable idea of customer satisfaction. This will result in an increased ability to identify any weaknesses in service delivery.

7.2 What are your performance levels and trends for the key measures of mission accomplishment and organizational effectiveness?

The South Carolina State Housing Finance and Development Authority is the State's single largest public developer of affordable multi- and single-family housing. Resources available to the Authority were invested in a wide range of programs to help address growing demand for affordable housing across South Carolina. The State's housing assistance activities include homeownership (mortgage) and down payment loan assistance, single and multi-family housing development, preservation, rental and utility payment assistance, and special needs housing development for the very low-income, homeless, disabled and elderly.

According to the most recently available census data, South Carolina had a homeownership rate in 2004 of 76.2%. This is significantly higher than the national average of 69.0%. West Virginia leads the nation with the highest homeownership rate of 80.3%. In the Southeast, South Carolina is second to Alabama in homeownership, as evidenced in Table 7.2a below.

HOMEOWNERSHIP RATES IN THE SOUTHEAST 2000-2004

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| South Carolina | 76.5 | 76.1 | 77.3 | 75.0 | 76.2 |
| Alabama | 73.2 | 73.2 | 73.5 | 76.2 | 78.0 |
| Florida | 68.4 | 69.2 | 68.7 | 69.5 | 72.2 |
| Georgia | 69.8 | 70.1 | 71.7 | 71.4 | 70.9 |
| North Carolina | 71.1 | 71.3 | 70 | 70.0 | 69.8 |
| Virginia | 73.9 | 75.1 | 74.3 | 75.0 | 73.4 |
| National Average | 67.4 | 67.8 | 67.9 | 69.9 | 69.0 |

HOMEOWNERSHIP RATES IN THE SOUTHEAST 2000-2004

Note: While the national homeownership average dropped nearly a full percent from 2003 to 2004, the South Carolina homeownership rate rose 1.2 percent, bringing it to number 6 in the nation.

Table 7.2a

By using mortgage revenue tax-exempt bond proceeds and Agency-generated funds, the Authority works with participating lenders to offer low-to-moderate income, first-time homebuyer loans with affordable, below-market interest rates. During the fiscal year, the Authority purchased a total of 2,289 mortgages, totaling over \$ 113M (See Table 7.2b).

HOMEOWNERSHIP PROGRAMS Mortgage Loans Purchased

| | FY 00-01 | FY 01-02 | FY 02-03 | FY 03-04 | FY 04-05 |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| MRB Program | \$67,353,530 | \$61,721,394 | \$48,963,976 | \$56,640,341 | \$106,979,981 |
| Special Programs | \$9,274,272 | \$23,807,772 | \$2,246,811 | \$12,445,055 | \$6,056,294 |
| Total | \$76,627,802 | \$85,529,166 | \$51,210,787 | \$69,085,396 | \$113,036,275 |
| First Mortgages | 1,090 | 1,089 | 635 | 774 | 1,157 |
| Second Mortgages | 449 | 238 | 350 | 611 | 1,132 |
| Total | 1,539 | 1,327 | 985 | 1,385 | 2,289 |
| Purchase \$ per Loan | \$49,791 | \$64,453 | \$51,991 | \$49,881 | \$49,382 |

Table 7.2b

Over 75% of the first mortgages purchased participated in one of the Down Payment Assistance programs. As of June 2004, nearly 40% of first mortgages were provided through our Broker Program network. For the first time in SCSHFDA history, the Authority has had the ability to adjust interest rates for our mortgages. This has allowed the Authority to offer below market interest rates while maintaining the financial integrity of the program. These rates can be viewed daily by participating lenders and borrowers alike on the Agency's website and are updated on a weekly basis.

The Authority's portfolio contains a total of 12,314 first and second mortgages that are serviced by four (4) private sector providers in addition to Authority in-house servicing. The in-house department services the complete portfolio of second mortgages. See Tables 7.2c and 7.2d below.

