



**Texas State Affordable Housing Corporation
Sunset Self-Evaluation Report**

2007

TABLE OF CONTENTS

I.	Agency Contact Information	4
II.	Key Functions and Performance	5
III.	History and Major Events	11
IV.	Policymaking Structure	15
V.	Funding	18
VI.	Organization	19
VII.	Guide to Agency Programs	20
	Program 1: Professional Educators Home Loan Program	20
	Program 2: Firefighters, Law Enforcement or Security Officers, and Emergency Medical Services Personnel Home Loan Program.....	27
	Program 3: Nursing Faculty Home Loan Program	34
	Program 4: Home Sweet Texas Loan Program.....	40
	Program 5: Affordable Homeownership Program for Texas.....	45
	Program 6: Single Family Interim Construction Land Acquisition Loan Program.....	50
	Program 7: Multifamily Private Activity Bond Program.....	53
	Program 8: Multifamily Direct Lending Program.....	59
	Program 9: Multifamily 501(c)(3) Program.....	64
	Program 10: Asset Oversight	68
	Program 11: Compliance.....	73
	Program 12: Mortgage Loan Servicing	80
	Program 12: Marketing and Development	85
	Program 13: Fundraising.....	91
	Program 14: Accounting, Information Technology, Human Resources and Administration.....	95
VIII.	Statutory Authority and Recent Legislation	99
IX.	Policy Issues	101
X.	Other Contacts	107
XI.	Additional Information	111
	Complaint Data.....	111
	HUB Data	112
	EEO Data	113
XII.	Agency Comments	115
XIII.	Appendices	116
	Appendix 1: Summary of the 2003 Sunset Bill	116

Appendix 2: Audit Committee Guidelines	118
Appendix 3: FY2007 Operating Budget	121
Appendix 4: Organizational Chart	122
Appendix 5: Summary of Recent Single Family Bond Programs.....	123
Appendix 6: Affordable Homeownership Program - Underwriting Guidelines	124
Appendix 7: Interim Construction Land Acquisition Loan Program - Term Sheet	130
Appendix 8: Multifamily Bond Program – RFP and Reservation Detail Package.....	131
Appendix 9: Multifamily Direct Lending Program – Program Guidelines	165
Appendix 10: Multifamily 501(c)(3) Bond Program - Guidelines	166
Appendix 11: Asset Oversight - Inspection Report.....	197
Appendix 12: Asset Oversight - 2006 Annual Report	203
Appendix 13: Compliance - Schedule	243
Appendix 14: Compliance – Audit Report	255
Appendix 15: Marketing Plan	259
Appendix 16: Fundraising Report and Plan.....	262
Appendix 17: Attorney General Opinion.....	267
Appendix 18: Legislative Bill Summary.....	275
Appendix 19: Complaint Documentation with regard to Bent Creek and Creekwood Apartments .	283

I. Agency Contact Information

A. Please fill in the following chart.

Texas State Affordable Housing Corporation Exhibit 1: Agency Contacts				
	Name	Address	Telephone & Fax Numbers	E-mail Address
Agency Head	David Long	1005 Congress Avenue Suite 500 Austin, TX 78701	512-477-3555 ext. 402 512-477-3557	dlong@tsahc.org
Agency's Sunset Liaison	Katherine Closmann	1005 Congress Avenue Suite 500 Austin, TX 78701	512-477-3555 ext. 424 512-477-3557	kclosmann@tsahc.org

II. Key Functions and Performance

A. Provide an overview of your agency's mission, objectives, and key functions.

The Corporation's mission is to serve the housing needs of low, very low and extremely low-income Texans and other underserved populations, as defined by the Texas Legislature, who do not have comparable housing options through conventional financial channels.

The Corporation's objectives are:

- to promote statewide partnerships that leverage public/private resources for the creation, preservation and/or redevelopment of affordable housing;
- to increase lending and housing production in rural and underserved markets;
- to develop loan products, financing options and special programs not available through conventional lenders;
- to supplement the technical and financial capacity of other appropriate nonprofit organizations to provide for the multifamily and single-family housing needs of individuals and families of low, very low, and extremely-low income; and
- to achieve and ensure the Corporation's self-sufficiency.

To achieve these objectives, the Corporation's key functions are to 1) issue bonds for first-time homeowners who are educators, firefighters, peace officers, corrections officers, nursing faculty and allied health faculty, 2) to issue bonds to finance the acquisition, rehabilitation and construction of multifamily rental units, 3) to monitor the properties financed through the issuance of multifamily bonds, 4) to counter predatory lending through the Affordable Homeownership Program 5) to leverage public/private resources to create more affordable units through the Multifamily Direct Lending Program and the Interim Construction Loan Program, 6) to leverage public/private resources through our Grant Program to meet the many unmet housing needs in the state, and 7) to generate revenues sufficient to meet overhead and program expenses.

B. Do each of your key functions continue to serve a clear and ongoing objective? Explain why each of these functions is still needed. What harm would come from no longer performing these functions?

Each of the key functions stated above meet the objectives for the Corporation as determined by the Legislature and the Corporation's Board of Directors. More importantly, each of these key functions is still critical to meeting the affordable housing needs of the State. As part of the State's Consolidated Low-Income Housing Plan the Corporation develops an Annual Action Plan (please refer to **Attachment 5**). In this Plan, the Corporation has gathered information on the housing needs in the state that our programs address. The needs are more pressing than ever and can be reviewed in detail in the plan for 2007. The needs for single family housing in general and for low-income renters in the state have all been documented in the Plan. Additionally, the Executive Director of the Texas Department of Housing and Community Affairs ("TDHCA") testified this legislative session at a House Urban Affairs Subcommittee on Housing meeting that TDHCA was only able to meet 1 percent of the housing needs in the state. The programs offered by the Corporation, TDHCA, the local public housing authorities, and the local housing finance agencies are all critical to meeting the housing needs in the state.

If the Corporation were to stop performing its key functions then some functions, such as the issuance of bonds for single family first-time homebuyers and multifamily rental housing, could be taken on by another state entity.

However, the State would take on the extra expense of performing these functions, because the Corporation is self-sufficient; it pays for its overhead, and its employees are not State employees and do not enjoy the State's salaries, benefits, or defined benefit retirement plan. For the multifamily bond programs, developer choice of issuer would be greatly reduced. Developers benefit from having as many issuers and programs to choose from as possible to meet different housing needs. The Corporation's multifamily bond program is outside of the State lottery and priority process and targets specific housing needs. In addition, the Corporation goes through a Request for Proposal (RFP) process for its legal and financial advisors resulting in a different application process and different fees than those of TDHCA or the local issuers. This choice keeps fees and other key program features competitive.

Nothing can speak more about the quality of our organization than the success of our single family bond programs. These programs have grown exponentially since the first single family bond program started in 2002. The Corporation's staff has worked hard to gain the excellent reputation it has with the lending, housing and bond investing communities. Our staff personally trains those lenders who participate in our single family bond programs and we field hundreds of calls each week from borrowers. This level of customer service is vital to the success of those programs that serve educators, fire fighters and law enforcement throughout the State. Another contributing factor to the success of our single family bond programs is the strategic partnerships we have created with those associations that represent the borrowers we are mandated to serve. The Corporation works closely with the various teachers' associations, Combined Law Enforcement Association of Texas, Texas State Association of Fire Fighters, the Texas Jail Association, and the Texas Department of Criminal Justice. These organizations continuously communicate with staff how pleased they are with the job we do and the service we provide. For the single family bond programs, if the Corporation stopped performing the functions and another state entity took on the task, performance of the programs could suffer.

There are a number of programs that could not be undertaken by another state entity. For instance, the Corporation leverages private financing and uses its own finances for programs, such as the Direct Lending Program, to finance multifamily rental housing in underserved areas for small loan amounts that could not be financed through bonds. The Corporation was also able to secure investments from Wells Fargo for three programs, the Interim Construction Loan Program, the Affordable Homeownership Program, and the Multifamily Gap Financing Program. The Corporation's status as a 501(c)(3) nonprofit makes this financing possible. In addition, the Corporation's status as a 501(c)(3) nonprofit makes the Grant Program possible as well. The Corporation is aggressively pursuing grants to meet the many unmet housing needs in the state. The Corporation recently received \$15,000 in grants to market our single family bond programs.

C. What evidence can your agency provide to show your overall effectiveness and efficiency in meeting your objectives?

The Corporation is a self sufficient 501(c)(3) non-profit entity created by the Texas Legislature. The Corporation does not receive any appropriated funds from the State in support of its programs. As a result, the Corporation must operate within a very limited budget and minimize costs to ensure its ability to meet goals and objectives. Over the past several years, the Corporation has been able to expand its programs and resources while maintaining consistent levels of staff and operating costs.

Full time equivalent staff positions have increased modestly with 9 FTEs on staff at the end of FY2004 and 10 FTEs employed at the end of both FY 2005 & FY 2006. Salaries and payroll related costs as a percentage of total expenditures have dropped from 19% in 2004, to 15% in FY 2005 and 9% by the end of FY 2006.

