THE ART OF ADAPTING
On the cover Rob McCann of Catholic Charities Spokane says Fr. Bach Haven, a new permanent housing community for formerly homeless individuals, represents an important expansion of his 100-year-old agency’s focus. “We’ve been really good lifeguards—good at helping people in crisis. Now we’re trying to prevent people from going under in the first place.” The 50-unit building adjacent to Catholic Charities’ homeless shelter was financed in part through housing credits allocated by the Commission.
Providing affordable housing requires creativity during the best of times. Factor in the cruel math of a recession—more need, fewer resources—and the demand for fresh thinking becomes even more urgent.

In 2012, housing providers in Washington State continued to grapple with the effects of the Great Recession, finding new ways to do more with less and adapting to “the new normal” of the post-recession economy. At the Washington State Housing Finance Commission, we adapted with them. We changed programs and created new ones. We questioned old ways of doing things. We examined our work closely, with an eye to better serving state residents in the context of right now.

As we did so, an encouraging picture began to emerge—one colored by the resourcefulness and optimism of the people of Washington. Affordable housing, by definition, is an unfinished work. But as the paint dries on 2012...

...WE’RE HOPEFUL ABOUT WHAT WE SEE.
DRAWING ON OUR RESOURCES
FROM THE GOVERNOR

In Washington State, when things get tough, we step up. We rise to the occasion, individually and corporately, to meet our challenges and build our future.

The Great Recession and its aftermath have presented our state with unprecedented challenges—and new opportunities as well. The Washington State Housing Finance Commission exemplifies our state’s spirit of innovation and our long history of adapting to make the most of challenge and change. Working with community-based organizations, local leaders, developers, banks, real-estate agents, and dozens of other partners statewide, the Commission has continued to adapt to the post-recession landscape. Some of its programs have changed, but its fundamental mission has not: to increase housing affordability and expand quality community services for the people of Washington.

In the 29 years since its creation, the Commission has helped finance homes for more than 44,000 Washington residents, touching every county in our state. It has helped finance the construction of some 93,000 multifamily units, along with 147 facilities for nonprofit organizations. In the process, the Commission has also helped generate tens of billions of dollars in wages and material purchases. And it has done it all using primarily private sector funds—not tax dollars.

By adapting and evolving, by working efficiently and in partnership with businesses and nonprofit organizations, and by staying squarely focused on the mission given to it by the people of Washington, the Commission has dependably helped create housing, jobs, and the most valuable commodity of all during a time of challenge—hope.

As governor, and as a Washington resident, I’m proud of the Washington State Housing Finance Commission. I congratulate the Commission and its staff for another year of outstanding service to the people of our state.

Christine O. Gregoire
Governor of Washington
FROM THE CHAIR

For anyone who works in affordable housing, thinking creatively is part of the job description. Change and challenge aren’t the exceptions, but the rule.

In the early 1980s, a recession brought the state’s housing market to a virtual standstill. Then, a quarter-century later, we were buffeted by a recession that made others before it look like dress rehearsals. In both cases, our state rose to the challenge. We adapted.

In response to the recession of the early ’80s, leaders in government and business collaborated to create the Washington State Housing Finance Commission. More recently, government, business, and nonprofits have been equally innovative in adapting to meet the state’s housing challenges in the face of the Great Recession.

Now, at the end of 2012, we see reasons for optimism. The housing market is showing early signs of recovery. And at the Washington State Housing Finance Commission we’re getting back to normal, though it is, to be sure, a new normal.

Our programs have changed in response to the vast changes in housing finance. Here are just some of the ways we adapted and changed this year alone:

- We combined our Capital Projects and Tax Credit Divisions, streamlining our operations and simplifying processes for the organizations that use those programs to create affordable housing;
- We responded to the loss of our longtime loan servicer by entering into an agreement establishing another state housing finance agency as the servicer of our single-family loans;
- We issued our first bond to promote green energy, for an energy-efficiency retrofit project for a small nonprofit agency;
- We continued to support the state’s largest foreclosure counseling program; and
- We laid the groundwork for a homeownership program that will enable us, for the first time, to offer daily-priced mortgages not tied to mortgage revenue bonds.