HOMEOWNERSHIP PROGRAMS
Loan Administration
Mortgage Loans Managed

| | FY 00-01 | FY 01-02 | FY 02-03 | FY 03-04 | FY 04-05 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Principal Balances \$M | 491.4 | 528.8 | 500.3 | 482.5 | 526.2 |
| Number of Mortgages | 10,385 | 13,266 | 12,339 | 11,649 | 12,314 |

Table 7.2c

HOMEOWNERSHIP PROGRAMS
In-House Mortgage Loan Servicing
Mortgage Loans Serviced

| | FY 00-01 | FY 01-02 | FY 02-03 | FY 03-04 | FY 04-05 |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| First Mortgages | 6,591 | 6,784 | 6,704 | 6,377 | 7,314 |
| Second Mortgages | 2,974 | 2,827 | 2,731 | 2,788 | 3,389 |
| TOTAL | 9,565 | 9,611 | 9,435 | 9,165 | 10,703 |
| # Loans per FTE | 797 | 801 | 786 | 764 | 892 |

Table 7.2d

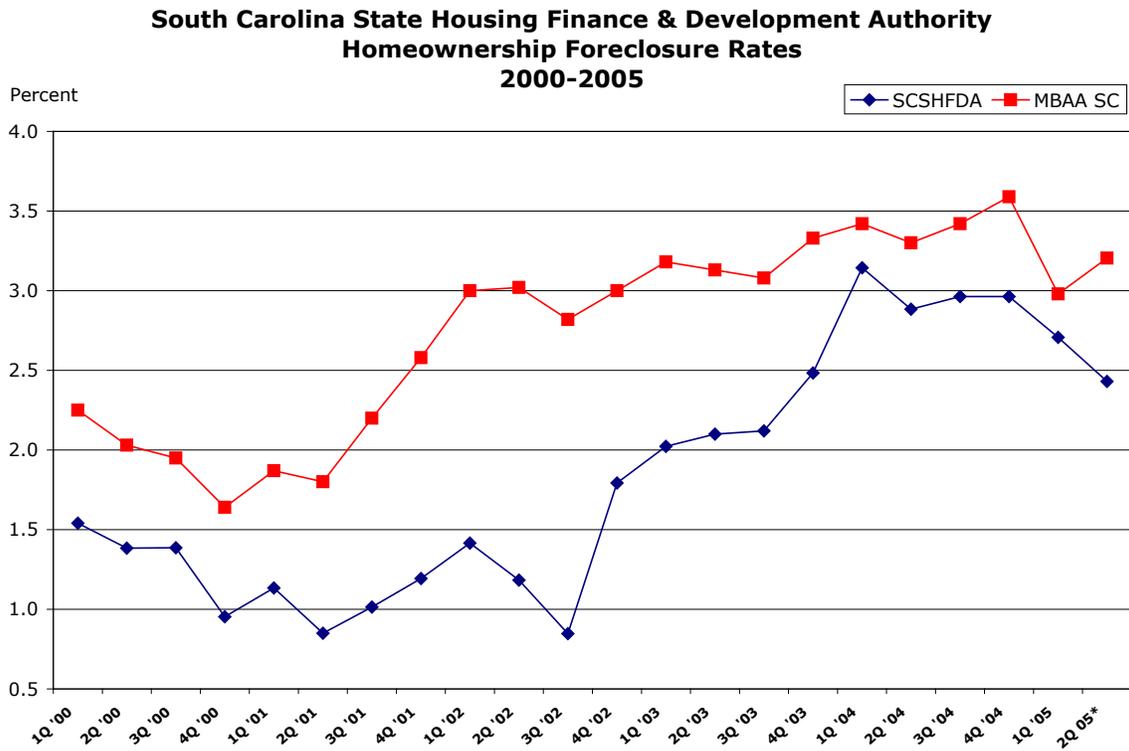
The Mortgage Servicing Department has set a goal to keep Agency foreclosures ratios below that of the Mortgage Bankers Association of America. The Authority has maintained a ratio below that of the MBAA for several years.

| Foreclosure Rate | | |
|-------------------------|----------------|-------------|
| Qtr | SCSHFDA | MBAA |
| 1Q '00 | 1.54 | 2.25 |
| 2Q '00 | 1.38 | 2.03 |
| 3Q '00 | 1.39 | 1.95 |
| 4Q '00 | 0.95 | 1.64 |
| 1Q '01 | 1.13 | 1.87 |
| 2Q '01 | 0.85 | 1.80 |
| 3Q '01 | 1.01 | 2.20 |
| 4Q '01 | 1.19 | 2.58 |
| 1Q '02 | 1.42 | 3.00 |
| 2Q '02 | 1.18 | 3.02 |
| 3Q '02 | 0.85 | 2.82 |
| 4Q '02 | 1.79 | 3.00 |
| 1Q '03 | 2.02 | 3.18 |
| 2Q '03 | 2.10 | 3.13 |
| 3Q '03 | 2.12 | 3.08 |
| 4Q '03 | 2.48 | 3.33 |
| 1Q '04 | 3.14 | 3.42 |
| 2Q '04 | 2.88 | 3.30 |

| Foreclosure Rate | | |
|------------------|---------|------|
| Qtr | SCSHFDA | MBAA |
| 3Q '04 | 2.96 | 3.42 |
| 4Q '04 | 2.96 | 3.59 |
| 1Q '05 | 2.71 | 2.98 |
| 2Q 05* | 2.43 | 3.20 |

