Accountability Report

FY 2005 - 2006

South Carolina
State Housing
Finance and
Development Authority

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"Housing South Carolina Is Our Business"

For 35 years, the South Carolina State Housing Finance and Development Authority (hereinafter referred to as the "Authority") has been helping low and low-to-moderate income families, older adults, persons with disabilities, and others who are frequently underserved find quality, safe, and affordable housing. The Authority is able to do this by using its proven financial strength to sell securities to investors all over the country. This allows us to make mortgage loans to sponsors of affordable multifamily rental units and enables first-time and special needs homebuyers to get their piece of the American Dream. Additionally, the Authority administers a number of federal and state programs providing housing help where it is needed most.

We take pride knowing that we have been able to serve our State for over three decades and in knowing that our work also helps our state's local economies – and not just with jobs in the construction, financial, or real estate industries. Homeowners need hardware and other typical household items as well.

Our Authority programs offer opportunities from rental assistance to homeownership and have made the quality of life better for tens of thousands of South Carolinians. But we haven't accomplished all this by working alone. The South Carolina State Housing Finance and Development Authority enjoys significant partnerships with the Governor and his Administration, a wide spectrum of individuals, agencies, businesses, and other affordable housing advocates – so we are all working together to help fulfill a basic need for all citizens of South Carolina.

MISSION, VISION AND VALUES

The mission of the Authority is to create quality affordable housing opportunities for the citizens of South Carolina through a vision that all South Carolinians have the opportunity to live in safe, decent, and affordable housing. In order to accomplish our mission and fulfill our vision, the Authority operates within four 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 FY05-06

Measuring achievement does not always mean measuring dollars. While economic impact is certainly an important outcome, achievement can also be measured by partnerships, participation, leadership and social impacts. With a mission to create affordable housing opportunities for the citizens of South Carolina, the Authority is able to, in addition to administering its own programs, evaluate a multitude of other projects that may uniquely address a housing need, while perhaps not conforming to any one program's guidelines. It is this flexibility that has afforded the Authority the opportunity to not only achieve its success in its Contract Administration, HOME Investment Partnerships (HOME), Housing Trust Fund, Mortgage Revenue Bond (MRB), Multifamily Tax Exempt Bond Program, Low Income Housing Tax Credit and Section 8 Housing Choice Section 8 Housing Choice Voucher Programs but also have a critical role in other equally far-reaching initiatives. The highlights of some of these initiatives follow.

- Issuance of $111 Million (AAA) bonds to benefit potential homebuyers
- Administration on behalf of the Federal Emergency Management Authority of over $650,000 of Hurricane Katrina disaster relief for temporary rental assistance
- Introduction of a free listing and searching service for affordable housing: SCHousingSearch.com
- Partnerships with the United Way of the Midlands, the South Carolina Chapters of the American Red Cross, the Homebuilders Association of South Carolina and the South Carolina Association of Realtors to provide opportunities for affordable housing to the citizens of South Carolina
- Promotion of a limited-time new homeownership program, referred to as the Workforce Initiative, available to firefighters, law enforcement officers, teachers, school support staff, healthcare workers, and other members of this work force who work hard each day to insure the safety, well being, and brighter futures for all South Carolinians.
- Execution of the State Housing Authority Disaster Relief Fund that has so far assisted approximately 190 families (650 people) with $44,079 of temporary housing assistance, the need for which resulted from the effects of natural disasters, man-made disasters and catastrophic events
- Partnership with the Lieutenant Governor's Office on Aging to offer rental assistance to senior citizens
- Partnership with the Department of Health and Human Services to support the Community Long Term Care Program that addresses targeted home modifications
- Introduction of a new, comprehensive, user-friendly website
- Increase in attendance of annual The Palmetto Affordable Housing Forum to 450 participants

KEY STRATEGIC GOALS FOR PRESENT AND FUTURE YEARS

The Authority has outlined a set of five strategic planning objectives with associated action plan initiatives that collectively will achieve the four primary goals set forth below.

- 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.

Table 2.2-1 Strategic Planning Chart outlines the objectives, initiatives and performance measures that will be evaluated in order to determine the success rate of achieving these goals. Some goals will only be accomplished through the combination of successes of two or more objectives and initiatives.

OPPORTUNITIES AND BARRIERS IMPACTING STRATEGIC GOALS

The Authority has been measurably successful over its 35-year existence because its mission has been broad enough and flexible enough to shift with adjustments in needs, opportunities, market conditions, organizational transitions and the ever-changing environment of the affordable housing industry and the priorities of legislative bodies. This breadth and flexibility ensures that the Authority will be able to react appropriately and address effectively situations that affect its business functions, to originate programs and initiatives that are timely and relevant and to participate in opportunities that extend beyond the core components of its major programs.

That is not to say, however, that the Authority does not have barriers to its potential success. The most significant barriers in addressing the Authority's strategic goals, and more broadly, in achieving its mission and purpose, are the limitations incurred by being a governmental Authority and the uncertainty of bond cap allocation. While the Authority has certainly been successful in achieving its mission, these two issues exist as constraints sufficient for notation.

Regarding the issue of limitations associated with being a governmental Authority and its associated complications, many state housing finance agencies have found this to be the case and have been allowed by their sponsoring states to become quasi-governmental agencies and, in some cases, to become private organizations. This allows the agencies, which are essentially financial organizations, to react more quickly to changing market conditions, similar to more traditional financial institutions.

Regarding 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 finance Authority to effectively manage the allocation of bond proceeds within a fixed budget so that the flow of resulting mortgages can be reasonably controlled through the use of forecasting and loan production models. At present, the Authority must request bond cap each year, with no guarantee or expectation in advance as to the amount or availability of said bond cap. This method of allocation necessitates a more cumbersome process for controlling activity and production.

The highlights of the Authority's major achievements and business results for FY05-06 are not indicative of a serious constraint from the limitations mentioned above, but noticeable improvements to program performance and Authority overall effectiveness could be achieved if these barriers were removed.

USING THE ACCOUNTABILITY REPORT TO IMPROVE PERFORMANCE

The Accountability Report, as it has been prepared over several years, has afforded the Authority the ability to not only measure its performance over successive years and to evaluate the trends associated with such performance but to also evaluate the performance measures themselves. Such evaluation has lead to a review of supplemental measures during FY05-06 that not only measure employee efficiency, but also program inputs, activities, outputs and most importantly, outcomes. The Authority is currently reviewing the addition of dozens of performance measures that will reflect a comprehensive review of its operations.

SECTION II ORGANIZATIONAL PROFILE

MAIN PRODUCTS AND SERVICES AND PRIMARY DELIVERY METHODS

The Authority has seven major 'products and services' that represent its core business functions and that are delivered by various methods depending on the guidelines set forth in each program's rules and regulations (see also Section III, Category 7 – Business Results).

- The Contract Administration Program is delivered through property owners and management agents who are under administrative oversight by both the Authority and the Department of Housing and Urban Development
- The HOME Program is delivered through developers (private sector and non-profit) who act according to the rules set forth in federal guidelines and who are regulated by the draw-down of funds by Authority staff
- The Housing Trust Fund Program is delivered primarily through developers (private sector and non-profit) who act according to the rules set forth in state guidelines and who are regulated by the draw-down of funds by Authority staff
- The Mortgage Revenue Bond Program is delivered through lenders and brokers who offer mortgages secured by bond proceeds from bonds issued under the Authority's name that are subsequently used to purchase said mortgages
- The Multifamily Tax Exempt Bond Program is delivered through developers (private sector and non-profit) who act according to the rules set forth in federal guidelines and who are monitored by Authority staff
- The Low Income Housing Tax Credit Program is delivered through developers (private and non-profit) who act according to the rules set forth in federal guidelines and who are monitored by Authority staff
- The Section 8 Housing Choice Voucher Program is delivered through property owners who are under administrative oversight by both the Authority and the Department of Housing and Urban Development

KEY CUSTOMER SEGMENTS AND KEY REQUIREMENTS AND EXPECTATIONS

The Authority's end-point key customer segments are primary dependant on the program under which the customer is classified. For the Contract Administration, Multifamily Tax Exempt Bond, Low Income Housing Tax Credit and Section 8 Housing Choice Voucher Programs, the primary customers are very low and low income tenants. For the Home Program, the primary customers are very low and low income tenants and homeowners. For the Housing Trust Fund Program, the primary customers are tenants, homeowners and the homeless. For the Mortgage Revenue Bond Program, the primary customers are low to moderate income borrowers.

The key requirements and expectations of these customer segments are broad, but can be assimilated into the summary expectation of financing being available to produce appropriate affordable housing units for their respective programs.

KEY CUSTOMERS (STAKEHOLDERS) LINKED TO KEY SERVICES

The Authority's intermediate key customers and thereby key stakeholders are primarily dependant on the program under which the stakeholder operates. For the Contract Administration Program, the stakeholders are the federal government, property owners and management agents. For the HOME Program, the stakeholders are the federal government, state government, local governments, nonprofit entities and private sector entities. For the Housing Trust Fund Program, the stakeholders are state government, local governments, nonprofit entities and private sector entities. For the Mortgage Revenue Bond Program, the stakeholders are lenders, brokers and bond investors. For the Multifamily Tax Exempt Bond Program, the stakeholders are non-profit entities and private sector entities. For the Low Income Housing Tax Credit Program, the stakeholders are the federal government, non-profit entities and private sector entities. For the Section 8 Housing Choice Voucher Program, the stakeholders are the federal government and private sector property owners.

KEY SUPPLIERS

Listed in the table below are the Authority's key suppliers be service or product vended.

Service or Product	Supplier
Computer Software	Applications Oriented Design (AOD), Housing Development Software (HDS), Yardi, Easy Track Inspection System
Computer Hardware	Dell Computers, HP Direct, Compaq Computers, CDW Computer Supplies
Office Supplies	State Central Supply, Lorick Office Supplies, Forms & Supply, J M Grace, Peachtree Business Products, United Product Distributors, Staples
Office Equipment	Xerox Corporation, Pitney Bowes
Office Furniture	SCDC Division of Industries, Lorick Office Supplies, J M Grace
Printing and Binding	SCDC Printing & Graphics, Professional Printers, University of South Carolina Press, Colonial Printers, Lexington Printers
Mail, Freight and Courier Services	U S Postal Service, Federal Express, United Parcel Service, DHL Express
Temporary Services	Flemming Group
Travel Services	Travel Network, Forest Lake Travel
Promotional Supplies	Paper Pro, Adstreet Specialties, Palmetto Promotions, Joe Henry Company

OPERATION LOCATIONS

The Authority's operations are located at 300-C Outlet Pointe Boulevard, Columbia, South Carolina 29210. This is its only location.

EMPLOYEES SEGMENTED BY CATEGORY

The Authority staff consists of 112 filled classified positions, 1 filled unclassified position, 9 vacant classified positions and 10 Authority temporaries.

REGULATORY ENVIRONMENT

The Authority operates under the regulatory oversight of the South Carolina General Assembly, the Department of Housing and Urban Development and the Internal Revenue Service.