In meeting the growing demand for affordable rental housing needs in rural Texas, the Corporation's board targeted projects that supported rural communities, elderly housing, transitional housing and rehabilitation of

existing housing under the 2007 Multifamily Private Activity Bond Program. The Corporation is scheduled to close in September on a private activity bond/tax credit transaction which will provide funding for the rehabilitation of 1008 units of affordable Section 8 Housing in 13 communities across Texas. To date, the Corporation has issued over \$500 million (501(c)(3), direct lending, and bond deals) for multifamily housing projects across Texas, preserving or creating 11,746 units of affordable housing.

During the 2001 legislative session, the Corporation was asked to develop and issue \$25 million in tax exempt bond authority to make mortgage loans to teachers under the Teacher Home Loan Program. In 2003 the Texas Legislature expanded the Corporation's single family bond authority to include \$25 million for the Fire Fighters and Police Officer Home Loan Program (Homes for Texas Heroes Program). The single family bond programs have been very successful and demand has continued to grow. Since 2002, the Corporation has issued in excess of \$155 million for mortgage loans to eligible educators. Since the initial release of the Homes for Texas Heroes Program, the Corporation has issued over \$78 million for mortgage loans to eligible fire fighters, law enforcement officers and correctional officers. In addition, the Corporation requested and received an additional \$25 million in bond authority in 2006 to serve borrowers making 80 percent of the area median family income or less under the Home Sweet Texas Loan Program. The Corporation recently received an additional \$25 million in bond allocation for this program. To date, the Corporation has assisted over 2000 families achieve homeownership.

The Corporation performs asset oversight on rental properties financed with bonds issued by the Corporation, as well as by TDHCA. Under the performance contract, the Corporation's staff complete annual property site inspections and submit reports documenting the status of each property. As of August 2007, the Corporation provides asset oversight on 105 properties with 21,022 units for TDHCA. In addition, the Corporation provides TDHCA with an administrative fee reimbursement to support their internal costs.

The Corporation also serves as the Account Administrator and sponsor for the Texas Statewide Homebuyer Education Program (TSHEP). The 75th Texas Legislature charged TDHCA with the development and implementation of a statewide homebuyer education program. Since 1999, the program has trained and certified over 500 individuals from non-profit organizations across the state as Homebuyer Education Providers. Since the program's inception, Neighborhood Reinvestment Corporation, dba NeighborWorks America, has provided the training curriculum and instruction for attendees. As the Program's 501(c)(3) Account Administrator, the Corporation is able to serve as a financial sponsor and accept additional sponsorships and donations in support of the program.

In May 2006, the Corporation received its permanent Non-Profit 501(c)(3) designation from the Internal Revenue Service, completing the 5 year review process required to document this status as a charitable entity. This designation makes the Corporation eligible to apply for and receive additional funding which can be used to support and/or leverage additional funds in support of affordable housing for Texas. Since 2005, the Corporation has received approximately \$1.1 million in grants and equity investment awards.

D. Does your agency's enabling law continue to correctly reflect your mission, objectives, and approach to performing your functions? Have you recommended changes to the Legislature in the past to improve your agency's operations? If so, explain. Were the changes adopted?

The Corporation's enabling legislation correctly reflects our mission and goals related to providing affordable housing in Texas. In coordination with the Legislature, the Corporation has been able to expand its existing housing programs and has received additional authority for new programs. While the Corporation does not participate in the appropriations process or receive any appropriated funding for its programs or operations, the State does have oversight and controls in place to ensure the Corporation is meeting its stated objectives.

Since our last Sunset Review in 2003 (78th Legislature) the Corporation has worked with the Texas Legislature to provide changes to its programs, specifically its affordable housing programs to ensure the greatest number of individuals and families are served. The Single Family first-time home buyer bond programs have been modified in each of the past three legislative sessions. The changes enacted have had a positive impact on the Single Family Programs, both expanding the eligible borrower base and increasing the private activity bond authority for the programs.

Additionally, the Legislature authorized the Corporation in 2003 to receive ten percent (10%) of the State's Multifamily Private Activity Bond Authority; for FY 2007 the amount set aside for the Corporation is approximately \$44 million.

E. Do any of your agency's functions overlap or duplicate those of another state or federal agency? Explain if, and why, each of your key functions is most appropriately placed within your agency. How do you ensure against duplication with other related agencies?

There are three main functions of the Texas State Affordable Housing Corporation that are similar to those of other housing providers and state agencies, including TDHCA. However, there are distinctions between the programs offered.

Single Family Private Activity Bond Programs/Mortgage Revenue Bond Programs (MRB)

There are various city and county issuers, as well as one other statewide issuer, of MRB programs. The Corporation's programs are different from other MRB programs in that the Corporation is limited to serving the specific groups of professionals that the Legislature has mandated us to serve. The Corporation also offers down payment and closing cost assistance to all who qualify for our programs.

Multifamily Private Activity Bond Program (PAB)

There are numerous programs statewide that provide similar services as the Multifamily PAB program of the Corporation; however, the only other statewide bond program is run by TDHCA. Though TDHCA's private activity bond program is similar in that it serves the entire state of Texas, the Corporation's programs are uniquely tailored to target underserved areas of the state. Pursuant to §2306.565 of the Texas Government Code, the Corporation's Multifamily PAB program targets areas of the state based on local support, housing needs and other criteria and exempts the program from the lottery and priority restrictions adding flexibility. While more than 90% of TDHCA's bond funds have been used in Dallas, Fort Worth and Houston, the Corporation's program has awarded less than 9% of its funds in the Fort Worth area, and no funding in Dallas or Houston. In addition to the Corporation's success in targeting underserved geographic areas of the state, it has awarded 70% of its funds to preserve affordable housing at risk of losing income restrictions.

Asset Oversight and Compliance

Both TDHCA and the Corporation have the responsibility to make sure the apartment complexes that they finance are providing the safe, decent, and affordable housing that was promised. Both entities perform compliance reviews on the rental properties they finance, but for asset oversight services the Corporation and TDHCA have eliminated duplication of services. TDHCA contracts with the Corporation to perform asset oversight on all of its bond-financed rental properties (currently 105 properties). The benefit to the State is that as a public non-profit entity, fees assessed for the asset oversight services performed by the Corporation are utilized for State affordable housing programs.

The need for affordable housing in Texas is more than can be provided by one state agency or organization. Having both the Corporation and local housing entities provide affordable housing is a good thing for Texas. In

addition, having an entity such as the Corporation administer affordable housing programs without using taxpayer money is an asset for the State.

We believe it was the intent of the Legislature when it created the Corporation and assigned to it the Single Family and Multifamily Private Activity Bond Programs to have an entity with the flexibility our structure allows. The Corporation's powers allow it to be more responsive to the changing demands of the housing industry. Most importantly, our structure allows the Corporation to pursue additional funding (such as grants and private equity loans) that can leverage state and federal housing programs.

F. In general, how do other states carry out similar functions?

On a national level, you will find two types of governance structures for housing finance entities: either a government agency (such as TDHCA) or an independent authority. Government agencies are part of state government, operating with appropriated funds and having employees that participate in the state benefits and retirement system. The independent authorities (similar to the Corporation) typically operate as nonprofits, producing most of their revenue from operations.

There are some states with *both* a government housing agency and an independent housing corporation/authority, and some states that have more than one housing agency. Every state divides common housing programs (private activity bond programs, tax credits and federal grant programs) between the entities differently. Typically, the entities that are called Housing Finance Agencies issue bonds and are self-supporting. The following is a list of some of the states with at least two entities that administer statewide housing programs.

Colorado (Colorado Housing and Finance Authority and the Colorado Division of Housing)

District of Columbia (District of Columbia Department of Housing and Community Development and District of Columbia Housing Finance Agency)

New York (New York State Division of Housing and Community Renewal and New York State Housing Finance Agency/ State of New York Mortgage Agency)

California (California Department of Housing and Community Development, California Housing Finance Agency and California Tax Credit Allocation Committee)

Vermont (Vermont Housing Finance Agency and Housing Vermont)

Massachusetts (Mass Housing and Massachusetts Development Finance Housing Agency)

Washington (State of Washington Department of Community, Trade & Economic Development and Washington State Housing Finance Commission)

Florida (Florida Housing Finance Corporation and Florida Department of Community Affairs)

In 2004, the North Dakota Housing Finance Agency set out to study the governance and organizational structure of housing finance entities across the nation (to view the study, please refer to **Attachment 7**). The study found that in general there has been a significant shift across the nation toward housing agencies becoming independent corporations or quasi-governmental entities similar to the Corporation. The study found that no states have moved in the other direction. North Dakota specifically asked other states about the pros and cons of becoming independent entities and the unanimous response was, "there are no cons."

G. What key obstacles impair your agency's ability to achieve its objectives?

Please refer to Section XI. Policy Issues.

H. Discuss any changes that could impact your agency's key functions in the future (e.g., changes in federal law or outstanding court cases).

Multifamily and Single Family lending programs may be enhanced through the passage of National Housing Trust Fund legislation currently under review by the federal government. The creation of such a fund could enhance our ability to leverage funding through government-sponsored enterprises (e.g., Fannie Mae, Freddie Mac) to support our lending programs and increase the productivity of these programs.