* Estimated MBAA Rate
 All MBAA statistics are for
 South Carolina FHA FRM loans

Table 7.2e



Graph 7.2a

Rental Assistance (Section 8) Programs

Over 20,000 families receive housing assistance through the Authority's administration of the HUD Section 8 Project-based (Contract Administration) and Tenant-based (Housing Choice Vouchers) programs. Tenants pay approximately 30% of their income toward rent and the remainder is subsidy. During the fiscal year 2004-2005 this subsidy amounted to over \$93 million dollars.

| | FY 00 - 01 ^A | FY 01 - 02 | FY 02 - 03 | FY 03 - 04 | FY 04 - 05 |
|--------------------------|-------------------------|--------------|--------------|--------------|--------------|
| Families assisted | 18,591 | 19,163 | 20,265 | 20,280 | 20,478 |
| Subsidy Payments | \$21,741,877 | \$75,542,813 | \$96,804,747 | \$92,400,782 | \$93,767,001 |

Table 7.2e

Note A – fiscal year 2000-2001 was a transition year for Contract Administration. During most of the year, HUD made the subsidy payments directly.

HOME Investment Partnerships Program

The following tables (See Table 7.2f and 7.2g) show the awards made by the HOME program during fiscal years 1999 to 2003. Of the 36 awards that were made with 2003 funding, 41% of the awarded recipients had never participated in the program previously.

| FY | Program Activity | Awards | Dollars | Units | Dollars/Award | Dollars/Unit |
|------|------------------|--------|--------------|-------|---------------|--------------|
| 1999 | Homeownership | 16 | \$3,782,852 | 249 | \$236,428 | \$15,192 |
| 2000 | Homeownership | 14 | \$2,701,526 | 205 | \$192,966 | \$13,178 |
| 2001 | Homeownership | 9 | \$2,007,421 | 213 | \$223,047 | \$9,425 |
| 2002 | Homeownership | 6 | \$1,094,850 | 63 | \$182,475 | \$17,379 |
| 2003 | Homeownership | 16 | \$1,872,465 | 135 | \$117,029 | \$13,870 |
| 1999 | Lease/Purchase | 4 | \$1,150,000 | 54 | \$287,500 | \$21,296 |
| 2000 | Lease/Purchase | 2 | \$570,000 | 86 | \$285,000 | \$6,628 |
| 2001 | Lease/Purchase | 1 | \$300,000 | 15 | \$300,000 | \$20,000 |
| 1999 | Rental | 17 | \$6,075,161 | 270 | \$357,362 | \$22,501 |
| 2000 | Rental | 11 | \$4,479,525 | 248 | \$407,230 | \$18,063 |
| 2001 | Rental | 21 | \$7,080,191 | 476 | \$337,152 | \$14,874 |
| 2002 | Rental | 30 | \$10,005,039 | 585 | \$333,501 | \$17,103 |
| 2003 | Rental | 15 | \$10,078,327 | 453 | \$671,888 | \$22,248 |
| 2003 | ADDI | 22 | \$1,158,475 | 309 | \$52,658 | \$3,749 |
| 2003 | Owner-Occupied | 6 | \$320,000 | 16 | \$53,333 | \$20,000 |
| 2003 | TBRA | 8 | \$1,397,181 | 207 | \$174,648 | \$6,750 |