KEY STRATEGIC CHALLENGES

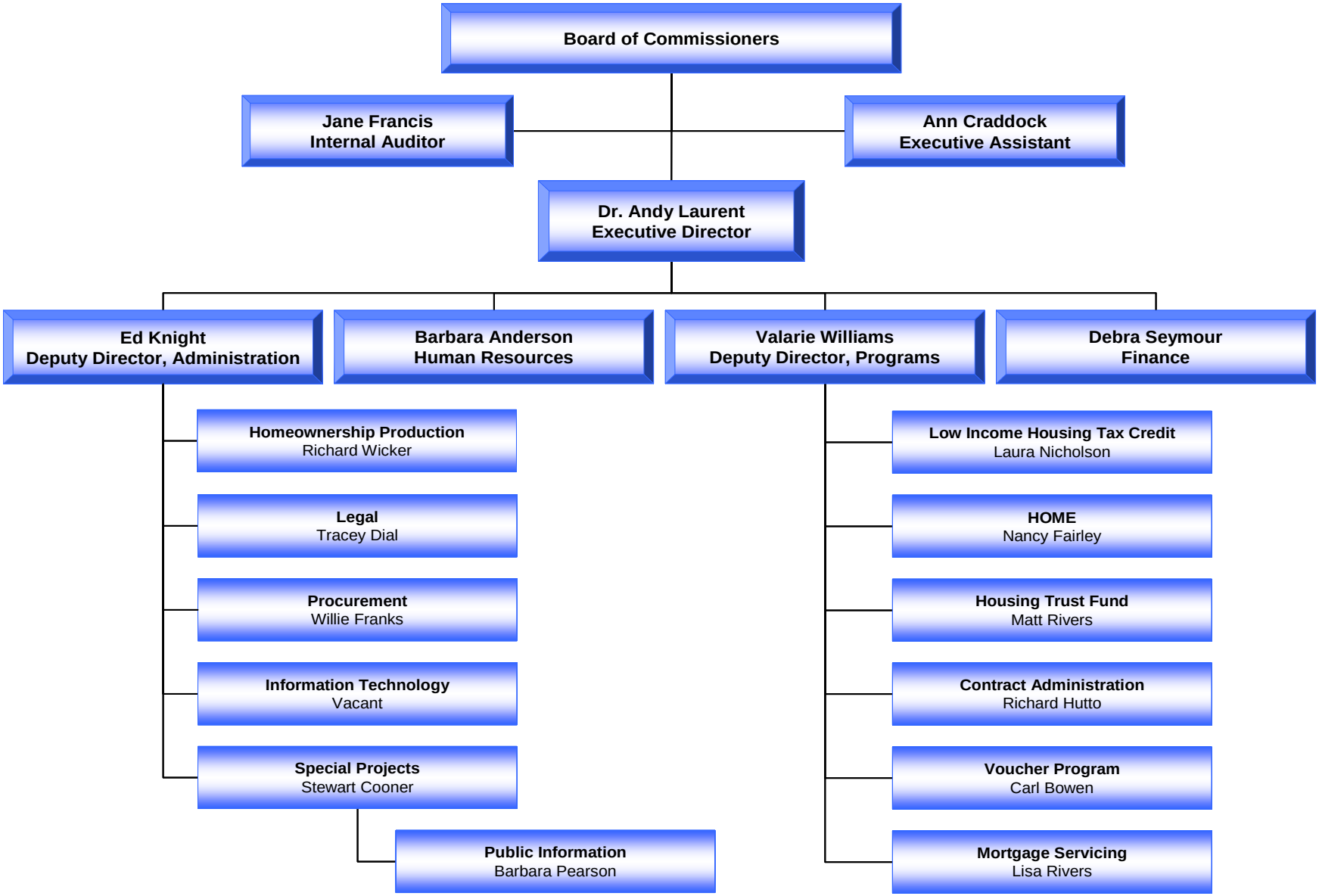
The primary key strategic challenges for the Authority can be easily articulated by evaluating the action plan initiatives outlined in Table 2.2-1. These action plan initiatives are the direct results of key strategic challenges that have presented themselves to such a degree that some resolution was required, whether that resolution be immediate and singular or continual, requiring a solution that provided sufficient flexibility to remain relevant as the key strategic challenge evolved over time.

PERFORMANCE IMPROVEMENT SYSTEM

The Authority utilizes the Employee Performance Management System (Section III, Category 5 – Human Resource Focus) as a performance improvement system for all employees, exclusive of the Executive Director.

The Authority utilizes program appropriate performance measures (Table 1.5-1) as a performance improvement system for all programs.

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY



EXPENDITURES AND APPROPRIATIONS

The Authority is a self-sustaining agency that does not rely on state general fund revenues for its operations. It is supported through proceeds generated by the sale of revenue bonds; federal programs funded by the Department of Housing and Urban Development and authorized by the Internal Revenue Service and user fees. 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 by 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 governmental entity.

The only allocation to the Authority from the State of South Carolina comes in the form of a portion of deed recording fees transferred to the Housing Trust Fund to be used for award allocations. There is no funding, however, for operational expenses.

BASE BUDGET EXPENDITURES AND APPROPRIATIONS

	04-05 Actual Expenditures		05-06 Actual Expenditures		06-07 Appropriations Act	
Major Budget Categories	**Total Funds**	**General Funds**	**Total Funds**	**General Funds**	**Total Funds**	**General Funds**
Personal Service	$5,189,580	$0	$5,073,892	$0	$5,617,866	$0
Other Operating	$2,794,115	$0	$3,561,942	$0	$2,875,877	$0
Special Items	$0	$0	$0	$0	$0	$0
Permanent Improvements	$842,511	$0	$18,723	$0	$0	$0
Case Services	$96,406,926	$0	$119,154,403	$0	$99,103,907	$0
Distributions to Subdivisions	$9,756,447	$0	$16,655,506	$0	$16,000,000	$0
Fringe Benefits	$1,586,239	$0	$1,368,975	$0	$1,728,483	$0
Non-recurring	$0	$0	$0	$0	$0	$0
Total	**$116,575,818**	**$0**	**$145,833,441**	**$0**	**$125,326,133**	**$0**

OTHER EXPENDITURES

Sources of Funds	04-05 Actual Expenditures	05-06 Actual Expenditures
Supplemental Bills	$0	$0
Capital Reserve Funds	$0	$0
Bonds	$0	$0

MAJOR PROGRAM AREAS

Program Number and Title	Major Program Area Purpose (Brief)	FY 04-05 Budget Expenditures	FY 05-06 Budget Expenditures	Key Cross References for Financial Results*
06050000 Rental Assistance	Contract Administration, Voucher Administration and Voucher Program	**State:** 0.00 **Federal:** 98,615,346.00 **Other:** 0.00 **Total:** 98,615,346.00 **% of Total Budget:** 85%	**State:** 0.00 **Federal:** 99,959,739.00 **Other:** 0.00 **Total:** 99,959,739.00 **% of Total Budget:** 69%	7.0-1, 7.1-6, 7.2-1, 7.2-2, 7.2-3, 7.2-4
06100000 Housing Initiatives	HOME Grant	**State:** 0.00 **Federal:** 10,285,006.00 **Other:** 0.00 **Total:** 10,285,006.00 **% of Total Budget:** 9%	**State:** 0.00 **Federal:** 20,774,829.00 **Other:** 0.00 **Total:** 20,774,829.00 **% of Total Budget:** 14%	7.0-1, 7.1-7
08010000 08050000 Home ownership	Mortgage Production and Mortgage Servicing	**State:** 0.00 **Federal:** 0.00 **Other:** 1,456,267.00 **Total:** 1,456,267.00 **% of Total Budget:** 1%	**State:** 0.00 **Federal:** 0.00 **Other:** 17,163,970.00 **Total:** 17,163,970.00 **% of Total Budget:** 12%	7.0-1, 7.1-1, 7.1-2, 7.1-3, 7.1-4, 7.1-5
06010000 06150000 Housing Programs	Compliance Monitoring and Low Income Housing Tax Credit	**State:** 0.00 **Federal:** 0.00 **Other:** 1,114,200.00 **Total:** 1,114,200.00 **% of Total Budget:** 1%	**State:** 0.00 **Federal:** 0.00 **Other:** 1,820,251.00 **Total:** 1,820,251.00 **% of Total Budget:** 1%	7.0-1, 7.1-2, 7.1-8
		State: **Federal:** **Other:** **Total:** **% of Total Budget:**	**State:** **Federal:** **Other:** **Total:** **% of Total Budget:**	

Below: List any programs not included above and show the remainder of expenditures by source of funds.

Remainder of Expenditures:	**State:** 0.00 **Federal:** 711,131.00 **Other:** 4,393,868.00 **Total:** 5,104,999.00 **% of Total Budget:** 4%	**State:** 0.00 **Federal:** 243,367.00 **Other:** 5,871,285.00 **Total:** 6,114,652.00 **% of Total Budget:** 4%

1. LEADERSHIP

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

The Board of Commissioners provides policy direction for the Authority, 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 Authority, and the responsibilities of the employee toward helping the Authority meet those goals.

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 Authority'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 Department of Housing and Urban Development which conducts annual audits of the Authority's performance in several departments.

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 Authority's mission. These values are reinforced in Authority 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.

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 Authority 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.

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. Each employee follows an individualized training plan to ensure consistency and thoroughness.

Ethical behavior standards are endorsed and communicated by the actions and examples of Authority 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 Authority has continued its emphasis on special 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 continues to create technical assistance functions to assist customers and stakeholders in their utilization and application of Authority products.

1.3 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 Authority 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 Authority's impact on the public, but is also our way of being held accountable to our customers and stakeholders.

The Authority 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.

1.4 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 program 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 the Department of Housing and Urban Development 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 program 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 Authority for compliance.

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

Performance measures vary by program. Table 1.5-1 outlines the key performance measures regularly reviewed by senior staff:

TABLE 1.5-1 PERFORMANCE MEASURES BY PROGRAM

Program or Support Area	Measure
Rental Assistance	Percent of Voucher Program Participant Satisfaction
	Percent of Voucher Program Owner Satisfaction
	HUD SEMAP Score
	Percent of Administrative Fees Earned
	Number of Annual Compliance Review Findings
	Number of Families Assisted
	Dollar Cost Per Voucher
	Dollar Cost Per Contract Administration Unit
Homeownership	Number of Mortgage Loans Purchased
	Number of Mortgage Loans Managed
	Number of Mortgage Loans Serviced
	SCSHFDA Foreclosure Rate
	Number of Serviced Loans Per Servicing FTE
	Dollar Cost Per Service Loan
	Pull Through Rate
	Dollar Cost Per Purchased Loan
HOME	Number of Awards
	Dollar Value of Awards
	Number of HOME Units Produced
	Percent of Budget Awarded
	Dollar Awards Per FTEs
	Dollar Cost Per Dollar Award
Low Income Housing Tax Credit	Dollar Value of Awards
	Number of Developments Awarded
	Number of Low Income Housing Tax Credit Units Produced
	Dollar Cost Per Dollar Award
Housing Trust Fund	Number of Awards
	Dollar Value of Awards
	Number of Housing Trust Fund Awards
	Percent of Budget Awarded
	Dollar Awards Per FTEs
Human Resources	State Percent Turnover
	SCSHFDA Percent Turnover

1.6 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? How do their personal actions reflect a commitment to the organizational values?