I. What are your agency's biggest opportunities for improvement in the future?

Please refer to Section XI. Policy Issues.

J. In the following chart, provide information regarding your agency's key performance measures included in your appropriations bill pattern, including outcome, input, efficiency, and explanatory measures.

N/A

III. History and Major Events

Provide a timeline of your agency's history, and key events, including:

Date your agency was established:

TSAHC was incorporated on May 6, 1994 under the Texas Non-Profit Corporation Act, Article 1396.1.01 et seq., Vernon's Annotated Texas Civil Statutes as amended and formally included in the enabling legislation of TDHCA by SB 1356 during the 73rd Legislative Session.

The original purpose and responsibilities of your agency:

The original purpose of the Corporation in its capacity as a non-profit as defined by SB 1356 was to carry out the public purposes defined for TDHCA and for the benefit of TDHCA in Chapter 2306 (Please refer to **Attachment 1**). The Executive Director of the Department also served as President of the Corporation.

Major changes in responsibilities or statutory authority:

Other than the composition of the Board of Directors and hiring of the President, which are explained below, the following changes in statutory authority have occurred.

Tax Status:

The Corporation was originally incorporated as a 501(c)(4) organization. The Corporation filed to amend its tax status to operate as a Section 501(c)(3) organization on February 6, 2001. The company received a final determination letter authorizing it to act as a Section 501(c)(3) entity on May 2, 2006.

Changes in Program Legislation:

Effective September 1, 1999, HB 3059, passed during the 76th Legislative Session, allowed the Corporation to use excess earnings to further the Corporation's new or existing affordable housing initiatives and removed the mandate that excess earnings be deposited in the State's Housing Trust Fund.

HB 3059 also added "extremely low" income to low and very low in carrying out the public purposes of the Corporation.

Effective June 15, 2001, HB 3451, passed during the 77th Legislative Session, amended the Corporation's mission to include serving certain teachers who are first-time home buyers under a teachers home loan program. HB 3451 provides that out of that portion of the State ceiling that is available exclusively for reservations by issuers of qualified mortgage bonds under Section 1372.022, *Texas Government Code*, \$25 million shall be allotted each year and made available exclusively to the Corporation for the purpose of issuing the Program.

In addition, HB 3451 provides that the Corporation shall supplement the technical and financial capacity of other appropriate nonprofit organizations to provide for the Multi-Family and Single Family Housing needs of individuals and families of low, very low, and extremely low income.

Effective September 1, 2003, SB 284, passed during the 78th Legislative Session, resulted in a number of changes to the Corporation's enabling legislation as a result of our Sunset review. (Please refer to **Appendix 1**).

Effective September 1, 2003, SB 284 amended the Teacher Home Loan Program. Not only teachers, but teacher's aides, school nurses, school librarians, and school counselors were included increasing the eligible pool of borrowers. Plus, the tenure and residency requirements were dropped. The Program was renamed the Professional Educators Home Loan Program.

Effective June 20, 2003, HB 1247, passed during the 78th Legislative session, amended the Corporation's mission to include serving certain firefighters and police officers who are first time home buyers. HB 1247 provides that out of that portion of the State ceiling that is available exclusively for reservations by issuers of qualified mortgage bonds under Section 1372.022, *Texas Government Code*, \$25 million shall be allotted each year and made available exclusively to the Corporation for the purpose of issuing qualified mortgage bonds in connection with the firefighter and police officer home loan program established under Section 2306.563, *Texas Government Code*.

Effective May 27, 2005, HB 1007, passed during the 79th Legislative Session, amended the Fire Fighter and Police Officer Program. The program was amended to include corrections officers, county jailers, public security officers and peace officers, not just fire fighters and police officers. The revised program was named the Fire Fighter and Law Enforcement or Security Officer Home Loan Program.

Effective June 17, 2005, SB 132, passed during the 79th Legislative Session, amended the Corporation's public purpose to include serving certain professional nursing program faculty members. SB 132 provides that out of that portion of the State ceiling that is available exclusively for reservations by issuers of qualified mortgage bonds under Section 1372.022, *Texas Government Code*, \$5 million shall be allotted each year and made available exclusively to the Corporation for the purpose of issuing qualified mortgage bonds in connection with the Professional Nursing Program Faculty Member Home Loan Program established under Section 2306.5622, *Texas Government Code*.

Effective September 1, 2007, HB 280, passed during the 80th Legislative Session, added juvenile correctional officers employed by the Texas Youth Commission to those eligible under the Firefighter and Law Enforcement or Security Officer Home Loan Program.

Effective September 1, 2007, HB 618, passed during the 80th Legislative Session, added emergency medical services personnel to the Fire Fighter and Law Enforcement or Security Officer Home Loan Program. The new name for the program is the Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program.

Effective September 1, 2007, SB 1185, passed during the 80th Legislative Session, repealed the Nursing Faculty Home Loan Program. Those professionals formerly eligible under the Nursing Faculty Home Loan Program as well as Allied Health Program faculty members were included as Educators under the Professional Educators Home Loan Program. SB 1185 also resulted in the Corporation receiving 10% of the State's ceiling that is available exclusively for reservations by issuers of qualified

mortgage bonds. This 10% is divided between the Professional Educators and the Firefighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Programs.

Effective September 1, 2007, HB 3552, passed during the 80th Legislative Session, resulted in a variety of changes in bond application guidelines and timing including allowing for multifamily rehabilitation in or out of MSAs and allowing pooled transactions to submit one application for reservation with Texas Bond Review Board.

Effective September 1, 2007 SB 1908, passed during the 80th Legislative Session, allows TDHCA and the Texas State Affordable Housing Corporation to redact personal financial information, including social security numbers, taxpayer identification numbers, or bank account numbers received related to a loan, grant, or other housing assistance program.

Effective September 1, 2007 HB 3191, passed during the 80th Legislative Session, provides that Community Housing Development Organization (CHDO) owned property, developed for the purpose of homeownership, can receive a 100% tax exemption during the development period.

Changes to your policymaking body's name or composition:

When the Corporation was originally incorporated the Board of TDHCA served also as the Board of the Corporation (As mandated by SB 1356 – 73rd). The Board of TDHCA consisted of 9 members appointed by the Governor.

HB 2577, passed during the 75th Legislative Session, amended the Board's makeup to include 6 members, 4 appointed by the Governor, as well as the Chair of TDHCA's Board and the Chair of TDHCA's Program Committee. This legislation also provided that the Executive Director of the Department serve as the ex-officio President of the Corporation.

Effective September 1, 1999, HB 3059 (76th Legislative Session) amended the number of directors from 6 to 5, all of whom were appointed by the Governor and no Board member was allowed to also serve as a Board member of TDHCA. HB 3059 also removed the requirement that the TDHCA's Executive Director serve as President and empowered the Corporation's Board to hire a President that they felt had the requisite skills for the position.

Significant changes in state/federal legislation, mandates, or funding:

There have been no significant changes in federal legislation affecting the Corporation and changes in state legislation, mandates and funding are described above under "changes in responsibilities or statutory authority."

Significant state/federal litigation that specifically affects your agency's operations:

There has been no state or federal litigation that specifically affects the Corporation's operations.

Key changes in your agency's organization (e.g., a major reorganization of the agency's divisions or program areas):

There have been no significant changes in the Corporation's organization. The Corporation has always been organized with a Single Family, Multifamily & Asset Oversight and Compliance Monitoring Division since inception.

IV. Policymaking Structure

A. Complete the following chart providing information on your policymaking body members.

Texas State Affordable Housing Corporation Exhibit 3: Policymaking Body			
Member Name	Appointment	Qualification	City
Jerry Romero	Terms: 6 years & 2 years Appt. Dates: 12/16/1997 & 12/17/2003 (continues to serve at the discretion of the Governor) Appointed by: Governor	Industry Representative	El Paso
Thomas Leeper	Terms: 4 years & 6 years Appt. Dates: 12/17/2003 & 4/25/2007 Appointed by: Governor	Industry Representative	Huntsville
Jesse Coffey	Terms: 4 years Appt. Dates: 12/1/2005 Appointed by: Governor	Industry Representative	Denton
Charles Rencher	Terms: 6 years Appt. Dates: 12/17/2003 Appointed by: Governor	Industry Representative	Sugarland
Jo Van Hovel	Terms: 3 years & 6 years Appt. Dates: 4/19/2004 & 4/25/2007 Appointed by: Governor	Industry Representative	Temple

B. Describe the primary role and responsibilities of your policymaking body.

The primary responsibilities of the Board of Directors are to:

1. Provide overall program directives designed to fulfill the public purpose of the Corporation as defined in the Corporation's enabling legislation.
2. Approve program policies including rules, requests for proposals, scoring procedures and specific funding awards (loans or grants).
3. Approve the annual operating budget.
4. Approve the annual financial report and audit.
5. Develop and implement employee conflict of interest policies.
6. Develop and implement policies that provide the public with an opportunity to appear before and speak to the board of directors.

C. How is the chair selected?

The Chair of the Corporation's Board of Directors is appointed by the Governor.