And, of course, we continued to work closely with our longtime partners in banking, real estate, and development as they adapt as well.
We have found that adapting to change is more art than science. It means having the vision and courage to try new things. Even more, it means relentlessly asking, What’s working? What’s not? What makes us better? How can we reach more people in need and make communities stronger?

These are the questions that drive our work regardless of economic conditions. As we close 2012, our work is colored by new hope as well. We hope you share in it.

On behalf of the entire Commission staff and my fellow Commissioners, thank you for taking the time to read this year’s annual report, and thank you for your interest in the Washington State Housing Finance Commission.

Karen Miller
Chair, Washington State Housing Finance Commission

THE COMMISSIONERS

Commissioners are volunteers appointed by the governor to represent various geographic, business, and public interests as they relate to affordable housing and community development.

Beth Baum
Commissioner At-Large

Ellen Evans
Designee, Washington State Treasurer’s Office

Dennis Kloida
Labor Interests

M. A. Leonard
Public Member

Dan McConnon
Designee, Department of Commerce

Jim McIntire
Washington State Treasurer, Ex Officio

Karen Miller
Chair

Steven Moss
Representative of Low-Income Persons

Faouzi Sefrioui
Housing Consumer Interests

Gabe Spencer
Publicly Elected Official

Pam Tietz
Public Member

Mario Villanueva
Public Member

Rogers Weed
Director, Department of Commerce, Ex Officio
“This is the kind of project where everybody wins—the developer, the residents, and the city.”

George Petrie
CEO, Goodman Real Estate
Owner of The Addison on Fourth, Seattle
When John Abeyta’s grandparents traveled from New Mexico to find work in the booming economy of World War II-era Seattle, they came by train. Disembarking at King Street Station, they likely would have gazed up at The New Richmond Hotel, an elegant Neoclassical Revival building rising nine stories above Fourth Avenue. Built in 1911, The New Richmond welcomed travelers like the Abeytas for decades as one of Seattle’s most elegant hotels. Today, as The Addison on Fourth, the still-grand building provides an affordable place to live for residents like John, whose apartment is just steps from where his grandparents started their new life.

“I’ve been here 13 years,” says John. “Before that, I had an uncle who lived here. I’ve been in and out of this building since I was a kid.”

He’s also seen the building at its best and worst. Renamed The Downtowner after new owners converted the New Richmond to low-income apartments, the building languished over time. Its rich architectural details were covered with cinderblocks and sheetrock. Crime flourished in and around the building, as did bedbugs, roaches, and rats. As George Petrie of Goodman Real Estate diplomatically puts it, “The quality of the living experience was not high.”

Petrie’s company is changing that. After several organizations were unsuccessful at acquiring the building when its owners put it up for sale, Goodman bought the Downtowner, changed its name to The Addison on Fourth, and launched a full-scale renovation financed in part with bonds and housing credits made available through the Commission. All of the building’s 240 apartments will be remodeled. Plumbing and electrical systems will be updated. The roof will be replaced, and the historic structure will get a seismic retrofit.

Bringing historic buildings back to life is familiar work for Goodman, which has completed similar rehabilitations in downtown Seattle.

“These historic buildings should be preserved and revitalized so they can contribute to the cultural fabric of their neighborhoods,” says Petrie.

Renting for between $700 and $1,000 per month, apartments at The Addison will be targeted at residents earning about $40,000 per year, or 60 percent of Seattle’s median income. Notes Petrie, “It’s good, solid workforce housing.”

Because rents were lower under the previous owners, Downtowner residents like John Abeyta received rental assistance vouchers. Many moved from the building, but John stayed, calling the rehabilitation a good deal. He says he likes the renovations to his apartment as well as the building details that have emerged as workers have peeled away layers of history. But what he most appreciates about The Addison is likely what drew guests to The New Richmond a century ago.