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.

1.7 How do senior leaders promote and personally participate in succession planning and the development of future organizational leaders?

Senior leaders provide leadership opportunities through which staff members are able to showcase their innovation, ideas and leadership potential. Employees who demonstrate thought that is not constrained by convention or status quo, who are creative and foster an inventive atmosphere that is receptive and adaptive to new and different ideas, who are solution- and goal-oriented and who seek out opportunities to improve processes and procedures are rewarded with opportunities to attend leadership skills building workshops and conferences, such as those offered through NCSHA and the State of South Carolina's Executive Institute.

1.8 How do senior leaders create an environment for performance improvement, accomplishment of strategic objectives, and innovation?

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 Authority 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.

1.9 How does senior leadership actively support and strengthen the communities in which your organization operates? Include how senior leaders and employees contribute to improving these communities.

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 Authority supports many community activities benefiting low-income individuals and families. Community activities sponsored by the Authority 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 address:

- ***a. Your organization's strengths, weaknesses, opportunities and threats***
- ***b. Financial, regulatory, societal and other potential risks***
- ***c. Shifts in technology or the regulatory environment***
- ***d. Human resource capabilities and needs***
- ***e. The opportunities and barriers you described in the Executive Summary***
- ***f. Business continuity in emergencies***
- ***g. Your ability to execute the strategic plan***

Strategic planning is accomplished through regular meetings among the senior staff of the Authority. For FY05-06, this process included a two-day offsite retreat where the management group evaluated current program area operations, identifying needs that were not met by current program guidelines, and allocated resources through special initiatives in order to capitalize on opportunities to address those needs.

The strategic planning process is simplistic in its execution so as to provide the maximum opportunity for senior staff involvement. All program directors and support department directors are represented during these periodic meetings and are afforded the opportunity to express their comments, views and feedback on issues that are brought before the group. This creates an environment of free-flowing dialogue that facilitates out-of-the-box thinking and conceptually philosophical debate. The simplicity of the process should not, however, be mistaken for a lack of focus or attention to detail. Minutes are recorded and information subsequently disseminated to effect continual consideration of the issues at hand. By directly involving senior staff with programmatic, regulatory, oversight, and support responsibilities, this planning process ensures that all internal and external needs and risks are addressed.

2.2 What are your key strategic objectives?

See Table 2.2-1.

2.3 What are your key action plans/initiatives?

See Table 2.2-1.

TABLE 2.2-1 STRATEGIC PLANNING CHART

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 05-06 Key Agency Action Plan/Initiative(s)	Key Cross References for Performance Measures*
All	Maintain Effective Programs	- Quickly disseminate information regarding program changes - Use all available resources to identify best practices and programs, as well as needs and opportunities - Actively seek new business partners to expand the reach and depth of the programs offered by the Authority - Insure that the housing mission of the Authority operates in harmony with the State's overall goals of economic development	7.0-1, 7.1-1, 7.1-2, 7.1-3, 7.1-4, 7.1-5, 7.1-6, 7.1-7, 7.1-8, 7.1-9, 7.2-4, 7.2-5, 7.3-1
All	Continuously Improve Our Processes	- Actively involve employees at all levels in simplifying our processes both internally and for our external partners - Identify common processes and missions within the Authority to eliminate redundant and/or conflicting requirements and to streamline operations - Establish quantifiable benchmarks to measure performance across the organization	7.0-1, 7.1-1, 7.1-2, 7.1-3, 7.1-4, 7.1-5, 7.1-6, 7.1-7, 7.1-8, 7.1-9, 7.2-4, 7.2-5, 7.3-1
All	Strengthen Our Internal Environment	- Maintain a clear understanding of our current financial position, and institute planning and monitoring to accommodate and anticipate market changes - Provide defined communication channels at all levels of the organization - Promote an environment that values cross-training and learning across traditional organizational lines - Promote an environment that encourages teamwork and problem-solving at all levels of the organization - Create and maintain a project management discipline throughout the organization to insure that expectations and results are quantifiable and measured.	7.0-1, 7.1-1, 7.1-2, 7.1-3, 7.1-4, 7.1-5, 7.1-6, 7.1-7, 7.1-8, 7.1-9, 7.2-4, 7.2-5, 7.3-1, 7.4-1, 7.4-2
All	Improve Community Relations	- Actively seek partnerships within our communities that expand the reach of the Authority's programs - Work through established media channels to promote the Authority's programs and public perception - Maintain effective relationships with our Congressional Delegation to insure that they are kept abreast of Federal programs and regulations that impact the mission of the Authority - Maintain effective relationships within the General Assembly to further the mission of the Authority - Expand outreach efforts to other state and local agencies to promote affordable housing	7.0, 7.2-1, 7.2-2, 7.2-3
All	Make Effective Use of Information Technology	- Define the role of the Information Technology division as business-centric and include the IT organization in the business processes - Implement recognized "best practices" in the IT sector to include formal business analysis and project management - Use technology as a measure to rapidly disseminate information inside and outside the Authority	

2.4 How do you develop and track action plans that address your key strategic objectives? Note: Include how you allocate resources to ensure accomplishment of your action plans.

Action plans are developed by small groups of Authority staff members, usually led by a member of the senior staff, 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 staff for consensus. In most cases, the group responsible for creating the action plan is also responsible for creating performance measures and tracking performance.

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

The senior staff of the Authority meets periodically 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 Authority are assembled to address specific strategic objectives or related tactical issues, and the progress and 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 How do you measure progress on your action plans?

Progress on action plans is measured through the accomplishment of specified objectives with accompanying performance measurements, if applicable, periodic updates that are provided to senior staff, executive staff and periodically to the Board and identifiable outcomes that may be reflected in financial performance, change in productivity, change in outputs, identification of additional opportunities or barriers, and allocation of resources that will ultimately reflect in a rating of performance on an employee's EPMS.

2.7 How do your strategic objectives address the strategic challenges you identified in your Organizational Profile?

The strategic objectives addressed in Table 2.2-1 provide the Authority with a means to operate within the key strategic challenges that manifest themselves through the action required by the action plan initiatives identified in said table. Essentially, the Authority has identified its key strategic challenges and those strategic challenges are reflected in the action plan initiatives. There is a direct correlation between the achievement of the Authority's action plan initiatives, the achievement of the key strategic objectives, the accomplishment of the Authority's key strategic goals and the resolution of the Authority's key strategic challenges.

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

The Strategic Plan is located at www.schousing.com, "About the Authority", "Strategic Plan".

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 Authority programs mandates the beneficiary class and corresponding 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. Builders, investors and owner-agents in the Multifamily Tax Exempt Bond Program and lenders and brokers in the Mortgage Revenue Bond Program participate in training, "wellness" meetings and workshops to ensure intermediary customers' needs have been met.

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

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

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 Agencies (NCSHA), Southeastern Affordable Housing Management Association (SAHMA), the Department of Housing and Urban Development, and industry groups such as the Southeast Regional Section 8 Housing Association (SERSHA) and Nan McKay and Associates provides feedback from customers and stakeholders that encourages change. This exchange of information has prompted changes in the development of products that better meet customers' needs. Quality control, changes in regulatory guidelines and monthly conference calls with Department of Housing and Urban Development liaisons allow staff to learn and share information with other agencies. This, too, indirectly helps 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 its programs.

Periodically, the Authority produces brochures and publications that are designed to enhance an understanding of its products. These publications range from loan processing guides for our lending partners to step by step homeownership information for our current borrowers. Also, coordinated visits by Low Income Housing Tax Credit, Contract Administration, HOME and Housing Trust Fund Program staff make it possible for owners and agents to schedule fewer visits to properties in an effort to save time and money. Wellness training to beneficiaries, Housing Trust Fund Advisory Committee meetings and public hearings also encourage continuous improvement. The Authority strives to incorporate customer and stakeholder feedback, when it is possible, into program criteria to accommodate necessary adjustments.

3.4 How do you measure customer/stakeholder satisfaction and dissatisfaction, and use this information to improve?

Customer satisfaction is measured differently according to program areas. For example, the Authority's Contract Administration Program measures performance by annual Department of Housing and Urban Development audits and sporadic Inspector General audits. The determination of fees earned as a ratio of potential fees is the primary indicator of customer satisfaction. The Authority's Section 8 Housing Choice Voucher Program is evaluated by the Department of Housing and Urban Development on key performance indicators that reflect stakeholder satisfaction. In addition, surveys for both participants and owners in the Section 8 Housing Choice Voucher Program are conducted each year to measure customer satisfaction. Suggestions from lenders and production volume serve as direct and indirect indicators of customer satisfaction for homeownership. The Authority Servicing Complaint Log is also an indicator of customer feedback received. 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 annual conference, The Palmetto Affordable Housing Forum that brings affordable housing stakeholders together to network, share best practices, and develop business strategies in an effort to expand and improve affordable housing opportunities. Authority staff participate in public hearings, NCSHA conferences and SAHMA events that also build positive relationships. Lender, developer and builder relationships are fostered through timely turn around of transactions. The Department of Housing and Urban Development, the Internal Revenue Service and other regulatory agencies are primarily interested in compliance with rules and regulations and timely reporting and are satisfied when those expectations are met. Property owners and managers look for correct and timely payments and consistent application of the rules. Finally, the Authority builds positive relationships through its willingness to consider partnerships and programs that achieve positive results for across industry spectrums. The Authority believes that building and maintaining positive relationships through interaction, availability, mutual respect, trust, and cooperation are the only means to achieve success in an environment with so many demands and so few resources.

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, including progress relative to strategic objectives and action plans?

Federal and state legislation mandates many of the financial and operational measurements for the Authority's programs. In 2005, the Board requested that the program areas establish additional performance measures that primary focused on employee effectiveness and efficiency (Table 1.5-1). Since that time, staff has begun to evaluate the inclusion of additional performance measures that focus on inputs, activities, outputs and outcomes, with an emphasis on quantifying economic impact and articulating social impact. In April 2005, the Department of Housing and Urban Development, Office of Policy and Research issued a report prepared on its behalf by Economic Systems, Inc. entitled "Promising Practices in Grantee Performance Measurement". This report forms the basis for the performance measures that are currently being evaluated.

4.2 How do you use data/information analysis to provide effective support for decision making throughout your organization?

Data analysis is instrumental in the decision making activities of the Authority. The support department whose responsibility it is to provide such data analysis has shifted from a reactive mode in which program areas requested data to be analyzed to a proactive mode in which data will be collected and evaluated primary for decision support on a more frequent basis – monthly rather than annually. In support of this effort, a data repository is being built to house data from each of the seven core programs and benchmarking comparisons, so that more robust analytical programs, such as SAS and EView, can be utilized to not only trend past activity but predict and forecast future behavior. Data analysis and the resulting information will become critical to the decision making process as reliable and integrated systems are developed.

4.3 What are your key measures, how do you review them, and how do you keep them current with business needs and direction?

The Authority's key program measures deal primarily with utilization, efficiency, and effectiveness (Table 1.5-1). 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). These measures are primary measures of output. The Authority has begun an evaluation that extends these measures to include those that will measure outcomes, including the quantification of economic impact and the articulation of social impact. To these ends, the Authority will also begin to incorporate these measures more integrally into its monthly processes and establish a primary importance on the accuracy, integrity and timeliness of the information.