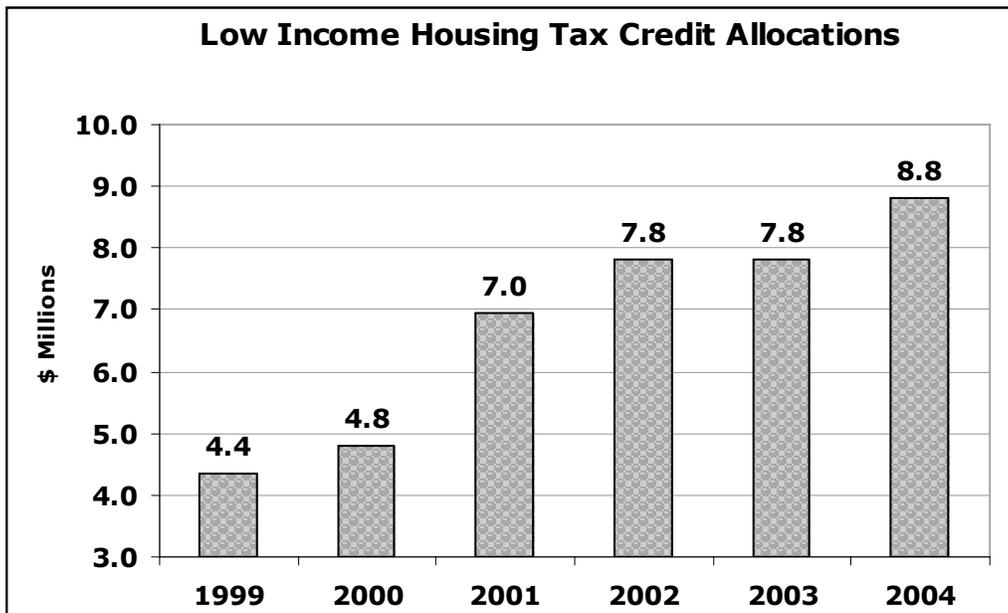
Table 7.2f

| FY | Awards | Dollars | Units | Dollars/Award | Dollars/Unit |
|-----------|---------------|----------------|--------------|----------------------|---------------------|
| 1999 | 37 | \$11,008,013 | 573 | \$297,514 | \$19,211 |
| 2000 | 27 | \$7,751,051 | 539 | \$287,076 | \$14,380 |
| 2001 | 31 | \$9,387,612 | 704 | \$302,826 | \$13,335 |
| 2002 | 36 | \$11,099,889 | 648 | \$308,330 | \$17,129 |
| 2003 | 56 | \$14,806,448 | 1119 | \$264,401 | \$13,232 |

Table 7.2g

Low Income Housing Tax Credit Program

The significant increase in tax credit dollars allocated in the year 2001 is a result of an increase in the per capita amount of credit that was passed by Congress in late 2000. This legislation increased the amount of credit from \$1.25/person to \$1.50/person in 2001 and to \$1.75/person in 2002 (See Graph 7.2a).



Graph 7.2a

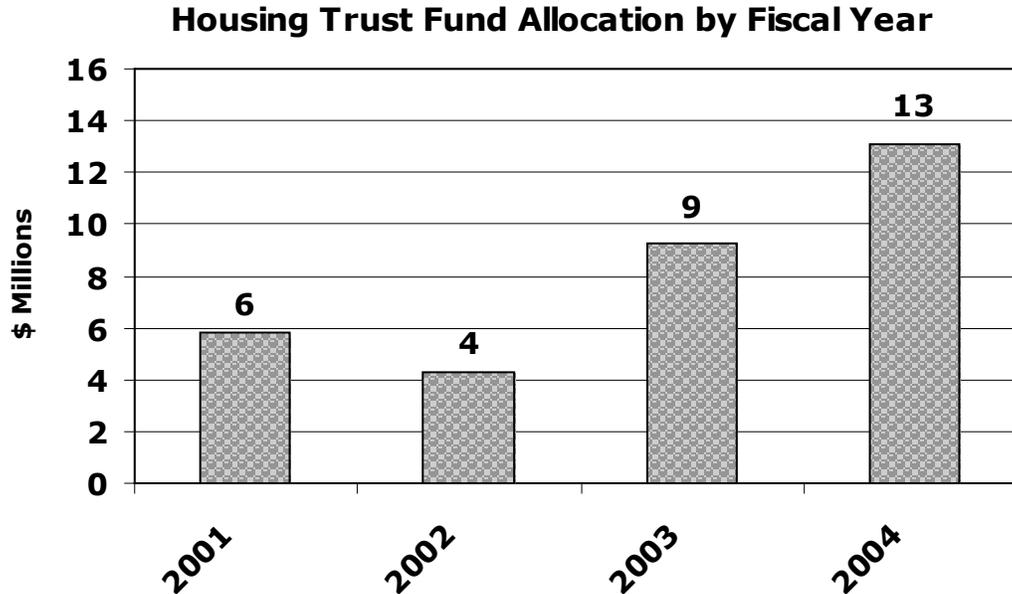
| CY | Tax Credits Allocated \$ | Number of Developments | Rental Units | Credits/ Dev. | Credits/ Unit |
|-----------|---------------------------------|-------------------------------|---------------------|----------------------|----------------------|
| 1999 | 4,354,067 | 17 | 810 | 256,122 | 5,375 |
| 2000 | 4,782,482 | 17 | 825 | 281,322 | 5,797 |
| 2001 | 6,958,405 | 28 | 1,312 | 248,514 | 5,304 |
| 2002 | 7,812,886 | 29 | 1,220 | 269,410 | 6,404 |
| 2003 | 7,810,626 | 25 | 1,297 | 312,425 | 6,022 |
| 2004 | 8,817,741 | 26 | 1,400 | 339,144 | 6,298 |