“It’s the perfect spot,” he says. “You’re within walking distance of everything. When you wake up in the morning, you smell the ocean. It’s really cool.”
“I never thought I’d buy a house. I’m grateful for this program.”

Ann Guglielmino
Homeowner
Five years ago, Ann Guglielmino weathered her own perfect storm: Her landlord sold her rental house, requiring her to move out. Around the same time, she lost her job. At age 49, with her four children raised, Ann found herself homeless, jobless, and adrift, sleeping on the couches of family members and wondering how her once-orderly life had gotten off track.

“I just kept thinking, ‘This isn’t me,’” she remembers.

Ann hoped a move to Washington State from her native California would change her luck. She landed a good job. She found a nice one-bedroom apartment in Tacoma. Her life began to feel like hers again.

When her daughter and young grandson moved in with her, she was glad to have them. “We’re great roommates,” Ann says with a smile. But her apartment wasn’t large enough for two adults, one energetic boy, and three cats. So she looked for a bigger place. It didn’t take her long to discover that, for about the same amount she would be paying in rent, she could make a monthly mortgage payment.

She considered buying a home. The main obstacle? Coming up with a downpayment larger than the six thousand dollars she’d saved.

That’s when her mortgage banker mentioned the Commission’s Homeownership program.

After applying to the program and taking a required Homebuyer Education class, Ann was approved for a loan through our House Key first-time homebuyer program. She also received downpayment assistance through House Key Plus Foreclosure, which provides downpayment loans to buyers purchasing foreclosure properties.

Ann searched the market for over a year and made offers on two other houses before finding “the one”: a three-bedroom, 1,250 square-foot ranch home in Auburn’s Camelot neighborhood. A foreclosure property, it had been heavily damaged by its former occupants, yet had a new eat-in kitchen and other features that Ann and her daughter loved. In March 2012, they moved in.

Since then, Ann has repaired some of the home’s cosmetic damage, replacing a knocked-down fence and installing new garage doors with the help of a small FHA “rehab loan” that was rolled into her mortgage. Inside her home, the walls are dabbed with varied shades of paint as she mulls her options for redecorating. The house is taking shape, she observes, just as her life has.

Asked what her home means to her, Ann sums it up in one word: “Security. The sense of security you get when you have everything you need.”

“I love my little house. I don’t care about the re-sell value, because I don’t ever plan to sell it. I’m home.”
“Too many people are one paycheck away from homelessness.”

Joyce Williams
Resident, Graham/Terry Apartments
If you regularly stroll the sidewalks of Seattle’s Broadway neighborhood, chances are you’ve passed youthful 67-year-old retiree Joyce Williams. Though Broadway is a thigh-burning climb up Capitol Hill from her apartment in the Denny Triangle, Joyce logs a lot of miles walking there—heading to her gym, visiting her doctor, or just keeping fit.

“When you get a little age on you,” she says with a smile, “you start thinking about your health.”

Fortunately, she says, she doesn’t have to think about finding an affordable place to live, thanks to her apartment at the Graham/Terry, a building owned and operated since 1993 by Seattle nonprofit developer Bellwether Housing and financed in part with federal housing credits allocated by the Commission.

Joyce moved to the Graham/Terry after leaving the home she had long shared with her husband. The two had met on a construction site on Interstate 405 and seemed a great match; she was a welder, he was an inspector. They raised three daughters. But by the late 1990s, her husband’s struggles with post-traumatic stress disorder from serving in Viet Nam sent Joyce in search of a place of her own. Eventually, she found the Graham/Terry.

“I love it,” she says of her home. “I have a nice, quiet apartment. I can walk to whatever I need. And I like to see the big buildings around here all lit up at night. You don’t feel so alone that way.”