4.4 How do you select and use key comparative data and information to support operational and strategic decision making and innovation?

The selection of comparative data varies from program to program. The Authority selects comparative data from external sources based on the appropriateness of the information and the applicability of its comparisons. Examples of comparative data are bond and loan yield rates, homeownership rates, Department of Housing and Urban Development performance-based contract fees, and the ratio of operating costs to production. The Authority staff also compares internal data across years as a measurement of performance and quality. With the institution of measures of outcome, internal comparative data will become critical to strategic decision making.

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

The Authority uses a series of checks and balances to ensure data integrity, accuracy, security and availability for decision making. For programs and support areas, the Authority utilizes quality control software that audits the data, generating summary reports reviewed by Authority staff. Staff also manually reviews workloads and collaboratively evaluates the work products to ensure not only data integrity, but program integrity. Customer feedback can also be an indicator of data integrity and quality control. Customer responses support or refute report audits and findings generated by Authority software. Of the elements list above, data integrity, accuracy and security rank among the most critical elements to the overall success of the Authority's programs.

4.6 How do you translate organizational performance review findings into priorities for continuous improvement?

Organizational performance review findings are translated into priorities for continuous improvement when the finding is relevant either to the key strategic goals, the strategic planning objectives or the action plan initiatives set forth in the Authority's strategic plan. However, should an organizational performance review finding detect a strategic challenge for the organization, or expose a critical flaw, then the review finding is immediately evaluated for its short-term and long-term impacts. If the resulting evaluation determines that the impact of the review finding is significant, measures are developed to address the issue and it is appended to the strategic plan as a supplement item.

4.7 How do you collect, transfer, and maintain organizational and employee knowledge (your knowledge assets)? How do you identify and share 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. Internal Audit staff has also made a recommendation that relevant areas draft policies and procedures that document program processes for historical

and training purposes. The collaboration of these efforts effects a retention and transfer of critical knowledge.

5. HUMAN RESOURCE FOCUS

5.1 How do you organize and manage work: to enable employees to develop and utilize their full potential, aligned with the organization's objectives, strategies, and action plans; and to promote cooperation, initiative, empowerment, innovation and your desired organizational culture?

The Authority has developed a strong EPMS process that is aligned with the organizational objectives. The process encourages employees to develop their full potential. Strategies and action plans are incorporated into the EPMS process. The EPMS process outlines job duties and characteristics necessary to produce desired outcomes. Deficiencies in the job duties or characteristics are addressed by a work improvement tool that outlines a course of action for obtaining the desired objectives.

5.2 How do you evaluate and improve your organization's human resource related processes?

The Authority uses a standardized evaluation tool for evaluating training and development. Comments on the tool are used to tweak the training. The evaluation tool also includes a needs assessment. The Authority continually reviews processes and makes adjustments to processes that are redundant or labor intensive. The new EPMS system is an example of a process that the Authority continually reviews and has improved.

5.3 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? How do you evaluate the effectiveness of this education and training? How do you encourage on the job use of the new knowledge and skills?

The Authority encourages and supports each employee in developing their ambition, commitment and ability to meet current and future Authority needs. A training plan is outlined for each employee for technical and professional development needs. They include: Diversity Training, Sexual Harassment, Defensive Driving, Facilitation Skills, Authority Orientation, and Customer Service.

Supervisors are required to complete the Associate Public Manager (APM) course and all Managers are encouraged to complete the Certified Public Manager (CPM) course. Senior Managers are also encouraged to complete the Executive Institute.

Training is outlined on each employee's performance document (EPMS) and evaluated after completion of the training on the document as it relates to work performance. On the job use of the training is encouraged through the EPMS document.

5.4 How does your employee performance management system, including feedback to and from employees, support high performance and contribute to the achievement of your action plans?

The Authority uses the combined Position Description (PD)/ EPMS form that is instrumental in ensuring that employee job descriptions and objectives are aligned. The EPMS reflects what the employee's position responsibilities include and position descriptions are updated annually. Characteristics are weighted at 50% for managers and 40% for staff. This gives constructive feedback to employees on work behaviors. The EPMS has a July 1 universal review date which coincides with accountability report timeframes and action plans.

5.5 How do your motivate your employees to develop and utilize their full potential?

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 who are nominated by their peers.
- "Kudo" awards which are given for short term, immediate impact employee contributions. It consists of a twenty-five dollar gift certificate. Employees who use no sick leave during the year are recognized with a "Kudo" award.
- 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 in the Authority newsletter.

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 Authority also offers flexible work hours, casual dress Fridays, and an after work golf league that crosses Authority lines.

5.6 What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation? How do you use other measures such as employee retention and grievances? How do you determine priorities for improvement?

The Human Resource Staff performs exit interviews with each employee leaving the Authority to measure and assess Authority weaknesses and strengths. These interviews have resulted in valuable input for training for future employees. Our tuition assistance program and flexible work schedule program allows employees to balance and pursue developmental needs. We have a turnover rate of just over 10% percent, well below the state average of 15%, which indicates we are retaining our employees. We had no grievances during last fiscal year.

5.7 How do you maintain a safe, secure, and healthy work environment? (Include your workplace preparedness for emergencies and disasters.)

The Authority follows OSHA guidelines to maintain a safe working environment. In addition, employees are offered: annual health screening, walking club, on-site CPR training, and Body Bulletin (a monthly health magazine delivered to each employee). We have a written emergency response plan that gives detailed accounts of exiting the building and maintaining a safe workplace.

6. PROCESS MANAGEMENT

6.1 What are your key processes that produce, create or add value for your customers and your organization? How do you ensure that these processes are used?

From an external perspective, the Authority program areas provide workshops on and off-site to applicants interested in program resources and information. The Authority holds public hearings and feedback sessions to evaluate program changes. The Palmetto Affordable Housing Forum provides an environment for customers to meet staff and exchange information on general and specific topics. Customers also have the option of discussing program information with staff via phone and e-mail.

From an internal perspective, the Authority automates many support processes including payroll, procurement, and human resources. Authority staff can access human resource information (attendance, forms, etc.) on the Internet or on the Authority's local area network. Career opportunities at the Authority are shared via email and are subsequently posted online at www.schousing.com, "Human Resources", "SHA Vacancy Postings". In addition, newsletters and other information are periodically distributed to the staff. These communiqués provide instrumental information regarding staff and program changes that result in the continuity of program effectiveness.

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

The Authority's website is the culmination of the integration of organizational knowledge, new technology, changing customer and mission-related requirements, cost controls and other efficiency and effectiveness factors into process design and delivery in its functionality and availability. It provides access for customers to program applications and guides, staff directories, press releases and publications, and the Extranet, a customer-based intranet access portal. 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. The website also provides counseling resources through information on the High Cost Home Loan Counseling Program and connects landlords with renters through SCHousingSearch.com. The effect is the provision of information in a real-time environment and the utilization of a process that provides for instantaneous mass communication. These work practices all originate from the innovative environment of the Authority and from its staff and are the products of attending workshops and conferences nationally and statewide, utilizing feedback from our internal and external customers, and following best practice standards established by industry experts, such as NCSHA. The Authority's website represents a vast library of information available at the customer's convenience whenever the customer needs it.

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

The delivery of information is one of the primary day-to-day operational functions of the Authority, whether the recipient is external or internal to the Authority. The Authority's website is a key component in the transfer of that information. Information drives each of the strategic planning objectives set forth by the Authority: maintain effective programs, continuously improve our processes, strengthen our internal environment, improve community relations and make effective use of information technology. The focus of the Authority is to leverage daily operational activities in a way that maximizes the accomplishment of its strategic plan.

6.4 How do you systematically evaluate and improve your key product and service related processes?

The focus of the Authority is to leverage daily operational activities in a way that maximizes the accomplishment of its strategic plan. It is these daily activities that provide the framework and content for systematic evaluation and improvement of the Authority's key products and services. Upward and downward open communication lines between executive staff and production staff affords the flexibility and fluidity to react to situations as they arise and to adjust workflows and business processes as appropriate. These daily activities also translate into operational procedures over time that are discussed and evaluated in periodic meetings of senior staff, during employee evaluations and during the strategic planning process.

6.5 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, payroll and procurement. While many of the processes that dictate the performance of these functions are either mandated by the State, governed by laws on both the federal and state level, scrutinized through the establishment of generally accepted principles and practices, or enforced through common standards, these key support processes are afforded enough latitude to ensure that while certain elements of their functions are not subject to consideration, those that are subject to interpretation can be adjusted to deliver maximum performance and superior process quality. As with other processes, these are evaluated and adjusted to ensure that they contribute to the overall success of the Authority in attaining its strategic goals through its strategic plan.

7. BUSINESS RESULTS

The Authority is comprised of seven core programs whose missions are to create quality affordable housing opportunities for the citizens of South Carolina through the unique means that were established at their inception.

The Mortgage Revenue Bond Program is the flagship program offered by the Authority. The sale of tax exempt bonds to investors provides the bulk of the funding available to qualified homebuyers. Our loans offer qualified borrowers three tiered, fixed, below market interest rate options. These options allow us the flexibility to adjust interest rates as the market dictates and insures the financial integrity of the program, while putting homeownership within the reach of more low to moderate income South Carolinians. Like all of the Authority's homeownership programs, persons purchasing homes under the Mortgage Revenue Bond Program must meet minimum credit standards, as well as income and purchase price restrictions which vary by county.

The South Carolina Housing Trust Fund was created by the General Assembly in 1992. This landmark legislation is funded with dollars collected from a dedicated portion of the deed stamp tax and provides an important resource for affordable rental housing and homeownership opportunities for low income South Carolinians by funding the acquisition or construction of single family homes, group homes for the disabled and emergency housing for battered women and their children. The Fund also provides single room occupancy apartments for the working homeless and disabled veterans; multifamily rental apartments for single parent households, families and the elderly. All of this is accomplished by building partnerships among government agencies, qualified nonprofit sponsors, for-profit sponsors and those in need of affordable housing.

The HOME Program promotes partnerships between the federal government, state and local governments and those in the nonprofit and for-profit sectors who support affordable housing initiatives. A program of the Department of Housing and Urban Development, its primary focus is rental housing for very low and low income families; although, homeownership initiatives are also eligible activities. South Carolina has received over $130 million in HOME funding since 1992. An average of $10 million is allocated each year.

The Multifamily Tax Exempt Bond Program provides financing for property that is being developed for affordable multifamily rental housing. A percentage of the property's units must be set aside at all times for occupancy by low-to-moderate income individuals and families. This program has provided permanent financing for at least 7,000 apartments in 45 rental complexes located through the State.

The Low Income Housing Tax Credit Program is designed to provide an incentive to owners developing multifamily rental housing. Allocations of credits are used to leverage public, private and other funds in order to keep rents for tenants affordable. Developments that may qualify for credits include new construction, acquisition with rehabilitation, rehabilitation and adaptive re-use. Owners can take the credit for up to ten years if the rental property remains in compliance

with occupancy and rent restrictions for 30 years. These credits can be used as a dollar-for-dollar reduction in federal income tax liability.