Table 7.2h

Tax credit funding of \$8,817,741 was awarded in 2004. These tax credits are sold to investors generating approximately \$60,923,000 in equity to be used for the construction and rehabilitation of low-income rental developments. The 26 developments awarded in 2003 will produce 1,400 rental units in South Carolina.

Housing Trust Fund

Housing Trust fund awards were made throughout the state with a total of 349 awards for \$9,258,977 in 2003 and 185 awards for \$13,076,447 in 2004. (See Graph 7.2b)



Graph 7.2b

The decrease in awards funded beginning in 2002 was deliberate as Housing Trust Fund restricted awards in an effort to ensure that the Housing Trust Fund did not become depleted, as the revenue source for the fund is economy-driven based on real estate transfers (See Table 7.2i).

| FY | Awards | Dollars | Units | Dollars/Award | Dollars/Unit | Dollars/FTE |
|-----------|---------------|----------------|--------------|----------------------|---------------------|--------------------|
| 2001 | 289 | 5,834,487 | 585 | 20,189 | 9,973 | 486,207 |
| 2002 | 296 | 4,318,595 | 396 | 14,590 | 10,906 | 359,883 |
| 2003 | 349 | 9,258,977 | 617 | 26,530 | 15,006 | 771,581 |
| 2004 | 185 | 13,076,447 | 730 | 70,683 | 17,913 | 1,089,704 |

Table 7.2i

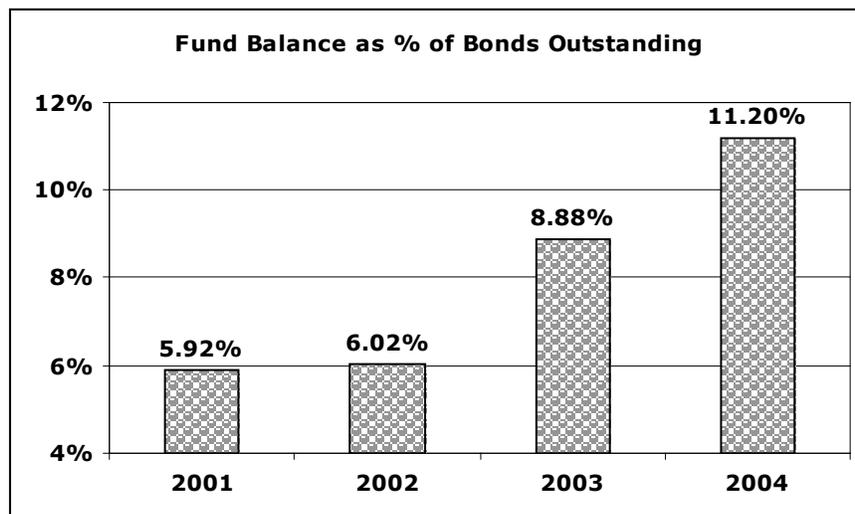
7.3 What are your performance levels for the key measures of financial performance?

According to the National Council of State Housing Agencies, the South Carolina State Housing Finance and Development Authority "ranks among the nation's most financially secure and well-managed housing finance agencies." Moody's Investors Service rate the Authority's Bonds for fiscal year 2004 a rating of A2 (stable).

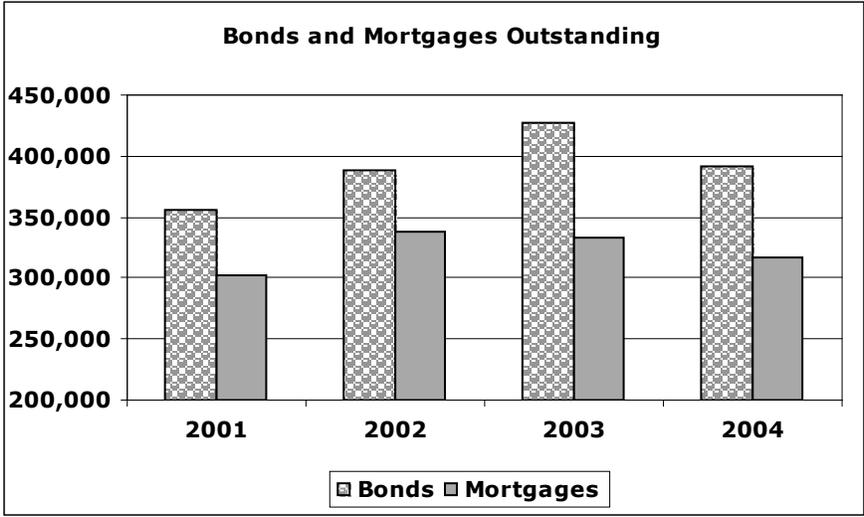
The data for the following tables and graphs are from the 2005 State Housing Finance Agency Outlook and Medians for Single Family Whole Loan Programs (based on fiscal year 2004 financials and program data) produced by Moody's Investor Service.