D. List any special circumstances or unique features about your policymaking body or its responsibilities.

The Corporation's Board of Directors is unique because it is appointed by the Governor even though the Corporation is a nonprofit corporation rather than a state agency and receives no state appropriated funding.

E. In general, how often does your policymaking body meet? How many times did it meet in FY 2006? in FY 2007?

The Corporation's Board of Directors has regularly scheduled meetings on a monthly basis. The Board met 11 times during FY 2006 and 10 times during FY 2007.

F. What type of training do members of your agency's policymaking body receive?

As stipulated under Government Code 2306.5543, board members receive training in the following areas with regard to the Corporation:

1. Enabling legislation
2. Role, function & programs
3. Rules
4. Operating Budget
5. Most recent financial audit
6. Ethics policy

The Board also receives training on the following:

1. Open Meetings Law
2. Public Information Law
3. Administrative Procedure Law
4. Ethics Policies adopted by the Texas Ethics Commission
5. Protection of Public Funds as required by the Public Funds Investment Act.

G. Does your agency have policies that describe the respective roles of the policymaking body and agency staff in running the agency? If so, describe these policies.

On February 14, 2003, the board of directors approved a resolution which states the policy of the Board is to exercise policy-making responsibilities and the officers and staff of the Corporation to exercise management responsibilities.

H. What information is regularly presented to your policymaking body to keep them informed of your agency's performance?

The Board of Directors receives the following information on a monthly basis at, or prior to, each Board meeting:

1. President’s Report
2. Executive Vice President’s Report
3. Single Family Lending Report
4. Multifamily Lending Report
5. Marketing and Development Report
6. Asset Oversight and Compliance Monitoring Report
7. Budget Report
8. Investment Report

The Board also participates in and approves the Corporation’s Annual Budget, Annual Action Plan, Annual Report and development of the Corporation’s Business Plan.

I. How does your policymaking body obtain input from the public regarding issues under the jurisdiction of the agency? How is this input incorporated into the operations of your agency?

The Board and management receive input from the public in the following ways:

1. Public hearings (TEFRA and Consolidated public hearings for the Statewide Low-Income Housing Plan (SLIHP))
2. Written requests for information.
3. Public comment at meetings of the Board of Directors on any topic, including each agenda item.
4. Formal written comments to the Board and/or management by letter or email.
5. Informal comments to the Board and/or management personally or by phone.
6. The Corporation’s complaint process.

All public input is evaluated and considered in the development and implementation of programs and the administration of the Corporation.

J. If your policymaking body uses subcommittees or advisory committees to carry out its duties, fill in the following chart.

Texas State Affordable Housing Corporation Exhibit 4: Subcommittees and Advisory Committees			
Name of Subcommittee or Advisory Committee	Size/Composition/How are members appointed?	Purpose/Duties	Legal Basis for Committee
Audit Committee	Two board members comprise the Audit Committee. Members are appointed by the Board Chair and approved by the Board.	Please refer to Appendix 2	N/A

V. Funding

A. Provide a brief description of your agency's funding.

The Corporation is a self-sustaining non-profit entity and does not receive any appropriated funds from the State. All funds are generated from the programs and services offered.

B. List all riders that significantly impact your agency's budget.

N/A

C. Show your agency's expenditures by strategy.

The Corporation does not categorize revenue and expenditures by program as do state agencies receiving appropriated funds. The Corporation's budget, found under **Appendix 3**, is approved by the Board of Directors each year.

D. Show your agency's objects of expense for each category of expense listed for your agency in the General Appropriations Act FY 2007-2008.

N/A – The Corporation does not receive appropriated funding and it is not included in the General Appropriations Act. The Corporation's budget can be found under **Appendix 3**.

E. Show your agency's sources of revenue. Include all local, state, and federal appropriations, all professional and operating fees, and all other sources of revenue collected by the agency, including taxes and fines.

Please refer to **Appendix 3**.

F. If you receive funds from multiple federal programs, show the types of federal funding sources.

N/A

G. If applicable, provide detailed information on fees collected by your agency.

N/A

VI. Organization

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.

Please refer to **Appendix 4**.

B. If applicable, fill in the chart below listing field or regional offices.

N/A

C. What are your agency's FTE caps for fiscal years 2006 - 2009?

N/A

D. How many temporary or contract employees did your agency have as of August 31, 2006?

None

E. List each of your agency's key programs or functions, along with expenditures and FTEs by program.

Texas State Affordable Housing Corporation		
Exhibit 11: List of Program FTEs and Expenditures C Fiscal Year 2006		
Program	FTEs as of August 31, 2006	Actual Expenditures
Management & Administration	3	Please refer to the note
Loan Servicing	1	Please refer to the note below.
Multifamily	1	Please refer to the note below.
Single Family	1	Please refer to the note below.
Asset Oversight & Compliance Monitoring	3	Please refer to the note below.
Marketing & Development	1	Please refer to the note below.
Accounting, HR & IT	2	Please refer to the note below.
Total	12	Please refer to the note below.

Note: The Corporation does not categorize and allocate all expenditures by program so we are unable to provide a breakdown of expenditures by program for FY2006.

VII. Guide to Agency Programs

Program 1

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Professional Educators Home Loan Program
Location/Division	Austin, Texas
Contact Name	Paige McGilloway
Actual Expenditures, FY 2006	The Corporation does not categorize and allocate expenditures by program.
Number of FTEs as of August 31, 2006	1 (1 person is responsible for the Professional Educators; Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel; Home Sweet Texas Loan; Nursing Faculty and Affordable Home Loan Programs)

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Corporation issues Single Family Mortgage Revenue Private Activity Bonds (MRBs) to finance the purchase of affordable single family homes under four separate programs, one being the Professional Educators Home Loan Program. Of those funds made available to the Corporation for MRBs, approximately \$25 million is allocated to this program on an annual basis.

The Professional Educators Home Loan Program provides below market 30-year fixed rate mortgage loans to eligible classroom teachers, teacher's aides, school librarians, school nurses or school counselors employed by a public school district in the state of Texas who are first-time homebuyers. In addition to the low interest rate, this program offers down payment and closing cost assistance, up to 5% of the loan amount, in the form of a grant. This program is offered through a network of participating lenders across the state. The program is available statewide on a first come, first-served basis, to homebuyers who wish to purchase a newly constructed or existing home within the state of Texas.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Since 2002, we are pleased to share that over 1250 professional educators have achieved homeownership through this program. The Program's greatest success occurred in 2006 when the Professional Educators Home Loan Program fully originated in three months. This timeframe was unprecedented for this particular program. A waiting list of 46 loans existed at one time, totaling over \$5.3 million in funds.

Furthermore, under a separate application for additional bond cap submitted in September 2006, the Corporation

was awarded an additional \$76,750,929 in PAB volume cap authority after the collapse of all set asides of private activity bond cap. Given that we applied for these funds after the housing ceiling collapse, the Corporation was able to serve those specific borrowers qualifying under the Professional Educators Home Loan Program exclusively. The Corporation anticipates serving close to 1,000 educators in 2007 with this additional award.

It has taken only six months to fully originate over \$76 million. The Corporation experienced an all-time high, originating \$18 million in mortgage loans to qualifying educators in June 2007. It goes without saying, the fast paced origination rates experienced in 2006 continue in 2007. The Corporation will be releasing its annual allocation of \$25 million in September. We anticipate fully committing these funds by the end of the year, if not sooner given the great success of the program.

Below is detailed trend and demographic information for the Professional Educators Home Loan Program. Loan funds are equal to the program allocation minus the costs associated with issuance of a bond transaction.

Number of Loan Originated to Date

- § PY 2002: \$10,717,082 € totaling 114 mortgages
- § PY 2004: \$23,816,998 € totaling 223 mortgages
- § PY 2005: \$24,056,618 € totaling 211 mortgages
- § PY 2006: \$23,723,697 € totaling 198 mortgages
- § PY 2007: \$72,139,006 € totaling 601 mortgages

Average Professional Breakdown Percentages:

- § Teachers: 95%
- § School Counselors: 1.5%
- § Teachers' Aides: 3%
- § School Nurses: .5%
- § School Librarian: 0%

Average Household Income: \$41,540

Average Loan Amount: \$122,480

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

When the 77th Texas Legislature first created the Professional Educators Home Loan Program under HB 3451, initially called the Teacher Home Loan Program, the eligibility requirements were severely restrictive. Under the 2002 Teacher Home Loan Program, only a classroom teacher who had been teaching for three years and had been a Texas resident for five years, were eligible to apply. The classroom teacher definition limited the pool of borrowers. The tenure and residency requirement disqualified potential classroom teachers even further. As a result, it was very difficult for mortgage lenders to qualify a borrower.

Upon communicating the impact of the restrictions to the Texas Legislature, Senate Bill 284 was passed in the 78th Legislature. As a result of SB 284, the program was renamed the Professional Educators Home Loan Program and not only teachers, but teacher's aides, school nurses, school librarians, and school counselors were included, thus increasing the eligible pool of borrowers. Plus, the tenure and residency requirements were removed. This increased the pool of potential borrowers to over 600,000.

The Professional Educators Home Loan Program was again enhanced during the 80th Legislative Session under Senate Bill 1185. Two new professional groups were defined and designated as educators eligible under the program, Nursing and Allied Health faculty members. These two professional groups further expands the pool of potential borrowers.