The Section 8 Housing Choice Voucher Program provides rental assistance in the private rental market to very low income individuals and families in certain South Carolina counties. These counties are: Clarendon, Colleton, Dorchester, Fairfield, Kershaw, Lee, Lexington and Williamsburg. This program is limited by the Department of Housing and Urban Development's budget and has a waiting list. Qualified families pay approximately 30 percent of their income toward rent and utilities; the remainder is paid by the program. On an annual basis, the eligibility of the tenant family and the condition of the unit are examined in accordance with standards established by the Department of Housing and Urban Development.

The Contract Administration Program is responsible for the administration of much of the Department of Housing and Urban Development's South Carolina portfolio – approximately 270 properties serving as many as 17,865 very low and low income households. Contract Administrators work on behalf of the Department of Housing and Urban Development with owners and management agents who provide Department of Housing and Urban Development-subsidized apartments in privately-owned complexes. Administration includes reviewing and approving monthly assistance payments, conducting annual management and occupancy reviews for each property within the portfolio, responding to tenant complaints and providing follow-up for inspections conducted by the Department of Housing and Urban Development's Real Estate Assessment Center, processing actions related to subsidy contracts and reporting and tracking processes required under the contract between the Authority and the Department of Housing and Urban Development.

Through its seven core programs, the Authority is able to promote and provide housing opportunities for very low, low and low-to-moderate income South Carolinians. Noteworthy accomplishments for FY05-06 included:

- Helping maintain South Carolina's homeownership rate at a level above 70.0% to 73.9%, a rate that continues to surpass the national average of 68.9%
- Purchase of $135.6 million in mortgage loans through the Mortgage Revenue Bond Program
- Awards of $17.1 million through the Housing Trust Fund
- Provision of rental subsidies to 20,872 eligible families and individuals amounting to $96.3 million
- Increasing the Section 8 Housing Choice Voucher Program participant satisfaction rate to 98%, the owner satisfaction rate to 100% and scoring 100% for the second straight year on the SEMAP Score
- Earning 100% of Administrative Fees for the fourth straight year in the Contract Administration Program
- Reduction in the cost to production ratio for the Authority as a whole to 2.8%
- Earning Moody's Rating on Series 2006A Mortgage Revenue Bonds of Aaa, June, 2006

The Authority staff has been working with the Board of Economic Advisors on additional measures of economic impact that will provide a more accurate snapshot of the outputs and

outcomes of program activity, including the representation of direct and indirect construction jobs created, new tax base generated and its effect on state and local taxes and effects of new versus existing construction on measuring overall influx into the local, state and national economies. This evaluation also aligns the financial performance measures more closely with program performance measures that reflect the extent to which those activities yield the desired outcomes in the community or in the lives of persons assisted. In light of this revision, the Authority has presented for FY05-06 the direct results of program activity in lieu of prior year representations that included assessments of overall economic impact.

Table 7.0-1 presents the direct results of program activity as measured by the performance measures outlined in Table 1.5-1. Subsequent details in Category 7. Business Results will provide additional information related to the activity that created these results.

TABLE 7.0-1 PERFORMANCE MEASURES BY PROGRAM WITH SUBSEQUENT RESULTS

Program or Support Area	Measure	Value	
		FY04-05	FY05-06
Rental Assistance	Percent of Voucher Program Participant Satisfaction	97.00%	98.00%
	Percent of Voucher Program Owner Satisfaction	99.00%	100.00%
	HUD SEMAP Score	100	100
	Percent of Administrative Fees Earned	100.00%	100.00%
	Number of Annual Compliance Review Findings	0	3
	Number of Families Assisted	20,478	20,872
	Dollar Cost Per Voucher	$484.54	$392.71
	Dollar Cost Per Contract Administration Unit	$90.01	$98.74
Homeownership	Number of Mortgage Loans Purchased	2,289	2,801
	Number of Mortgage Loans Managed	12,314	13,504
	Number of Mortgage Loans Serviced	10,703	12,068
	SCSHFDA Foreclosure Rate	2.77%	2.37%
	Number of Serviced Loans Per Servicing FTE	892	928
	Dollar Cost Per Service Loan	$99.76	$85.51
	Pull Through Rate	98.70%	85.56%
	Dollar Cost Per Purchased Loan	$276.21	$207.41
HOME	Number of Awards	42	112
	Dollar Value of Awards	$12,226,686.00	$10,236,433.00
	Number of HOME Units Produced	606	114
	Percent of Budget Awarded	59.40%	73.12%
	Dollar Awards Per FTEs	$1,645,160.89	$1,204,286.24
	Dollar Cost Per Dollar Award	$0.03	$0.05
Low Income Housing Tax Credit	Dollar Value of Awards	$8,045,471.00	$8,889,219.00
	Number of Developments Awarded	21	26
	Number of Low Income Housing Tax Credit Units Produced	1,212	1,392
	Dollar Cost Per Dollar Award	$0.05	$0.04
Housing Trust Fund	Number of Awards	171	165
	Dollar Value of Awards	$12,275,119.00	$17,125,183.00
	Number of Housing Trust Fund Awards	700	893
	Percent of Budget Awarded	36.40%	85.63%
	Dollar Awards Per FTEs	$1,022,927.00	$2,140,648.00
Human Resources	State Percent Turnover	12.64%	15.23%
	SCSHFDA Percent Turnover	16.45%	10.61%

7.1 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 multifamily and single-family housing. Authority resources were invested in a wide range of programs in order to address the growing demand for affordable housing across South Carolina. Activities included mortgage purchases, down

payment assistance, multifamily and single family housing development, preservation, rental and utility payment assistance, and special needs housing development for the homeless, disabled and elderly.

According to the most recent US Census Bureau data, in 2005, South Carolina had a homeownership rate of 73.9%. This is significantly higher that the national average for the same time period of 68.9%. In fact, for the past five years, South Carolina has remained at least five percentage points above the national average; in 2002, it was 9.4 percentage points higher. In comparison, in 2005, West Virginia led the nation with the highest homeownership rate, 81.3%. In the Southeast, South Carolina is second only to Alabama in homeownership, as evidenced in Table 7.1-1 below.

TABLE 7.1-1 HOMEOWNERSHIP RATES IN THE SOUTHEAST

	2001	2002	2003	2004	2005
South Carolina	**76.1**	**77.3**	**75.0**	**76.2**	**73.9**
Alabama	73.2	73.5	76.2	78.0	76.6
Florida	69.2	68.7	69.5	72.2	72.4
Georgia	70.1	71.7	71.4	70.9	67.9
North Carolina	71.3	70.0	70.0	69.8	70.9
Virginia	75.1	74.3	75.0	73.4	71.2
National Average	**67.8**	**67.9**	**69.9**	**69.0**	**68.9**

Mortgage Revenue Bond Program

The continued success of South Carolina in leading the national average in homeownership is due in part to the continued success of the Mortgage Revenue Bond Program. During the FY05-06, the Authority purchased a total of 2,801 mortgages, amounting to $135.6M. See Table 7.1-2. This represents a 19.9% increase in dollar value of purchases over the prior year.

TABLE 7.1-2 HOMEOWNERSHIP PROGRAMS: MORTGAGE LOANS PURCHASED

Program	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06
MRB	$67,353,530	$61,721,394	$48,963,976	$56,640,341	$106,979,981	$132,532,534
Special	$9,274,272	$23,807,772	$2,246,811	$12,445,055	$6,056,294	$3,093,000
Total	**$76,627,802**	**$85,529,166**	**$51,210,787**	**$69,085,396**	**$113,036,275**	**$135,625,534**

Mortgages	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06
First	1,090	1,089	635	774	1,157	1,336
Second	449	238	350	611	1,132	1,465
Total	**1,539**	**1,327**	**985**	**1,385**	**2,289**	**2,801**

Over 80% of the first mortgages purchased participated in one of the down payment assistance programs. During FY05-06, nearly 40% of first mortgages were provided through our Broker Program network.

A contributing factor to the success of the program stems from the Authority's ability to adjust its mortgage interest rates on an as needed basis. This allows 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 on the Authority's website and are updated on a weekly basis.

The Authority's portfolio contains a total of 13,504 first and second mortgages that are serviced by one private sector provider in addition to in-house servicing. The in-house department services the complete portfolio of second mortgages. See Tables 7.1-3 and 7.1-4 below.

TABLE 7.1-3 HOMEOWNERSHIP PROGRAMS: MORTGAGE LOANS MANAGED

	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06
Principal Balances (Millions)	491.4	528.8	500.3	482.5	526.2	591.6
Number of Mortgages	10,385	13,266	12,339	11,649	12,314	13,504

TABLE 7.1-4 HOMEOWNERSHIP PROGRAMS: MORTGAGE LOANS SERVICED

	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06
First Mortgages	6,591	6,784	6,704	6,377	7,314	7,812
Second Mortgages	2,974	2,827	2,731	2,788	3,389	4,256
TOTAL	**9,565**	**9,611**	**9,435**	**9,165**	**10,703**	**12,068**
# Loans Per FTE	797	801	786	764	892	928

The Mortgage Servicing Department has set a goal to keep Authority foreclosure rates below that of the Mortgage Bankers Association of America. The Authority has maintained a ratio equal to or below that of the Mortgage Bankers Association (MBAA) for several years. See Table 7.1-5 and Graph 7.1-1 below.

TABLE 7.1-5 FORECLOSURE RATES: SCSHFDA AND MBAA

Quarter, Year	SCSHFDA	MBAA
1Q '01	1.13	1.87
2Q '01	0.85	1.80
3Q '01	1.01	2.20
4Q '01	1.19	2.58

Quarter, Year	SCSHFDA	MBAA
1Q '02	1.42	3.00
2Q '02	1.18	3.02
3Q '02	0.85	2.82
4Q '02	1.79	3.00

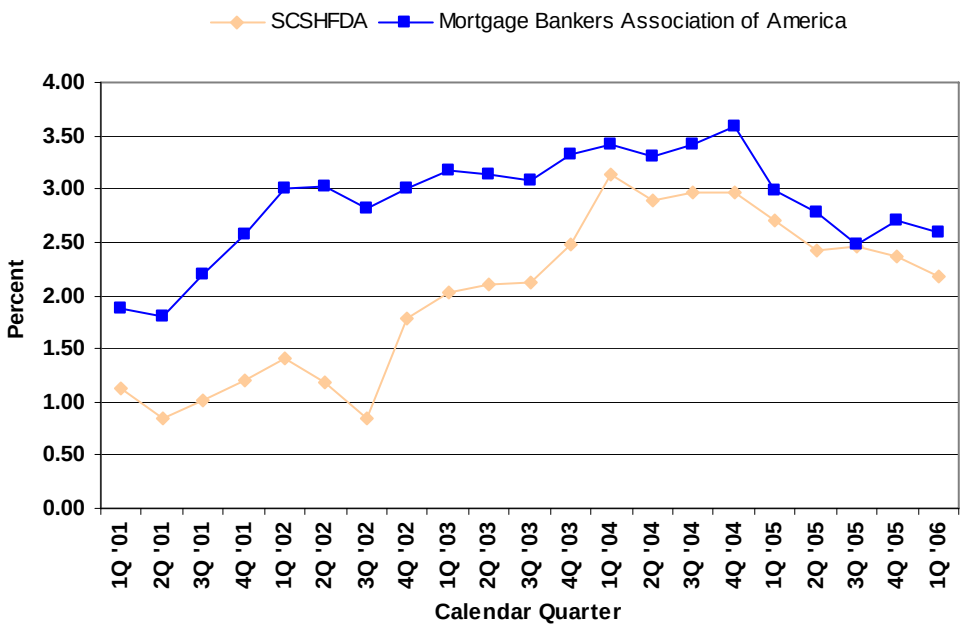
Quarter, Year	SCSHFDA	MBAA
1Q '03	2.02	3.18
2Q '03	2.10	3.13
3Q '03	2.12	3.08
4Q '03	2.48	3.33