Lynda Carey, Bellwether’s construction and asset manager, says one of her organization’s original limited partners in the Graham/Terry saw the opportunity for serious profit after real-estate values in the neighborhood spiked, and was interested in selling the building. So Bellwether worked creatively to buy out the partner, ensuring that the building would remain in the care of an owner committed to keeping the building safe, well-maintained and affordable. Water damage to the building’s stucco cladding proved to be both a help and a hindrance: The partner wasn’t keen on paying for repairs, which factored into their decision to sell. But ultimately Bellwether must find a way to fund the expensive repair bill.

“Public funding sources focus on construction of new affordable housing,” Lynda points out. “There’s no money for improving our property’s long-term performance.” She credits the Commission’s Asset Management and Compliance staff with helping to build community recognition of the need for more funding to preserve existing affordable housing stock.

As for Joyce, she’ll tell you plainly that preserving the Graham/Terry and buildings like it is crucial.

“It’s much needed. I appreciate that (developers) are building condos for those who can afford them, but I’m not one of those people.”
EXPANDING
OUR
PALETTE
In 2012, we combined two divisions, renamed another to emphasize its shift in focus, and began laying the groundwork for a major new homeownership program. With these broad brushstrokes and many smaller ones as well, we continued to align our work with the realities of post-recession Washington. As ever, we worked closely with our partners to find the most efficient and effective ways for meeting the needs of communities statewide. The following are among the highlights of our divisions’ work this year.
“We’re seeing a lot of people who’ve never bought a home now buying through foreclosures or short sales. We’re seeing young people who are surprisingly savvy, based on what they’ve seen during the recession. And we’re seeing a lot of people who’ve been excluded by high prices in the past saying, ‘OK, I’ll come back and try it.’ That’s our market now. The world has changed, so we’re changing with it.”

*Dee Taylor*
Director, Homeownership
Though demand for homes remains high among first-time buyers, demand for bond-financed loans through our House Key program decreased in 2012 due to historically low interest rates on mortgages from conventional lenders. In response, we spent much of the year laying the groundwork for a new program that will enable us to offer daily-priced mortgages not tied to mortgage revenue bonds. Through the program, we will sell mortgages on the open market.

Meanwhile, our Homeownership Division played a key role in helping Washington State recover from the Great Recession by helping to fund one of the state’s largest foreclosure counseling programs—a program spanning 20 agencies and 90 counselors and helping hundreds of “under water” Washington residents navigate their options.

And after our longtime loan servicer Bank of America exited the servicing business, we entered into an agreement with ServiSolutions, a department of the Alabama Housing Finance Authority. The Alabama Housing Finance Authority is our peer in Alabama and an agency with a successful history of mortgage financing and servicing.

**IN 2012, THIS DIVISION:**

- Financed, for low- and moderate-income first-time homebuyers, more than $123 million in below-market-rate loans to 840 homebuyers through the House Key program—slightly over half of the number of loans we made in 2011.

- Issued, through various programs, 782 second-mortgage loans totaling over $6.5 million to low- and moderate-income first-time homebuyers to assist with downpayments and closing costs. The number of second-mortgage loans we issued decreased by about 28 percent from 2011.

- Financed more than $149 million in housing assistance to 749 low- and moderate-income first-time homebuyers through the Mortgage Credit Certificate program—an increase of 82 percent.

- Provided 62 loans totaling more than $757,000 for homebuyers with disabilities through the HomeChoice program.

- Trained 355 lenders, real estate professionals, and representatives of nonprofit organizations to teach our homebuyer education seminars and House Key training curricula. During fiscal year 2012, 6,046 prospective homebuyers attended 894 seminars held statewide.
“The post-recession economic landscape means that we have to work leaner and smarter. It doesn’t necessarily mean that less housing is built or fewer communities served through our programs. But it does mean we have to be more creative and efficient in stretching every last cent of financing for the greatest public benefit.”