Additionally, the maximum income of eligible borrowers was clarified in Senate Bill 1185, stating that the greater of 115% area median family income (AMFI), adjusted for family size, or the maximum amount permitted by Section 143(f) of the Internal Revenue Code could be used to qualify borrowers under the program.

Since the initial creation of the Professional Educator Home Loan Program, the Corporation has been authorized to issue \$25 million in MRBs for this program on an annual basis. This dollar figure was changed to a percentage under Senate Bill 1185. Beginning in 2008, the Corporation shall allocate 54.5% of the 10% of the State's ceiling exclusively authorized to the Corporation for reservations of qualified single family mortgage bonds, under the Professional Educators Home Loan Program.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

At the time of this request, in order to qualify for the Professional Educators Home Loan Program, the following requirements must be met:

- Be a full time classroom teacher, teacher's aide, school librarian, school nurse or school counselor employed by a public school district in the state of Texas (certified under Subchapter B, Chapter 21 of the Texas Education Code);
- Be a first-time homebuyer or have not had an ownership interest in any principal residence during the last three years or purchasing a home in a targeted area;
- Reside in the State of Texas;
- Meet the income and home purchase price limits;
- Meet standard mortgage underwriting requirements which demonstrate credit worthiness; and
- Occupy the purchased home as their primary residence.

Effective September 1, 2007 the Nursing and Allied Health Faculty members become eligible to participate in the Professional Educators Home Loan Program. They are defined as follows:

Professional Nursing Program Faculty Member: a full time faculty member of either an undergraduate or graduate professional nursing program in the State of Texas (as defined by Subchapter D, Chapter 54 of the Education Code).

Allied Health Program Faculty Member: a full time faculty member of an undergraduate or graduate allied health program of a public or private institution of higher education in the State of Texas (as recognized by the United States Department of Education).

Furthermore, eligible individuals may purchase a new or existing home in any county in Texas.

The Corporation will begin marketing to these new professions in September 2007.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The following steps outline the process of administering the Home Sweet Texas Loan Program:

1. Corporation applies to Bond Review Board (BRB) for reservation and allocation on an annual basis
2. BRB grants the Corporation the ability to issue bonds
3. Corporation, along with Financial Advisors, Underwriters, Counsel, and Trustee, structure bond transaction and seeks Bondowners
4. Bondowners buy bonds from Underwriter authorized by the Corporation through a bond purchase agreement
5. Monies received from the Underwriter from the bond sale are deposited with the Trustee
6. Trustee invests the monies on a short-term basis in a Guaranteed Investment Contract (GIC)
7. Funds are made available to educators through a network of participating lenders
8. Lenders originate and close loans on behalf of borrowers
9. Master Servicer purchases loans from lender after closing
10. Master Servicer pools the mortgage loans with GNMA, Fannie Mae or Freddie Mac mortgage-backed securities (MBS) and sells the MBS to the Trustee
11. Trustee holds the MBS for the Corporation who pledges the MBS to the bondholders as security for the Bondowners
12. Borrowers pay monthly mortgage loan payments
13. Trustee pays the Bondowners according to the Bond's principal and interest schedule as set out in the Trust Indenture

For a summary of recent Corporation programs, please refer to [Appendix 5](#).

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

It is Texas Government Code, Chapter 1372, Subchapter A, Section 1372.0221 outlines the amount allocated for the program to the Corporation. Prior to the 80th Legislative Session, funding was designated as follows:

Until August 1, out of that portion of the state ceiling that is available exclusively for reservations by issuers of qualified mortgage bonds under Section 1372.022, \$25 million shall be allotted each year and made available exclusively to the Texas State Affordable Housing Corporation for the purpose of issuing qualified mortgage bonds in connection with the professional educators home loan program established under Section 2306.562.

Bond volume cap percentages, versus dollar amounts, were assigned to all issuers of qualified mortgage revenue bonds in the 80th Legislature, thus affecting the Corporation's allocation. Section 1372.0223 was amended to state that 10% of the State's volume cap reserved for issuing qualified mortgage revenue bonds is to be made exclusively to the Corporation. Of that 10%, a portion shall be allocated to the Professional Educators Home Loan Program. Section 1372.0221 was amended to state the following:

Until August 7, out of that portion of the state ceiling that is available exclusively for reservations by the Texas State Affordable Housing Corporation under Section 1372.0223, 54.5 percent shall be allotted each year and made available for the purpose of issuing qualified mortgage bonds in connection with the professional educators home loan program established under Section 2306.562.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal Programs:

The Corporation administers three other MRB programs, the Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program (more commonly know as the Homes for Texas Heroes Program), the Nursing Faculty Home Loan Program, and the Home Sweet Texas Loan Program. These programs function very similarly to the Professional Educators Home Loan Program, but assist very different professionals. The Homes for Texas Heroes Program assists fire fighters, peace officers, correctional officers, county jailers, and public security officers. The Nursing Faculty Home Loan Program assists those faculty members of either an undergraduate or graduate professional nursing program. The Home Sweet Texas Loan Program assists those individuals at or below 80% area median family income. All programs provide below market 30-year fixed rate mortgage loans, as well as, grant downpayment assistance to qualifying borrowers.

External Programs:

There are various city and county issuers, as well as one other statewide issuer, of MRB programs. The goal of an MRB program is to offer borrowers financing options, typically in the form of a below market interest rate and in some cases downpayment assistance, that aids qualifying borrowers in purchasing a home. In most, if not all cases, the borrower must be a first-time homebuyer and not exceed income and purchase price limits.

In most cases, the Corporation's programs do have differences from other MRB programs. The Corporation is limited to serving the specific groups of professionals mandated to us by the Legislature. The Corporation also offers downpayment and closing costs assistance to all who qualify for the Corporation's programs. Furthermore, the Corporation's programs cover the entire state, whereas local and county issuers are limited to serving their respective city or county.

Although similarities exist between all single family bond programs, all issuers have specialized their programs to serve their target populations. For the Corporation, those targeted populations are legislatively mandated, but for all issuers it means developing key relationships with borrower groups, specialized lenders, and other service providers. It also means that first time homebuyers can look for the program that is best for them.

Our number one goal is to help Texans get housing, and therefore we recommend individuals to TDHCA or a local housing finance agency if they don't qualify for one of our programs or we feel they will be better served through another program.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The Corporation does not feel in conflict with other issuers of MRB programs. As mentioned above, our goal is to help borrowers achieve homeownership through the best avenue possible. If we feel a borrower is best served through another program, we encourage and provide the appropriate contact information for that borrower to

obtain assistance. We currently have no memorandums of understanding or contracts with other issuers.

The Corporation has strong working relationships with housing advocates and associations, including TDHCA and the Texas Association of Local Housing Finance Agencies, which represents all local and county issuers. The Corporation makes itself readily available to discuss issues concerning the industry, specifically as it relates to the issuance of MRB funds.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The Corporation contracts for a variety of professional services in the issuance of single family bonds. Specific services contracted are included in the following table:

Contract Type	Purpose
Underwriters	Underwriter assists in the financial structuring of single family bond transactions and is responsible for selling the bonds to one or more purchasers.
Bond Counsel	Bond Counsel prepares the primary documents, certificates and opinions related to the single family bond transactions. Bond Counsel also files the bond transcript with the Texas Attorney General.
Financial Advisor	Financial Advisor reviews the financial aspects of the single family bond transactions on behalf of the Corporation.
Issuer's Counsel	Issuer's Counsel reviews the documents, certificates, and opinions related to the single family bond transactions on behalf of the issuers, the Corporation.
Trustee	The Trustee serves as paying agent for each single family bond transaction.
Master Servicer	The Master Servicer is responsible for purchasing and pooling loans into certificates (GNMA, FNMA, etc.). Master Servicer is also responsible for servicing loans underlying each security.

Note: Accountability – Different aspects of compliance with contracts is monitored by the financial advisor, the corporation's general, issuer and bond counsels, the trustee and the Corporation's Single Family Program's Manager. Contract compliance is also reviewed annually by the Corporation's independent financial auditor as required by Government Auditing Standards.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

The Corporation has been very fortunate to have the support of various Legislators over the years and great enhancements have been made since the creation of the program. The program faces only one challenge - our current demand far exceeds the monetary allocation authorized to the Corporation for the Professional Educators Home Loan Program. A statutory change would have to be made to remedy this challenge.

It has taken only six months to fully originate over \$76 million. The Corporation experienced an all-time high, originating \$18 million in mortgage loans to qualifying educators in June 2007. The fast paced origination rates experienced in 2006 continue in 2007.

The Corporation believes this demonstrates not only the need to assist educators as they pursue homeownership, but that the Corporation has the internal capacity to administer a larger allocation for this program. However, the Corporation is aware that a limited amount of private activity bond allocation is available to the state and that increasing the Corporation's allocation decreases other groups' allocations.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

A contributing factor to the success of our Single Family MRB Programs is the strategic partnerships we have created with those associations that represent the borrowers we are mandated to serve. The Corporation works closely with the various teachers' associations and school districts throughout Texas to disseminate program information to eligible educators. These organizations continuously communicate to us how pleased they are with the job we do and the service we provide their constituents. They are grateful to have a small entity that is focused on their constituents. As a result, the program has become increasingly successful.