Quarter, Year	SCSHFDA	MBAA
1Q '04	3.14	3.42
2Q '04	2.88	3.30
3Q '04	2.96	3.42
4Q '04	2.96	3.59

Quarter, Year	SCSHFDA	MBAA
1Q '05	2.71	2.98
2Q 05	2.43	2.77
3Q '05	2.46	2.48
4Q '05	2.37	2.71

Quarter, Year	SCSHFDA	MBAA
1Q '06	2.18	2.60

GRAPH 7.1-1 HOMEOWNERSHIP FORECLOSURE RATES



Contract Administration and Section 8 Housing Choice Voucher Program

Over 20,000 families received housing assistance through the Authority's administration of the Contract Administration and Section 8 Housing Choice Voucher Programs. Tenants pay approximately 30% of their income toward rent and the remainder is subsidized. During the FY05-06, this subsidy amounted to over $96M. The level of rental assistance activity has remained at a fairly consistent level for the past several years. See Table 7.1-6.

TABLE 7.1-6 RENTAL ASSISTANCE AND SUBSIDY PAYMENTS

	FY01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Families Assisted	19,163	20,265	20,280	20,478	20,872
Subsidy Payments	$75,542,813	$96,804,747	$92,400,782	$93,767,001	$96,278,577

HOME Program

Table 7.1-7 shows the awards made by the HOME Program during FY98-99 to FY05-06. These awards are made to non-profits, for-profits, local governments, Community Housing Development Organizations, Public Housing Authority participants and single-family direct assistance.

TABLE 7.1-7 HOME PROGRAM AWARD ACTIVITY

FY	Awards	Dollars	Units	Dollars Per Award	Dollars Per Unit
98-99	37	$11,008,013	573	$297,514	$19,211
99-00	27	$7,751,051	539	$287,076	$14,380
00-01	31	$9,387,612	704	$302,826	$13,335
01-02	36	$11,099,889	648	$308,330	$17,129
02-03	56	$14,806,448	1,119	$264,401	$13,232
03-04	57	$14,826,448	1,120	$260,114	$13,238
04-05	42	$12,226,686	606	$291,112	$20,176
05-06	112	$10,236,433	114	$91,396	$89,793

Low Income Housing Tax Credit Program

Prior to FY01-02, the Low Income Housing Tax Credit Program operated at a level of approximately $4M in tax credits allocated. However, in FY01-02, there was a significant increase in tax credit allocations. This was the 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. In FY05-06, the Low Income Housing Tax Credit Program increased its allocations by 10.5% to $8,8M. The 26 developments awarded in 2005 will produce 1,392 low-income rental units. See Graph 7.1-2 and Table 7.1-8.

GRAPH 7.1-2 LOW INCOME HOUSING TAX CREDIT PROGRAM ALLOCATIONS

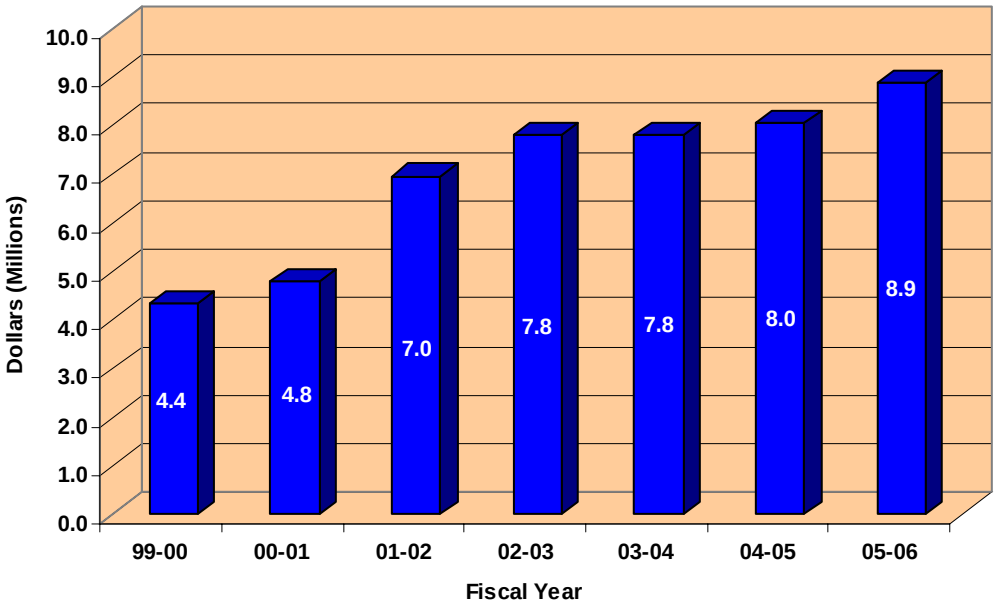


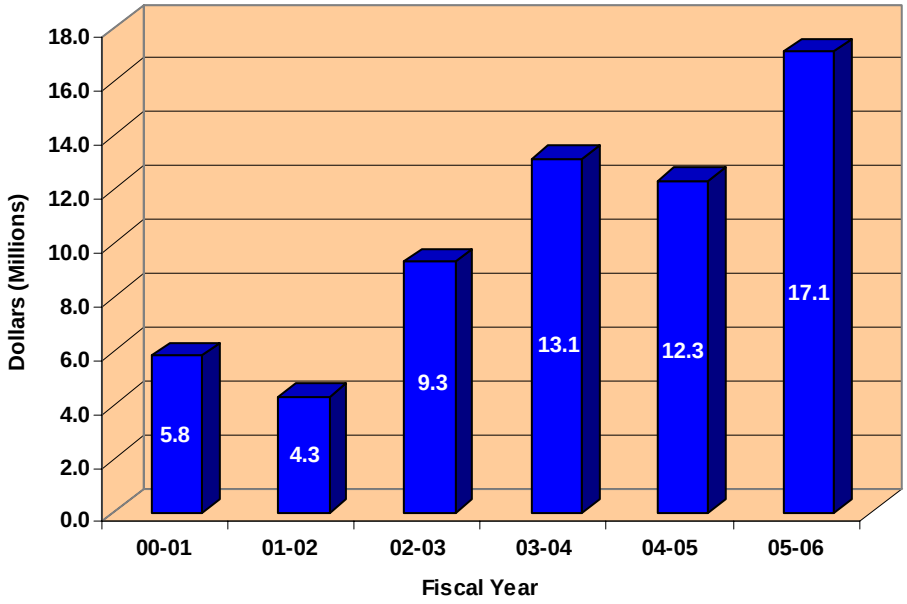
TABLE 7.1-8 LIHTC PROGRAM AWARD ACTIVITY

FY	Tax Credits Allocated	Number of Developments	Rental Units	Average Credits Per Development	Average Credits Per Unit
99-00	$4,356,487	17	810	$256,264	$5,378
00-01	$4,782,482	17	798	$281,322	$5,993
01-02	$6,954,101	28	1,312	$248,360	$5,300
02-03	$7,812,886	29	1,220	$269,410	$6,404
03-04	$7,803,567	25	1,297	$312,143	$6,017
04-05	$8,045,471	21	1,212	$383,118	$6,638
05-06	$8,889,219	26	1,392	$341,893	$6,386

Housing Trust Fund

Housing Trust Fund awards were made throughout the state with a total of 171 awards for $12.3M in FY04-05 and 165 awards for $17.1M in FY05-06. This represents an increase in total award amounts of 39.5%. See Graph 7.1-3 and Table 7.1-9.

GRAPH 7.1-3 HOUSING TRUST FUND PROGRAM AWARD ACTIVITY



A decrease in awards funding occurred in 2002 in an effort to restrict awards 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 and anticipated income for this year was less than originally expected. Reliance on economy-driven proceeds can be a significant complication. It creates an unpredictable fluctuation in award activity because the amount of underlying proceeds is unpredictable. FY05-06 was a successful year for the Housing Trust Fund but there is no guarantee from year to year as is evident by the actions taken by the Housing Trust Fund staff in early 2006. See Table 7.1-9.

TABLE 7.1-9 HOUSING TRUST FUND PROGRAM AWARD ACTIVITY

FY	Awards	Dollars	Units	Dollars Per Award	Dollars Per Unit	Dollars Per FTE
00-01	289	$5,834,487	585	$20,189	$9,973	$486,207
01-02	296	$4,318,595	396	$14,590	$10,906	$359,883
02-03	349	$9,258,977	617	$26,530	$15,006	$771,581
03-04	185	$13,076,447	730	$70,683	$17,913	$1,089,704
04-05	171	$12,275,119	700	$71,784	$17,536	$1,022,927
05-06	165	$17,125,183	893	$103,789	$19,177	$2,140,648

The original budget for Housing Trust Fund for FY05-06 was $14M. In January 2006, with receipts to the Fund being greater than anticipated, staff recommended and the Board approved an increase to the budget of $6M. The total budget for the program at the end of FY05-06 was $20M with a percentage of budget expended equaling 85.63%.

Multifamily Tax Exempt Bond Program

Historically, the Multifamily Tax Exempt Bond Program has not been reported as a separate program. FY05-06 represents the first year that actual activity has been presented.

For FY05-06, $47.5M of 2004 bond cap was allocated to six developments. These activities significantly reduced the amount of available bond cap, so in 2005 an additional bond cap carry-forward allocation of $47.7M was made, in effect, negating the funds that were allocated directly to developments and creating a zero effect to the bond cap balance.

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

Authority program areas measure customer and stakeholder satisfaction in different ways. Some program areas have more formalized methods and some rely on informal communication lines. Those with formal processes for evaluating customer satisfaction are detailed below.