Steve Walker
Director, Multifamily Housing and Community Facilities
In 2012, we combined our Capital Projects and Tax Credit Divisions to streamline our operations and simplify processes for the developers who use our programs. Through our bond financing programs and our housing credit programs, the division continued its statewide work of assisting in the financing of projects that will create or preserve affordable multifamily housing, housing and services for seniors, create and maintain nonprofit-owned community facilities, and assist in the funding of land and equipment for first-time farmers and ranchers.

This year we issued a bond to assist in financing an energy efficiency project for a mental health center in Everett—the first project under our new Sustainable Energy Program. The program helps fund renewable energy projects and energy efficiency projects for businesses, housing, homeowners, and nonprofit-owned facilities.

The division also launched an initiative that seeks to contain costs and improve the cost-efficiency of projects financed through the Commission’s multifamily housing programs. By facilitating conversations with developers and other stakeholders, we took the first step in the evolution of policies that will help increase efficiency and accountability in the use of federal housing finance tools.

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**IN 2012, THIS DIVISION:**

- Issued, in total, over $245.3 million in bonds and allocated over $398* million in housing credits† to help finance and refinance 61 projects across the state. Specifically, we:
  - Issued over $177.5 million in bonds and allocated over $81 million in housing credits through our Multifamily Housing Program to finance 12 projects that provided or preserved 1,790 rental-housing units, including 384 new units for seniors.
  - Allocated $296* million in housing credits to 33 competitive projects in 12 counties across the state.
  - Issued $36 million in bonds through our Nonprofit Facilities Program to finance/refinance six nonprofit-owned projects.
  - Allocated $21 million in housing credits to four bond projects where the bonds were issued by other authorized partners.
  - Issued over $31.5 million in bonds through our Nonprofit Housing Program to finance/refinance four projects that provided or preserved 741 housing units for seniors.
  - Issued $347,500 in bonds through our Beginning Farmer/Rancher Program to help two families own a farm.
  - Helped create, in total, 4,186 units of affordable housing, of which
    - 1,780 will serve seniors.
    - 239 will serve disabled households.
    - 435 will serve homeless households.
    - 189 will serve farmworker households.

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* Federal housing credits are allocated for 10 years. Credit amounts used are the 10-year totals.
† Housing credit allocation formerly reported on calendar year will now be reported on the Commission’s fiscal year. This transitional report captures an 18-month period.
“Our new emphasis on asset management means that, more than ever, our mandate is to assist owners in exploring ways of operating their property so that they can be sustained as affordable housing for the long term.”

Paul Fitzgerald
Director, Asset Management and Compliance
In 2012 we changed the name of our Compliance and Preservation Division to Asset Management and Compliance. It’s a significant change. With fewer resources available for new buildings, and with existing housing stock aging, it is more vital than ever for us to help building owners and managers maintain existing housing units and keep them affordable well into the future.

This year we began working with owners whose properties are challenged by spiking utility bills. The costs of water, sewer, garbage, heating, and power are rising at an alarming rate. As utility costs consume more revenue, fewer resources are available to address the needs of older buildings in need of major system repairs and replacements. We are exploring whether the way we regulate allowances for utilities can give owners incentives to make energy-saving improvements that will benefit them and their tenants alike.

Meanwhile, education and training remain core functions of our Asset Management and Compliance Division. Each year, division staff conduct at least 10 workshops on compliance with regulations for owners of properties financed with housing credits and tax-exempt bonds. These trainings reinforce our partnerships with owners and managers and further demonstrate our commitment to their success. The feedback we receive from workshop participants consistently ranks our instructors as first-rate.

Our educational program also includes monthly electronic newsletters covering a wide range of topics of interest to the affordable housing industry, and our website offers a wealth of information for property managers.