- N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:**
- why the regulation is needed;
 - the scope of, and procedures for, inspections or audits of regulated entities;
 - follow-up activities conducted when non-compliance is identified;
 - sanctions available to the agency to ensure compliance; and
 - procedures for handling consumer/public complaints against regulated entities.

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

N/A

Program 2

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program (Homes for Texas Heroes)
Location/Division	Austin, Texas
Contact Name	Paige McGilloway
Actual Expenditures, FY 2006	The Corporation does not categorize and allocate expenditures by program.
Number of FTEs as of August 31, 2006	1 (1 person is responsible for the Professional Educators; Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel; Home Sweet Texas Loan; Nursing Faculty and Affordable Home Loan Programs)

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Corporation issues Single Family Mortgage Revenue Private Activity Bonds (MRBs) to finance the purchase of affordable single family homes under four separate programs, including the Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program. Of those funds made available to the Corporation through the issuance of MRBs, approximately \$25 million is allocated to this program on an annual basis.

The Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program provides below market 30-year fixed rate mortgage loans to eligible full time, paid firefighters, peace officers, corrections officers, county jailers, or public security officers working in the State of Texas who are first-time homebuyers. In addition to the low interest rate, this program offers downpayment and closing cost assistance, up to 5% of the loan amount, in the form of a grant. This program is offered through a network of participating lenders across the state. The program is available statewide on a first come, first-served basis, to homebuyers who wish to purchase a newly constructed or existing home within the state of Texas.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Established by the 78th Legislature as the Fire Fighter and Police Officer Home Loan Program, the Corporation is allocated \$25 million in private activity bonds to provide mortgage loans to those who qualify under this program. During the 79th Legislature the program was revised to include corrections officers, county jailers, public security officers, and peace officers, not just fire fighters and police officers. The revised program was renamed the Fire Fighter and Law Enforcement or Security Officer Home Loan Program, but is now more commonly known as the Homes for Texas Heroes Program.

Since 2004, over 700 heroes have achieved homeownership through this program.

Below is detailed trend and demographic information for the Homes for Texas Heroes Home Loan Program. You will see that the number of loans originated increases every year. Furthermore, loan funds are equal to the \$25 million program allocation minus the costs associated with issuance of a bond transaction. The Corporation released the 2007 Homes for Texas Heroes Program in April, originating on average \$5.3 million a month. The Corporation anticipates full origination by the end of August 2007.

Number of Loans Originated to Date

- § PY 2004: \$14,970,167 € totaling 148 mortgages
- § PY 2005: \$19,970,801 € totaling 200 mortgages
- § PY 2006: \$20,381,635 € totaling 205 mortgages
- § PY 2007: \$23,443,015 € totaling 198 mortgages

Professional Breakdown Percentages:

- § Corrections Officer: 25%
- § Peace Officer: 46%
- § Fire Fighter: 25%
- § County Jailer: 4%
- § Public Security Officer: 0%

Average Household Income: \$45,300

Average Loan Amount: \$119,230

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

When the 78th Texas Legislature first created the Homes for Texas Heroes Program, formally called the Fire Fighters and Police Officers Home Loan Program, the eligibility requirements were severely restrictive. Eligibility was only available to fire fighters and police officers employed by the 75 municipalities within the state. The municipality stipulation severely limited the pool of borrowers. Many law enforcement officers, such as county sheriffs, Texas Rangers, or deputy marshals, were ineligible to apply for the program.

Upon communicating the limiting effect the municipality stipulation had on the program, the 79th Texas Legislature created and passed House Bill 1007. The program was renamed the Fire Fighter and Law Enforcement or Security Officer Home Loan Program and expanded those eligible for assistance. Not only municipal firefighters and police officers, but any certified or licensed full-time paid, firefighter, peace officer, county jailer, public security officer, and corrections officer, were included as eligible borrowers. This significantly increased the eligible pool of borrowers to over 170,000 individuals.

The Homes for Texas Heroes Home Loan Program was again enhanced during the 80th Legislative Session under House Bills 280 and 618. Two new professional groups were defined and designated as heroes eligible under the program, emergency medical services personnel and juvenile correction officers employed by the Texas Youth Commission. These two professional groups further expands the pool of potential borrowers by at least 58,000 individuals. The program was also renamed to reflect these new groups, the Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program.

Since the initial creation of the Homes for Texas Heroes Program, the Corporation has been authorized to issue \$25 million in MRBs for this program on an annual basis. This dollar figure was changed to a percentage under Senate Bill 1185. Beginning in 2008, the Corporation will be allocated 45.5% of the 10% of the State's ceiling exclusively authorized to the Corporation for reservations of qualified single family mortgage bonds under the Homes for Texas Heroes Home Loan Program.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

In order to qualify for the Homes for Texas Heroes Home Loan Program, the following requirements must be met:

- Be a full time paid firefighter, peace officer, employee of the Texas Department of Criminal Justice and receive hazardous duty pay, juvenile corrections officer, county jailer, emergency medical service personnel or a public security officer working in the State of Texas;
- Be a first-time homebuyer or have not had an ownership interest in any principal residence during the last three years or purchasing a home in a targeted area;
- Reside in the State of Texas;
- Meet the income and home purchase price limits;
- Meet standard mortgage underwriting requirements which demonstrate credit worthiness; and
- Occupy the purchased home as their primary residence.

All professions must be verified, and in many cases, certifications are required. For example, all peace officers, county jailers and public security officers must be licensed by the Texas Commission on Law Enforcement Officer Standards and Education. All fire fighters must be certified through the Texas Commission of Fire Protection. All emergency medical service personnel must be certified through the Department of State Health Services.

The program allows eligible borrowers to purchase a new or existing home in any county in Texas.

Juvenile Corrections Officers and EMS personnel became eligible under the program as a result of the 80th Legislative session. The Corporation began marketing this program to these new professions in August 2007.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The steps outlining the process of administering the Firefighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program are the same as those for the Professional Educators Home Loan Program outlined in the previous section. For a summary of recent Corporation programs, please refer to [Appendix 5](#).

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Texas Government Code, Chapter 1372, Subchapter A, Section 1372.0222 outlines the amount allocated for the Program to the Corporation. Prior to the 80th Legislative Session, funding was designated as follows:

Until August 1, out of that portion of the state ceiling that is available exclusively for reservations by issuers of qualified mortgage bonds under Section 1372.022, \$25 million shall be allotted each year and made available exclusively to the Texas State Affordable Housing Corporation for the purpose of issuing qualified mortgage bonds in connection with the fire fighter, law enforcement officer, and security officer home loan program established under Section 2306.5621.

Bond volume cap percentages, versus dollar amounts, were assigned to all issuers of qualified mortgage revenue bonds in the 80th Legislature, thus affecting the Corporation's allocation. Section 1372.0222 was amended to state that 10% of the State's volume cap reserved for issuing qualified mortgage revenue bonds is to be made exclusively to the Corporation. Of that 10%, a portion shall be allocated to the Homes for Texas Heroes Loan Program. Section 1372.0222 was amended to state the following:

Until August 7, out of that portion of the state ceiling that is available exclusively for reservations by the Texas State Affordable Housing Corporation under Section 1372.0223, 45.5 percent shall be allotted each year and made available for the purpose of issuing qualified mortgage bonds in connection with the fire fighter, law enforcement officer, and security officer home loan program established under Section 2306.5621.

<p>H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.</p>
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Internal Programs:

The Corporation administers three other MRB programs, the Professional Educators Home Loan Program, the Nursing Faculty Home Loan Program, and the Home Sweet Texas Loan Program. These programs function very similarly to the Homes for Texas Heroes Home Loan Program, but assist very different professionals. The Professional Educators Home Loan Program assists teachers, teacher's aides, school nurses, school librarians, and school nurses. The Nursing Faculty Home Loan Program assists those faculty members of either an undergraduate or graduate professional nursing program. The Home Sweet Texas Loan Program assists those individuals at or below 80% area median family income. All programs provide below market 30-year fixed rate mortgage loans, as well as, grant downpayment assistance to qualifying borrowers.

External Programs:

There are various city and county issuers, as well as one other statewide issuer, of MRB programs. The goal of an MRB program is to offer borrowers financing options, typically in the form of a below market interest rate and in some cases downpayment assistance, that aids qualifying borrowers in purchasing a home. In most, if not all cases, the borrower must be a first-time homebuyer and not exceed income and purchase price limits.

The Corporation's programs do have differences from other MRB programs, however. The Corporation is limited in most cases, to serving the specific groups of professionals mandated to us by the Legislature. The Corporation also offers downpayment and closing costs assistance to all who qualify for our programs, not just a select few. Furthermore, our programs cover the entire state, whereas local and county issuers are limited to serving their respective city or county.

Although similarities exist between all single family bond programs, all issuers have specialized their programs to serve their target populations. For the Corporation, those targeted populations are legislatively mandated, but for

all issuers it means developing key relationships with borrower groups, specialized lenders, and other service providers. It also means that first time homebuyers can look for the program that is best for them.