| Financial data (\$000): | Fiscal Year | | | | % Change 03 - 04 |
|---|--------------------|-------------|-------------|-------------|---------------------------------|
| | 2001 | 2002 | 2003 | 2004 | |
| MRB Fund Balance | 21,020 | 23,422 | 37,964 | 43,843 | 15.49% |
| MR Bonds Outstanding | 355,068 | 389,070 | 427,523 | 391,455 | -8.44% |
| MRB Mortgages Outstanding | 301,742 | 338,264 | 333,615 | 317,078 | -4.96% |
| MRB Fund Balance as % of MR Bonds outstanding | 5.92% | 6.02% | 8.88% | 11.20% | 26.13% |
| MRB asset-to-debt ratio (PADR) | 1.058 | 1.059 | 1.079 | 1.102 | 2.13% |
| MRB net revenue as % of total revenue | 10.58% | 9.05% | 11.38% | 10.20% | -10.37% |
| MRB net interest revenue as % of gross interest revenue | 13.23% | 13.24% | 15.02% | 14.48% | -3.60% |

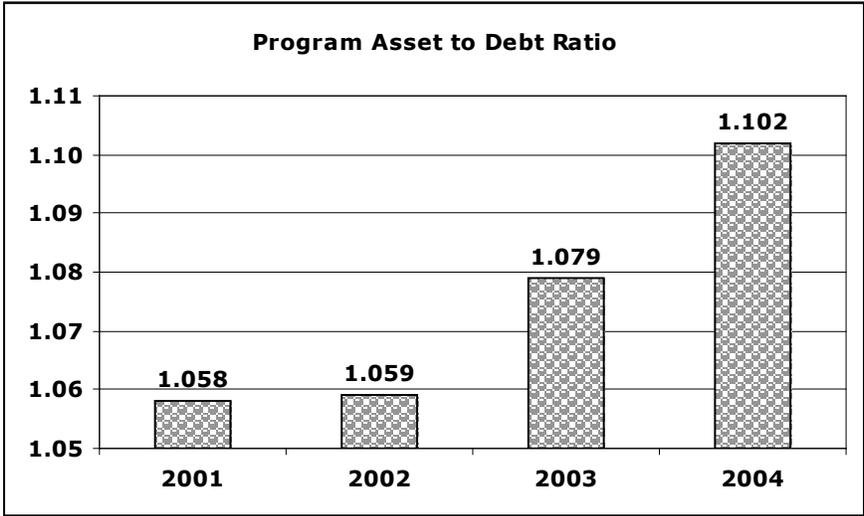
Table 7.3a



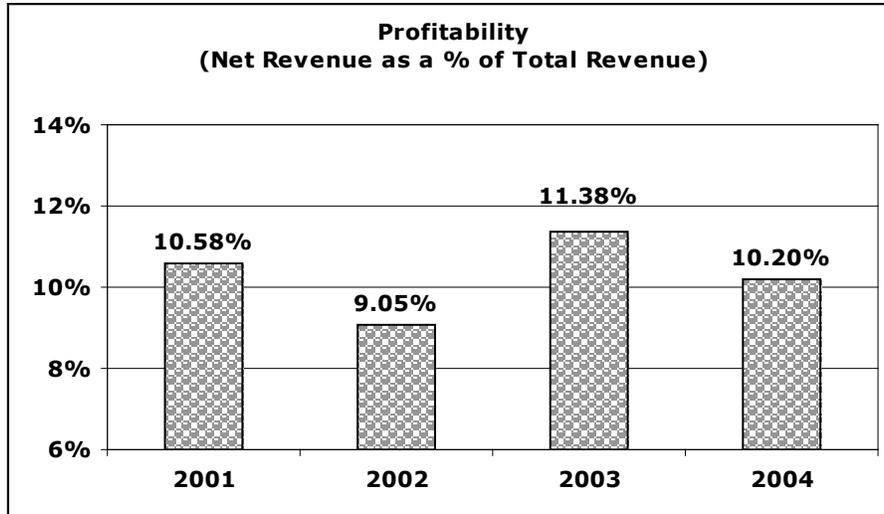
Graph 7.3a



Graph 7.3b



Graph 7.3c

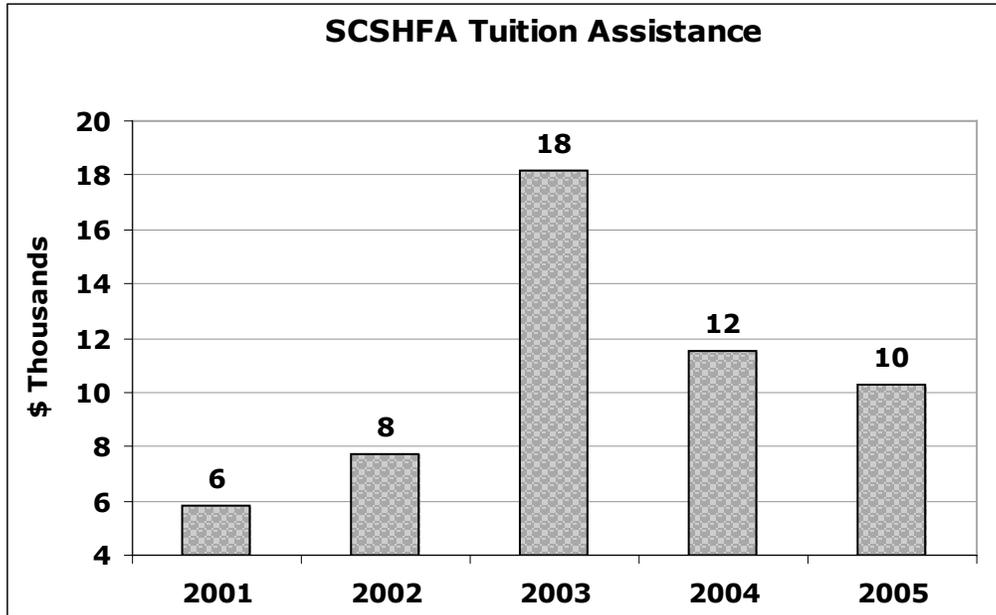


Graph 7.3d

7.4 What are your performance levels and trends for the key measures of Human Resource Results?

Tuition Assistance

The Agency has adapted a program to provide tuition assistance for its permanent employees. The purpose of the program is to develop a better-educated workforce and to provide job enhancement opportunities for the employees within the Authority. Tuition assistance is provided for employees to attend courses that are directly related either to the employee's position, to a position to which the employee could progress, or which is part of a planned degree program in a field that is related to the Authority's mission. The agency has provided this benefit since the fall of 1993, and since that time 22 employees have benefited for a total cost to the agency of \$78,130. During fiscal year 2005, four employees received tuition assistance from the Agency. The chart below depicts the agency commitment to tuition assistance for the past five year period. The current fiscal year's decrease in dollars was due to a change in the tuition assistance policy. The policy was revised in 2003 to limit the amount of tuition assistance per employee for fiscal year to \$3000 per year.



Graph 7.4a

Training Cost Analysis

The Authority values its employees and treats them with dignity and respect. We ensure that our staff has the tools and the training they need to be successful. We recognize and reward them for their outstanding contributions to our mission. We empower them to improve upon the systems and processes that they control. To ensure our staff has the tools and training they need to be successful, we developed this Development and Training Plan, which identifies required and optional training for each employee within the Agency. As shown in Graph 7.4a, the Authority increased training hours in FY 2001 through FY 2004 to train our staff on new technical and computer programs used in the Rental Assistance Division. In FY 2005, courses taken by employees decreased due to successful completion of division specific training programs as well as the completion of agency required courses in previous fiscal years. The Authority continuously reviews feedback from employees concerning training received and reviews new training plans in technical areas.