**IN 2012, THIS DIVISION:**

- Monitored over 71,000 units in 881 properties across the state.
- Conducted on-site inspections at over 260 properties.
- Provided training sessions in compliance monitoring and reporting to over 520 attendees.
- Cosponsored the annual state conference of the Affordable Housing Management Association and the Council for Affordable and Rural Housing.
- Enhanced the web-based annual reporting system, WBARS, used by seven public funders to monitor performance of over 1,500 properties they financed.
- Expanded the asset management activity to include properties receiving direct investments from the Commission.
During the fiscal year ended June 30, 2012, the Commission’s program activity continued to recover slowly from the Great Recession. The economic outlook seems to be stabilizing, but the pace of improvement remains slow. Certain domestic and global economic and political events remain wildcards in the outlook for the economy. Federal programs, such as the Housing and Economic Recovery Act of 2008 (HERA), the American Recovery and Reinvestment Act of 2009 (ARRA), and the U.S. Treasury’s New Issue Bond Program (NIBP), which helped the Commission provide financing alternatives during the recession, have ended. Tax-exempt interest rates remain low, but are tightly compressed with taxable rates. However, we have seen increasing use of our conduit bond programs, and the demand for the housing credits that we allocate remains competitive and significantly oversubscribed.

The Commission summarizes its financial activities in the General Operating Fund, Program Investment Fund, and Bond Fund. Following is a summary of results by fund.

**General Operating Fund** (statements displayed). The General Operating Fund accounts for the fiscal activities related to the administration of the Commission’s ongoing program responsibilities. It is the Commission’s “checking account”, where revenues from fees earned on bond issues, housing credit allocations, and compliance monitoring, as well as interest income, are recorded. The Commission’s operating expenses are paid from this fund.

Results for the fiscal year ended June 30, 2012, compare favorably to the prior year. Revenue was up $1.2 million.* This was largely due to the Commission’s gain on sale of mortgage-backed securities (MBSs) on the open market. These MBSs were made up of loans that the Commission had originated through its Homeownership programs. Expenses for the year were down $383 thousand* primarily due to a savings on professional and office expenses. Net excess operating revenue was allocated to the Program Investment Fund.

**Program Investment Fund.** The Program Investment Fund (PIF), established by the Commission in 1989, is strategically invested in programs to support the financing and production of low-income housing, special-needs housing, and facilities that provide community services. This fiscal year, PIF funds were designated for use in single-family downpayment assistance and manufactured housing loan programs.

During the year, we loaned and invested $9.8 million from PIF, $7.2 million for supporting homeownership programs, primarily downpayment assistance, and $2.6 million for multifamily development activities. Principal repayments on previous program activity were $3.8 million, mostly in homeownership downpayment assistance repayments. Interest earned in the fund was $881 thousand. At the end of the fiscal year, the Commission transferred $7.2 million from the General Operating Fund to the PIF so that additional funds are available for programs in the future.

**Bond Fund.** All activities of Commission-issued bond transactions are established under separate Indentures of Trust, and financial activities of these Indentures are recorded by the Commission in the Bond Fund. Bonds issued during this fiscal year were $342 million
while redemptions were $436 million, resulting in a $94 million net decrease in the amount of bonds outstanding. Some of this payoff activity is due to older bond issues refinancing with taxable debt, given the historic low-rate environment. A similar annual reduction in bonds outstanding has been consistent throughout the recession. The bond portfolio outstanding has fallen from $4.0 billion at June 30, 2008, to $3.6 billion at June 30, 2012.