We must emphasize that our number one goal is to help Texans get housing, and therefore we recommend individuals to TDHCA or a local housing finance agency if they don't qualify for one of our programs or we feel they will be better served through another program.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The Corporation does not feel in conflict with other issuers of MRB programs. As mentioned above, our goal is to help borrowers achieve homeownership through the best avenue possible. If we feel a borrower is best served through another program, we encourage and provide the appropriate contact information for that borrower to obtain assistance. We currently have no memorandums of understanding or contracts with other issuers.

The Corporation has strong working relationships with housing advocates and associations, including the TDHCA and the Texas Association of Local Housing Finance Agencies, which represent all local and county issuers. The Corporation makes itself readily available to discuss issues concerning the industry, specifically as it relates to the issuance of MRB funds.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The Corporation contracts for a variety of professional services in the issuance of single family bonds. Specific services contracted are included in the following table:

Contract Type	Purpose
Underwriters	Underwriter assists in the financial structuring of single family bond transactions and is responsible for selling the bonds to one or more purchasers.
Bond Counsel	Bond Counsel prepares the primary documents, certificates and opinions related to the single family bond transactions. Bond Counsel also files the bond transcript with the Texas Attorney General.
Financial Advisor	Financial Advisor reviews the financial aspects of the single family bond transactions on behalf of The Corporation.
Issuer's Counsel	Issuer's Counsel reviews the documents, certificates, and opinions related to the single

	family bond transactions on behalf of the issuers, the Corporation.
Trustee	The Trustee serves as paying agent for each single family bond transaction.
Master Servicer	The Master Servicer is responsible for purchasing and pooling loans into certificates (GNMA, FNMA, etc.). Master Servicer is also responsible for servicing loans underlying each security.

Note: Accountability – Different aspects of compliance with contracts is monitored by the financial advisor, the corporation’s general, issuer and bond counsels, the trustee and the Corporation’s Single Family Program’s Manager. Contract compliance is also reviewed annually by the Corporation’s independent financial auditor as required by Government Auditing Standards.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

The Corporation has been very fortunate to have the support of various Legislators over the years and great enhancements have been made since the creation of the program. The program faces only one challenge - our current demand far exceeds the monetary allocation authorized to the Corporation for the Homes for Texas Heroes Home Loan Program. A statutory change would have to be made to remedy this challenge.

The Corporation has experienced high monthly origination rates. The Corporation is currently originating, on average, \$5.3 million a month under the Homes for Texas Heroes Program. Given that we receive approximately \$25 million annually, this allocation does not cover a year’s worth of demand from our potential borrowers. It is important to note that at least 200 individuals are assisted with each new program allocation. The Corporation would welcome serving more borrowers, if given the ability through a higher allocation mandated in statute. However, the Corporation is aware that a limited amount of private activity bond allocation is available to the state and that increasing the Corporation’s allocation decreases another group’s allocation.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

A contributing factor to the success of our Single Family MRB Programs is the strategic partnerships we have created with those associations that represent the borrowers we are mandated to serve. The Corporation works closely with the Combined Law Enforcement Association of Texas, Texas State Association of Fire Fighters, the Texas Jail Association, and the Texas Department of Criminal Justice to disseminate program information to eligible educators. These organizations continuously communicate to us how pleased they are with the job we do and the service we provide their constituents. They are grateful to have a small entity that is focused on their constituents. As a result, the program has become increasingly successful.

- N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:**
- why the regulation is needed;
 - the scope of, and procedures for, inspections or audits of regulated entities;
 - follow-up activities conducted when non-compliance is identified;
 - sanctions available to the agency to ensure compliance; and
 - procedures for handling consumer/public complaints against regulated entities.

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency=s practices.

N/A

Program 3

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Nursing Faculty Home Loan Program
Location/Division	Austin, Texas
Contact Name	Paige McGilloy
Actual Expenditures, FY 2006	The Corporation does not categorize and allocate expenditures by program.
Number of FTEs as of August 31, 2006	1 (1 person is responsible for the Professional Educators; Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel; Home Sweet Texas Loan; Nursing Faculty and Affordable Home Loan Programs)

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Corporation issues Single Family Mortgage Revenue Private Activity Bonds (MRBs) to finance the purchase of affordable single family homes under four separate programs, one being the Nursing Faculty Home Loan Program. Of those funds made available to the Corporation for MRBs, approximately \$5 million is allocated to this program on an annual basis.

The Nursing Faculty Home Loan Program provides below market 30-year fixed rate mortgage loans to eligible full time faculty members of either an undergraduate or graduate professional nursing program in the State of Texas who are first-time homebuyers. In addition to the low interest rate, this program offers downpayment and closing cost assistance, up to 5% of the loan amount, in the form of a grant. This program is offered through a network of participating lenders across the state. The program is available statewide on a first come, first-served basis, to homebuyers who wish to purchase a newly constructed or existing home within the state of Texas.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Nursing Faculty Home Loan Program was created in 2005 by the 79th Texas Legislature through Senate Bill 132. This program became available as a pilot program in late Spring 2006, making \$3 million available for mortgages to qualifying Nursing Faculty. The program provides the same assistance as our other first-time homebuyer programs. To date no loans have been originated.

A survey was conducted in January 2007 regarding the Nursing Faculty Home Loan Program. This survey consisted of several questions posed directly to the deans and faculties of professional nursing programs in the state. This survey indicated that the maximum income levels and first-time homebuyer requirements, mandatory for MRB programs, were too restrictive for this professional demographic. Nursing faculty polled responded that they were already homeowners and/or that their incomes, alone or with their spouse's incomes, were over the

income limit.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The Nursing Faculty Home Loan Program was created in 2005 by the 79th Texas Legislature through Senate Bill 132.

During the 80th Legislative Session, the Nursing Faculty Home Loan Program was repealed under Senate Bill 1185. However, the definition of educator under the Professional Educators Program was expanded to include both Nursing Faculty and Allied Health Faculty members under this same legislation. These two professional groups become eligible under the Professional Educators Home Loan Program beginning September 1, 2007. As a result, a stand alone program no longer exists to serve Nursing Faculty.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

At the time of this report, in order to qualify for the Nursing Faculty Home Loan Program, the following requirements must be met:

- Be a full time faculty member of either an undergraduate or graduate professional nursing program in the State of Texas (as defined by Subchapter D, Chapter 54 of the Education Code);
- Be a first-time homebuyer or have not had an ownership interest in any principal residence during the last three years or purchasing a home in a targeted area;
- Reside in the State of Texas;
- Meet the income and home purchase price limits;
- Meet standard mortgage underwriting requirements which demonstrate credit worthiness; and
- Occupy the purchased home as their primary residence.

Furthermore, eligible individuals may purchase a new or existing home in any county in Texas.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Given the Corporation's concerns regarding product demand for this new program, we released the first program as a pilot program with CitiMortgage. CitiMortgage agreed to purchase up to \$3 million worth of loans, through a warehouse line of funds, for qualifying faculty members.

The \$3 million were made available to lenders to offer to nursing faculty members. Had a loan been originated, the loan would have been purchased from the lender by CitiMortgage for the full 105% of the loan. The Corporation would then reimburse CitiMortgage only for the 5% downpayment portion of the loan. CitiMortgage would have then had the option to sell that loan on the open market or continue servicing the loan in their portfolio. Unfortunately, no loans have been originated to date under this program.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Texas Government Code, Chapter 1372, Subchapter A, Section 1372.0223 outlines the amount allocated to the Corporation. Prior to the 80th Legislative Session, funding was designated as follows:

Until August 1, out of that portion of the state ceiling that is available exclusively for reservations by issuers of qualified mortgage bonds under Section 1372.022, \$5 million shall be allotted each year and made available exclusively to the Texas State Affordable Housing Corporation for the purpose of issuing qualified mortgage bonds in connection with the professional nursing program faculty member home loan program established under Section 2306.5622.

As mentioned previously, Section 1372.0223 was repealed during the 80th Legislative session and Nursing Faculty members defined as educators under the Professional Educators Home Loan Program. Bond volume cap percentages, versus dollar amounts, were assigned to all issuers of qualified mortgage revenue bonds in the 80th Legislature, thus affecting the Corporation's allocation. Section 1372.0223 was amended to state that 10% of the State's volume cap reserved for issuing qualified mortgage revenue bonds is to be made exclusively to the Corporation. Of that 10%, a portion shall be allocated to the Professional Educators Home Loan Program. Section 1372.0221 was amended to state the following:

Until August 7, out of that portion of the state ceiling that is available exclusively for reservations by the Texas State Affordable Housing Corporation under Section 1372.0223, 54.5 percent shall be allotted each year and made available for the purpose of issuing qualified mortgage bonds in connection with the professional educators home loan program established under Section 2306.562.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal Programs:

The Corporation administers three other MRB programs, the Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program (more commonly known as the Homes for Texas Heroes Program), the Professional Educators Home Loan Program and the Home Sweet Texas Loan Program. These programs function very similarly to the Nursing Faculty Home Loan Program, but assist very different professionals. The Homes for Texas Heroes Program assists fire fighters, peace officers, correctional officers, county jailers, and public security officers. The Professional Educators Home Loan Program assists teachers, teacher's aides, school nurses, school librarians, and school nurses. The Home Sweet Texas Loan Program assists those individuals at or below 80% area median family income. All programs provide below market 30-year fixed rate mortgage loans, as well as, grant downpayment assistance to qualifying borrowers.