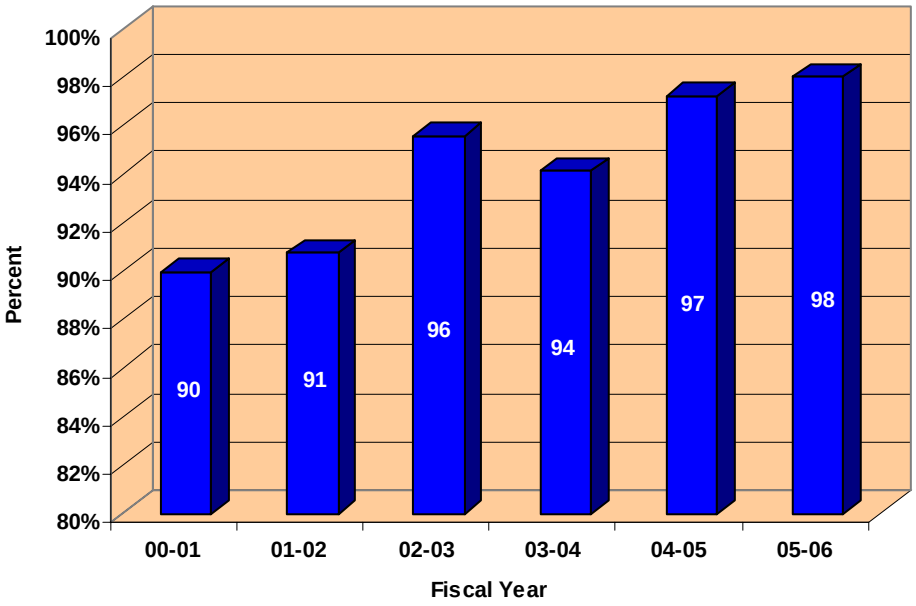
Section 8 Housing Choice Voucher Program

The Section 8 Housing Choice Voucher Program has a formalized process for evaluating customer satisfaction. Participants and rental property owners are the two primary customers of the Section 8 Housing Choice Voucher Program. The Department of Housing and Urban Development is an intermediate customer or stakeholder. The Authority's performance for each of these groups is measured.

<u>Customers</u>

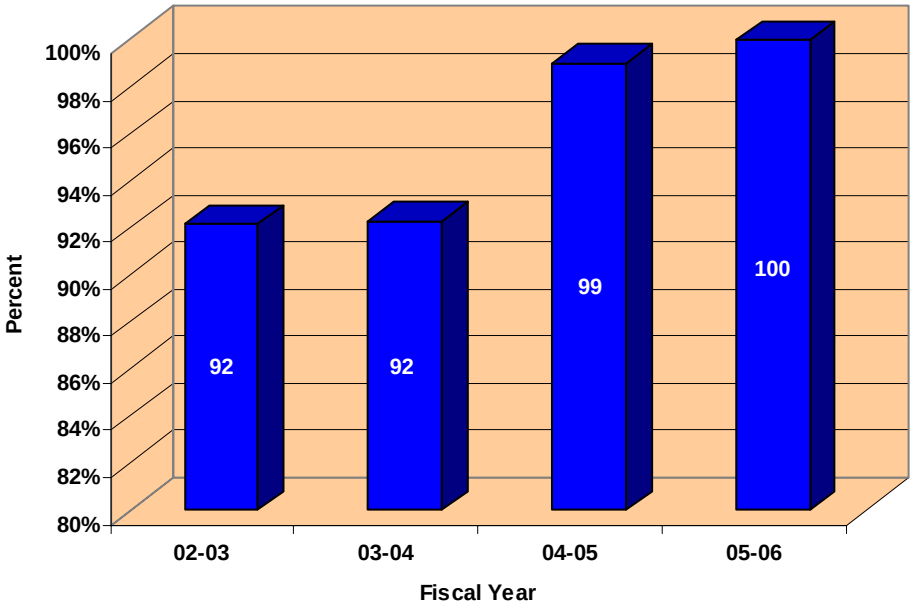
The Section 8 Housing Choice Voucher Program provided assistance for 2,611 participant families during FY05-06. Participation in the program is limited due to the number of vouchers and budget available from the Department of Housing and Urban Development. The Authority continues to survey participants to determine the level of customer support and satisfaction. See Graph 7.2-1.

GRAPH 7.2-1 SECTION 8 HOUSING CHOICE VOUCHER PROGRAM PARTICIPANT SATISFACTION



Approximately 800 property owners or apartment complexes rent units to Section 8 Housing Choice Voucher Program participants. The units under contract are inspected, at least annually, to ensure that they continue to meet Housing Quality Standards. The Authority continues to survey owners in an effort to track performance and customer satisfaction. See Graph 7.2-2.

GRAPH 7.2-2 SECTION 8 HOUSING CHOICE VOUCHER PROGRAM OWNER SATISFACTION



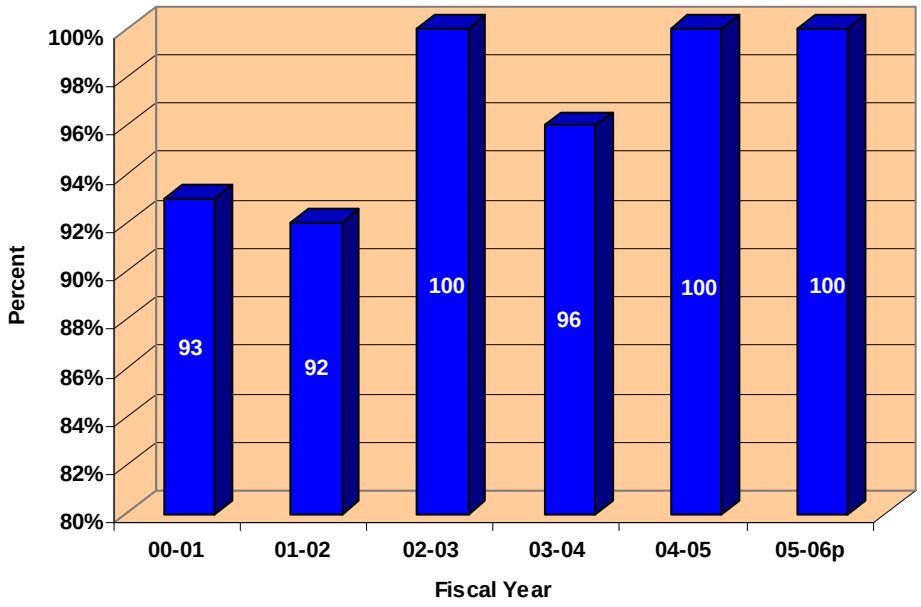
Stakeholders:

A rating system was established by the Department of Housing and Urban Development for Public Housing Authorities that administer the Section 8 Housing Choice Voucher Program. The Section Eight Management Assessment Program (SEMAP) measures 14 indicators of program success covering compliance, timeliness, unit inspections and occupancy. The Department of Housing and Urban Development issues performance ratings from 1 to 100 to the Section 8 Housing Choice Voucher Programs as follows:

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

Troubled Public Housing Authorities may be sanctioned or have their operations assumed by the Department of Housing and Urban Development. HUD issued SEMAP ratings for the first time during FY99-00. See Graph 7.2-3.

GRAPH 7.2-3 SECTION 8 HOUSING CHOICE VOUCHER PROGRAM SEMAP SCORE



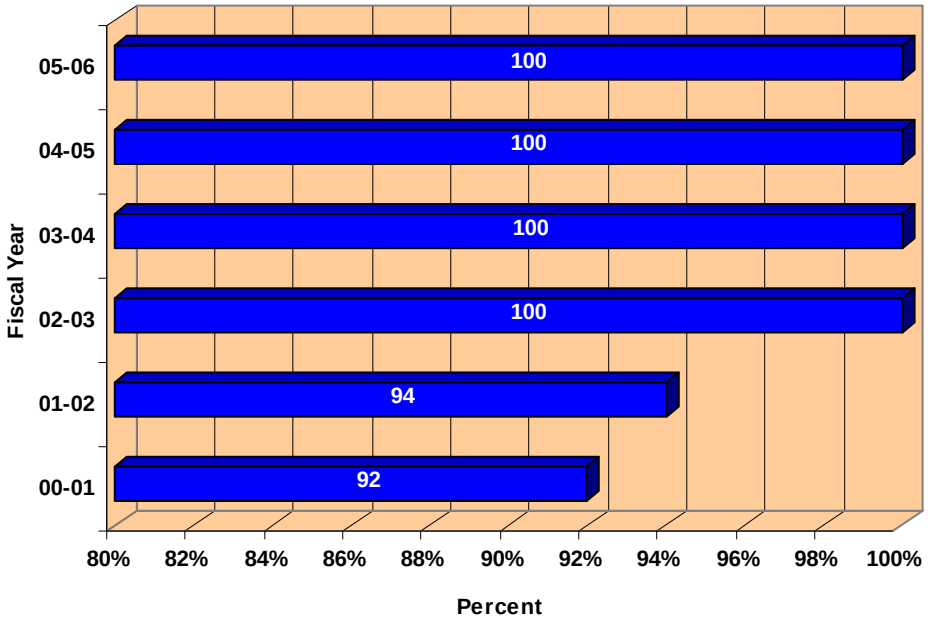
p - Projected

Contract Administration Program

Customer satisfaction for the Contract Administration Program is measured primarily by the determination of actual fees earned as a ratio of potential fees available. The Authority is a subcontractor for the Department of Housing and Urban Development, which created very specific accountability measures for its subcontractors, including performance timeframe requirements. Maximization of fees is the truest indicator of the Department of Housing and Urban Development's satisfaction with the Authority's level of performance. If the Department

of Housing and Urban Development was not satisfied with the performance of the Authority, that dissatisfaction would be reflected in a percent of fees earned of less than 100%. The Authority would be charged with a "disincentive" or reduction in fees. Graph 7.2-4 represents the actual fees earned as a ratio of the potential fees available.

GRAPH 7.2-4 PERCENT OF ADMINISTRATIVE FEES EARNED



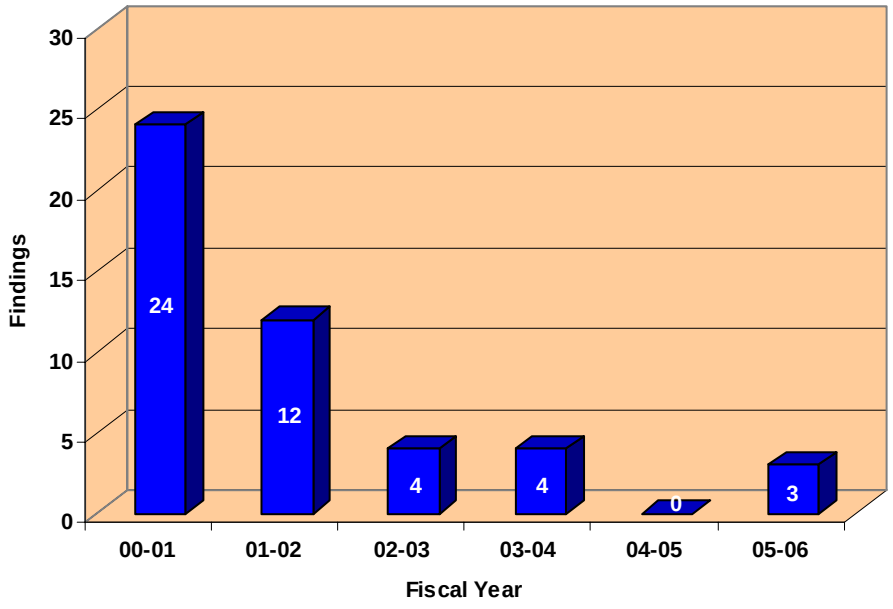
The contract allowed an initial grace period in which 100% of fees were paid to the Authority regardless of performance. The performance–based contract currently in-force requires the timely completion of 16 core tasks. These tasks are:

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 Authority 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 4 years.