**GENERAL OPERATING FUND**

**Statement of Net Assets**  Unaudited (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>For the years ending June 30,</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>$ Change</td>
<td>% Change</td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$6,897</td>
<td>$4,181</td>
<td>$2,716</td>
<td>65.0 %</td>
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<tr>
<td>Investment securities</td>
<td>16,913</td>
<td>19,576</td>
<td>(2,663)</td>
<td>(13.6) %</td>
<td></td>
</tr>
<tr>
<td>Receivables and prepaids</td>
<td>2,380</td>
<td>629</td>
<td>1,751</td>
<td>278.4 %</td>
<td></td>
</tr>
<tr>
<td>Furniture and fixtures (net of depreciation)</td>
<td>76</td>
<td>220</td>
<td>(144)</td>
<td>(65.5) %</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$26,266</td>
<td>$24,606</td>
<td>$1,660</td>
<td>6.7 %</td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>$1,860</td>
<td>$1,482</td>
<td>$378</td>
<td>25.5 %</td>
<td></td>
</tr>
<tr>
<td>Unearned fee income</td>
<td>6,406</td>
<td>5,124</td>
<td>1,282</td>
<td>25.0 %</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$8,266</td>
<td>$6,606</td>
<td>$1,660</td>
<td>25.1 %</td>
<td></td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net position</td>
<td>$18,000</td>
<td>$18,000</td>
<td>$—</td>
<td>0.0 %</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and net position</strong></td>
<td>$26,266</td>
<td>$24,606</td>
<td>$1,660</td>
<td>6.7 %</td>
<td></td>
</tr>
</tbody>
</table>

**Statement of Activities and Change in Net Assets**  Unaudited (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>For the years ending June 30,</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>$ Change</td>
<td>% Change</td>
<td></td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fee and other income</td>
<td>$14,279</td>
<td>$13,157</td>
<td>$1,122</td>
<td>8.5 %</td>
<td></td>
</tr>
<tr>
<td>Interest and investment income (net)</td>
<td>841</td>
<td>771</td>
<td>70</td>
<td>9.1 %</td>
<td></td>
</tr>
<tr>
<td>Grants and other pass-through revenue</td>
<td>15,811</td>
<td>93,461</td>
<td>(77,650)</td>
<td>(83.1) %</td>
<td></td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$30,931</td>
<td>$107,389</td>
<td>$(76,458)</td>
<td>(71.2) %</td>
<td></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, wages, and employee benefits</td>
<td>$5,149</td>
<td>$5,199</td>
<td>($50)</td>
<td>(1.0) %</td>
<td></td>
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<tr>
<td>Professional fees</td>
<td>1,247</td>
<td>1,434</td>
<td>(187)</td>
<td>(13.0) %</td>
<td></td>
</tr>
<tr>
<td>Office and other expense</td>
<td>1,710</td>
<td>1,856</td>
<td>(146)</td>
<td>(7.9) %</td>
<td></td>
</tr>
<tr>
<td>Grants and other pass-through expense</td>
<td>15,811</td>
<td>93,461</td>
<td>(77,650)</td>
<td>(83.1) %</td>
<td></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$23,917</td>
<td>$101,950</td>
<td>$(78,033)</td>
<td>(76.5) %</td>
<td></td>
</tr>
<tr>
<td><strong>Excess allocated to program investments</strong></td>
<td>$7,014</td>
<td>$5,439</td>
<td>$1,575</td>
<td>29.0 %</td>
<td></td>
</tr>
</tbody>
</table>

*Both general operating revenue and expenses exclude the effect of large grants and other pass-through items that impact both revenue and expense equally. Except for certain of these pass-through grants and loans, all funds received by the Commission are generated by its activities and are not direct appropriations from the state or other sources.

Note: For a complete set of audited financial statements, please visit our website, www.wshfc.org, or call 206-464-7139.
The Washington State Housing Finance Commission is a publicly accountable, self-supporting team dedicated to increasing housing access and affordability and to expanding the availability of quality community services for the people of Washington. We work to increase housing people can afford statewide, and we issue below-market-rate, tax-exempt bonds and federal housing credits to fund housing and nonprofit facilities across Washington.

The bonds of the Washington State Housing Finance Commission are not obligations of the state of Washington and are not repaid with tax dollars. The Commission is financially self-sufficient. All operating expenses are paid from program revenues. No taxpayer dollars were used to produce this document.

For more information about the Commission and its work, visit www.wshfc.org or call 206-464-7139 or 1-800-767-HOME (4663) toll-free in Washington State.