| FY | FTEs | Courses Taken | | Course Hours | | Total Costs | | Tuition Assistance | |
|------|------|---------------|---------|--------------|---------|-------------|---------|--------------------|---------|
| | | Total | Average | Total | Average | Total | Average | Total | Average |
| 2001 | 112 | 568 | 5.07 | 3,997 | 35.69 | 88,608 | 791.14 | 5,850 | 52.23 |
| 2002 | 113 | 299 | 2.65 | 3,298 | 29.19 | 46,767 | 413.87 | 7,727 | 68.38 |
| 2003 | 113 | 350 | 3.1 | 3,885 | 34.38 | 54,631 | 483.46 | 18,170 | 160.80 |
| 2004 | 117 | 382 | 3.26 | 4,105 | 35.09 | 59,632 | 509.68 | 11,549 | 98.71 |
| 2005 | 114 | 226 | 1.98 | 2,509 | 22.01 | 31,075 | 272.59 | 10,264 | 90.04 |

Table 7.4a

Leave Totals

The agency is a family friendly workplace and encourages employees to take time off with families. The table below shows the agency's use of annual and sick leave for the past five years.

| FY | FTEs | Annual (Hrs.) | | Sick (Hrs.) | | A + S |
|------|------|---------------|---------|-------------|---------|--------|
| | | Total | Average | Total | Average | Total |
| 2001 | 112 | 8,719 | 78 | 6,062 | 54 | 14,781 |
| 2002 | 113 | 11,040 | 98 | 7,113 | 63 | 18,153 |
| 2003 | 113 | 12,444 | 110 | 7,155 | 63 | 19,599 |
| 2004 | 117 | 14,121 | 121 | 8,824 | 75 | 22,945 |
| 2005 | 114 | 12,890 | 113 | 7,536 | 66 | 20,426 |

Table 7.4b

Turnover Data

Turnover data reflects all separations from the Authority. As shown in Table 7.4c, the Authority experienced a significant increase of turnover for FY 2005 due to the use of the Voluntary Separation Program and the Retirement Incentive Program implemented in November 2004.

| FY | SCSHFDA | S.C |
|------|---------|--------|
| 2001 | 12.20% | 18.13% |
| 2002 | 7.04% | 12.39% |
| 2003 | 13.91% | 12.05% |
| 2004 | 4.32% | 11.73% |
| 2005 | 16.45% | 12.64% |

Table 7.4c

Of the 112 full-time employees (FTE), 7% are eligible to retire in 5 years and 21% are eligible to retire in 10 years. These numbers include those who are eligible at 60 with 5 years of service.

7.5 What are your performance levels and trends for the key measures of regulatory/legal compliance and community support?

The management of the Authority is responsible for establishing and maintaining effective internal control over all its transactions and over compliance with laws, regulations, contracts and grants. In fulfilling this responsibility, estimates and judgments by management are necessary to assess the expected benefits and related cost of control procedures. In addition, the Authority is subject to a number of reviews and audits performed by external parties to ensure regulatory/legal compliance.

The Authority's Internal Audit Division is an independent appraisal function within the Authority that reviews existing controls, ensures compliance with internal controls and required regulations, recommends improvements and cost-effective enhancements, and informs management and the Board of Commissioners the results of internal/external reviews and audits. This Division also conducts monthly/quarterly Quality Control reviews for the Authority Homeownership Mortgage Servicing Division. These reviews are required by HUD for all Federal Housing Administration (FHA) approved mortgages. The Internal Audit Division consists of an Audit Manager and a part-time Auditor, both of whom are Certified Public Accountants. The Audit Manager reports to the Executive Director and to the Board of Commissioners of the Authority.

The annual financial audit of the Authority conducted by DeLoach & Williamson, L.L.P., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor, for the fiscal year ended June 30, 2004 resulted in an unqualified (clean) audit opinion. The audit report did indicate audit adjustments that were applied to restate the June 30, 2003 financial statements, and that such adjustments were appropriate and properly applied. This issue was noted as a reportable condition in the schedule of findings and questioned costs in their Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. This reportable condition was not deemed by the auditors to be a material weakness.

The Authority also is subject to several program reviews/audits that are performed by the HUD. The results of all of these reviews/ audits conducted during fiscal year 2005 were favorable with no major findings, with one exception. The HUD review of settled FHA single family insurance claims filed by the Authority between August 15, 2003 and August 17, 2004 indicated instances of non-compliance and that the Authority could owe approximately \$59,000 for improper insurance claim charges. However, HUD has advised the Authority to wait on guidance from them on certain interpretation issues regarding this review. The Authority made several staff and procedural changes and high level communications with HUD staff to ensure compliance.

The Office of Human Resources of the State Budget and Control Board conducted an audit of our delegated transactions for the fiscal year ended June 30, 2004. The audit report indicated the Authority has performed excellent work with the classification delegation program, and continues to uphold the terms of the delegation agreement—the recommendation was to continue the excellent work.