Another indication of staff effectiveness or customer satisfaction is the Annual Compliance Review. This review is an audit performed annually by the Department of Housing and Urban Development in relation to the Contract Administration performance-based contract. Graph 7.2-5 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."

GRAPH 7.2-5 ANNUAL COMPLIANCE REVIEW AUDIT FINDINGS



The Authority also continues to enhance customer satisfaction as it builds positive working relationships with the Department of Housing and Urban Development 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 the Department of Housing and Urban Development and owners as the Authority demonstrates its program competency. All Contract Administration Program 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 Program 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.

Mortgage Revenue Bond Program

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 reduction in the number of valid complaints received from homeowners concerning errors with property taxes, insurance, and payoffs from one year to the next.

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 rated the Authority's Series 2006A Bonds in June 2006 Aaa.

The data for the following tables and graphs are from the 2004 State Housing Finance Authority Outlook and Medians for Single Family Whole Loan Programs produced by Moody's Investor Service. This represents the most current information as at the time of the preparation of this report Moody's Investor Service had not issued the 2005 report. See Table 7.3-1.

TABLES 7.3-1 STATE HOUSING FINANCE AUTHORITY OUTLOOK AND MEDIANS: SINGLE FAMILY WHOLE LOAN PROGRAMS

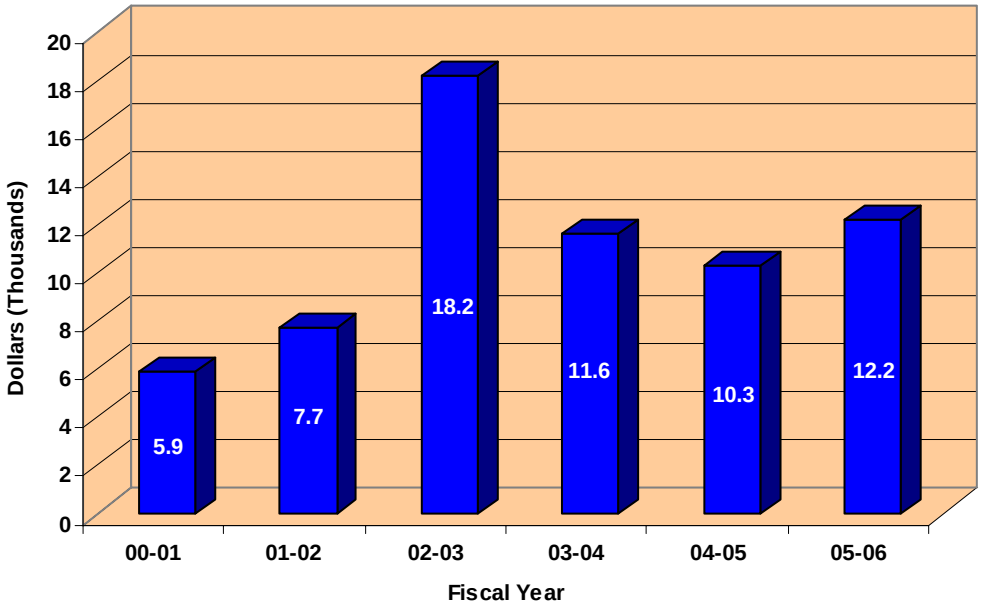
Financial Data (Millions):	Fiscal Year				Change '03 04
	01	02	03	04	
MRB Fund Balance	$21,020	$23,422	$37,964	$43,843	**15.49%**
MR Bonds Outstanding	$355,068	$389,070	$427,523	$391,455	**-8.44%**
MRB Mortgages Outstanding	$301,742	$338,264	$333,615	$317,078	**-4.96%**
MRB Fund Balance as % of MR Bonds 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%**

7.4 What are your performance levels and trends for the key measures of Human Resource Results (i.e. work system performance, employee learning and development, employee well-being, employee satisfaction, diversity, and retention)?

Tuition Assistance

The Authority 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 to an employee's position or a position that 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 Authority has provided this benefit since 1993, and since that time 24 employees have benefited for a total cost to the Authority of $90,334. During FY05-06, six employees received tuition assistance from the Authority. The chart below depicts the Authority commitment to tuition assistance. There was a decrease in tuition payments after 2003, when the policy was changed to limit the assistance to $3,000 per year. See Graph 7.4-1.

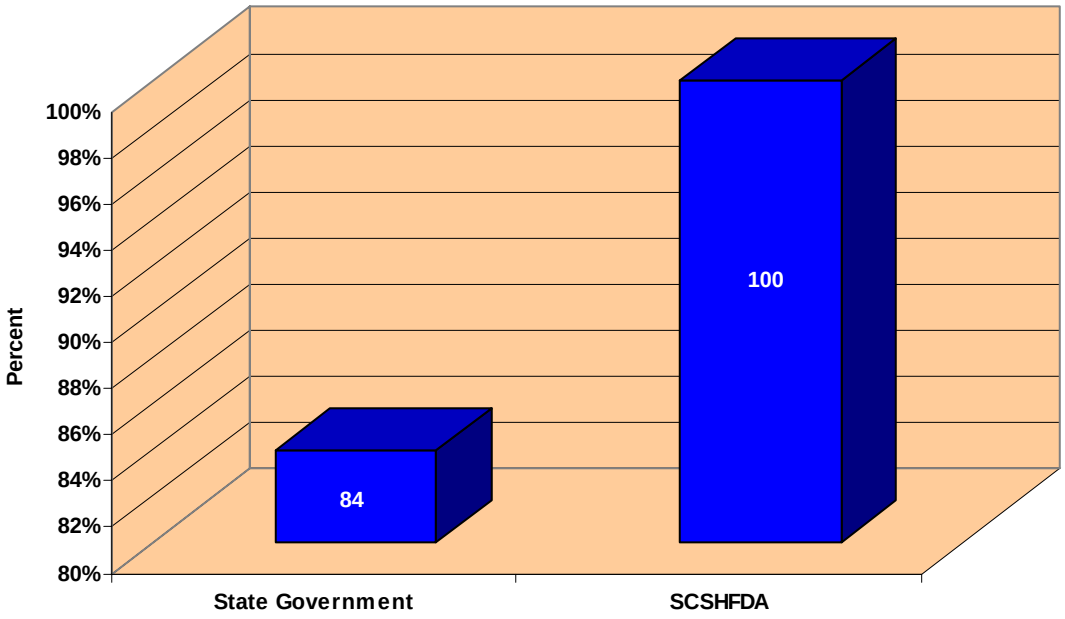
GRAPH 7.4-1 TUITION ASSISTANCE



Human Affairs Goal Attainment

The Authority is proud to be the number one Authority in goal attainment with Human Affairs. The Authority maintains a 100% goal attainment. See Graph 7.4-2.

GRAPH 7.4-2 GOAL ATTAINMENT



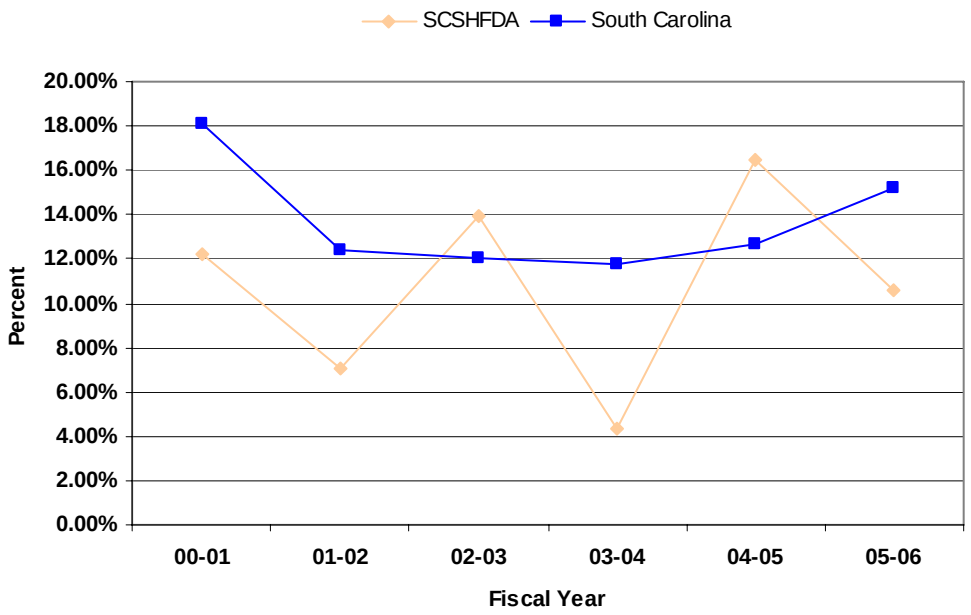
Turnover Data

Turnover data reflects all separations from the Authority. As shown in Table 7.4-1, the Authority experienced a significant increase in turnover in FY04-05 due to the use of Voluntary Separation and a Retirement Incentive Program. The Authority in FY05-06 is much lower in turnover than the state average. See also Graph 7.4-3.

TABLE 7.4-1 TURNOVER RATE: COMPARISON OF SCSHFDA TO STATE OF SOUTH CAROLINA

FY	SCSHFDA	South Carolina
00-01	12.20%	18.13%
01-02	7.04%	12.39%
02-03	13.91%	12.05%
03-04	4.32%	11.73%
04-05	16.45%	12.64%
05-06	10.61%	15.23%

GRAPH 7.4-3 TURNOVER RATE: COMPARISON OF TRENDS FOR SCSHFDA AND STATE OF SOUTH CAROLINA



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.

The Authority's Internal Audit Division serves to assist management in strengthening the control environment. This Division provides an independent appraisal function of reviews and audits of the Authority as directed by the Executive Director/Board of Commissioners. These Internal Audit activities include: reviewing existing controls; ensuring compliance with internal controls and required regulations; recommending improvements and cost-effective enhancements; maintaining copies of all internal/external review and audit reports; informing management and the Board of Commissioners the results of internal/external reviews and audits; and performing follow-up to ensure appropriate corrective actions are taken regarding the issues noted in the reviews and audits.

The Internal Audit Division also conducts monthly/quarterly Quality Control reviews for the Authority's Mortgage Servicing Division. These reviews are required by the U. S. Department of Housing and Urban Development (HUD) for all Federal Housing Administration (FHA) approved mortgages. Spreadsheets are maintained of both the loan selection criteria and the specific loans reviewed.

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 for the fiscal year ending June 30, 2005 was conducted by DeLoach & Williamson, L.L.P., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor. This audit resulted in an unqualified (clean) audit opinion with no material weaknesses. The audit report did indicate audit adjustments that were applied to restate the June 30, 2004 financial statements, and that such adjustments were appropriate and properly applied.

In addition, the Authority is subject to a number of reviews and audits performed by external parties to ensure regulatory/legal compliance. The results of all these reviews/audits conducted during fiscal year 2006 were favorable with one exception. HUD's review of the Voucher Management System for the Housing Choice Section 8 Housing Choice Voucher Program, for the period November 2003 through October 2004, resulted in issues related to data documentation and integrity. Management is addressing these issues by developing and implementing a quality control process for this function.