External Programs:

There are various city and county issuers, as well as one other statewide issuer, of MRB programs. The goal of an MRB program is the ability to offer borrowers financing options, typically in the form of a below market interest rate and in some cases downpayment assistance, that aids qualifying borrowers in purchasing a home. In most, if not all cases, the borrower must be a first-time homebuyer and not exceed income and purchase price limits.

The Corporation's programs do have differences from other MRB programs, however. The Corporation is limited, in most cases, to serving the specific groups of professionals mandated to us by the Legislature. The Corporation also offers downpayment and closing costs assistance to all who qualify for our programs, not just a select few. Furthermore, our programs cover the entire state, whereas local and county issuers are limited to serving their respective city or county.

Although similarities exist between all single family bond programs, all issuers have specialized their programs to serve their target populations. For the Corporation, those targeted populations are legislatively mandated, but for all issuers it means developing key relationships with borrower groups, specialized lenders, and other service providers. It also means that first time homebuyers can look for the program that is best for them.

We must emphasize that our number one goal is to help Texans get housing, and therefore we recommend individuals to the TDHCA or a local housing finance agency if they don't qualify for one of our programs or we feel they will be better served through another program.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The Corporation does not feel in conflict with other issuers of MRB programs. As mentioned above, our goal is to help borrowers achieve homeownership through the best avenue possible. If we feel a borrower is best served through another program, we encourage and provide the appropriate contact information for that borrower to obtain assistance. We currently have no memorandums of understanding or contracts with outside issuers.

The Corporation has strong working relationships with housing advocates and associations, including the TDHCA and the Texas Association of Local Housing Finance Agencies, which represents all local and county issuers. The Corporation makes itself readily available to discuss issues concerning the industry, specifically as it relates to the issuance of MRB funds.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The Corporation contracts for a variety of professional services in the issuance of single family bonds. Specific services contracted are included in the following table:

Contract Type	Purpose
Underwriters	Underwriter assists in the financial structuring of single family bond transactions and is responsible for selling the bonds to one or more purchasers.
Bond Counsel	Bond Counsel prepares the primary documents, certificates and opinions related to the single family bond transactions. Bond Counsel also files the bond transcript with the Texas Attorney General.
Financial Advisor	Financial Advisor reviews the financial aspects of the single family bond transactions on behalf of the Corporation.
Issuer's Counsel	Issuer's Counsel reviews the documents, certificates, and opinions related to the single family bond transactions on behalf of the issuers, the Corporation.
Trustee	The Trustee serves as paying agent for each single family bond transaction.
Master Servicer	The Master Servicer is responsible for purchasing and pooling loans into certificates (GNMA, FNMA, etc.). Master Servicer is also responsible for servicing loans underlying each security.

Note: Accountability – Different aspects of compliance with contracts is monitored by the financial advisor, the corporation's general, issuer and bond counsels, the trustee and the Corporation's Single Family Program's Manager. Contract compliance is also reviewed annually by the Corporation's independent financial auditor as required by Government Auditing Standards.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

Overwhelmingly, two factors seem to pose the biggest obstacle to faculty members utilizing the Nursing Faculty Home Loan Program: (1) the first-time homebuyer requirement and (2) the maximum income levels. Unfortunately, these two obstacles are requirements set forth in Section 143 of the Internal Revenue Code of 1986 and are imposed on all mortgage revenue bond programs administered in the United States.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

A contributing factor to the success of our Single Family MRB Programs is the strategic partnerships we have created with those associations that represent the borrowers we are mandated to serve. The Corporation disseminates information to eligible faculty member through the deans of the various colleges and universities with professional nursing programs in Texas. These organizations continuously communicate to us how pleased they are with the job we do and the service we provide their constituents. They are grateful to have a small entity that is focused on their constituents.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The

chart headings may be changed if needed to better reflect your agency=s practices.

N/A

Program 4

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Home Sweet Texas Loan Program
Location/Division	Austin, Texas
Contact Name	Paige McGilloy
Actual Expenditures, FY 2006	The Corporation does not categorize and allocate expenditures by program.
Number of FTEs as of August 31, 2006	1 (1 person is responsible for the Professional Educators; Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel; Home Sweet Texas Loan; Nursing Faculty and Affordable Home Loan Programs)

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Corporation issues Single Family Mortgage Revenue Private Activity Bonds (MRBs) to finance the purchase of affordable single family homes under four separate programs, one being the Home Sweet Texas Loan Program. Approximately \$25 million was awarded for this program in 2006.

The Home Sweet Texas Loan Program provides below market 30-year fixed rate mortgage loans to those individuals at or below 80% Area Median Family Income (AMFI) in the state of Texas who are first-time homebuyers. In addition to the low interest rate, this program offers down payment and closing cost assistance, up to 5% of the loan amount, in the form of a grant. This program is offered through a network of participating lenders across the state. The program is available statewide on a first come, first-served basis, to homebuyers who wish to purchase a newly constructed or existing home within the state of Texas.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

In an effort to continue serving borrowers, and as allowed under statute, the Corporation applied for additional private activity bond cap from the Bond Review Board in August 2006. The Corporation was awarded an additional \$25 million, but was limited to serving borrowers at 80% Area Median Family Income (AMFI) or below given the statutory rules at the time. The program was named the Home Sweet Texas Loan Program. This program was extremely successful, with origination rates mirroring those experienced in the 2006 Professional Educators and Homes for Heroes Home Loan Programs. The program fully originated in four months. The Corporation was able to assist an additional 240 individuals/families through this program and allowed the Corporation to continue serving qualifying educators and heroes in their homeownership efforts.

Given that one of the public purposes of the Corporation is to serve individuals of low, very low, and extremely low incomes, this program ensures we are meeting this target demographic. The Home Sweet Texas Loan

Program was only made available to those individuals at or below 80% AMFI. For most of the state, this equates to \$43,440 a year for a family of any size.

Of the 240 individuals and families that utilized the Home Sweet Texas Loan Program, the average income was \$38,772 a year and the average loan size was \$98,552. The Corporation is particularly proud of the home loans we could provide for these hard working and deserving families.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Given that our statutorily mandated programs were close to, if not completely, committed for the year, the Corporation applied for additional private activity bond cap from the Bond Review Board in August 2006. The Corporation was awarded an additional \$25 million, but was limited to serving borrowers at 80% Area Median Family Income (AMFI) or below given the statutory rules at the time. The program was named the Home Sweet Texas Loan Program. This program was extremely successful, with origination rates mirroring those experienced in the 2006 Professional Educator Home Loan Program.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

At the time of this request, in order to qualify for the Home Sweet Texas Loan Program, the following requirements must be met:

- Be a first-time homebuyer or have not had an ownership interest in any principal residence during the last three years or purchasing a home in a targeted area;
- Reside in the State of Texas;
- Meet the income and home purchase price limits;
- Meet standard mortgage underwriting requirements which demonstrate credit worthiness; and
- Occupy the purchased home as their primary residence.
-

Furthermore, eligible individuals may purchase a new or existing home in any county in Texas.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The steps outlining the process of administering the Home Sweet Texas Loan Program are the same as those for the Professional Educators Home Loan Program outlined in that section. For a summary of recent Corporation programs, please refer to [Appendix 5](#).

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Of those programs that serve specific professional groups, Texas Government Code, Chapter 1372, Subchapter A, Section 1372.0221 clearly states the amounts allocated for each program. The Home Sweet Texas Loan Program is not a state mandated program, and does not get an annual allocation through statute.

However, the Corporation has the ability to apply for funds from the Bond Review Board when other issuers have not used the annual allocations awarded to them. Given that our statutorily mandated programs were close to, if not completely, committed for the year, the Corporation applied for additional private activity bond cap from the Bond Review Board in August 2006. The Corporation was awarded an additional \$25 million, but was limited to serving borrowers at 80% AMFI or below given the statutory rules at the time. The program was named the Home Sweet Texas Loan Program.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal Programs:

The Corporation administers three other MRB programs, the Professional Educators Home Loan Program, the Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program (more commonly know as the Homes for Texas Heroes Program), and the Nursing Faculty Home Loan Program. These three programs function very similarly to the Home Sweet Texas Loan Program, but have a professional requirement. Whereas, individuals under the Home Sweet Texas Loan Program must simply income qualify for the assistance. The Professional Educators Home Loan Program assists teachers, teacher's aides, school nurses, school librarians, and school nurses. The Homes for Texas Heroes Program assists fire fighters, peace officers, correctional officers, county jailers, and public security officers. The Nursing Faculty Home Loan Program assists those faculty members of either an undergraduate or graduate professional nursing program. All programs provide below market 30-year fixed rate mortgage loans, as well as, grant downpayment assistance to qualifying borrowers.

External Programs:

There are various city and county issuers, as well as one other statewide issuer, of MRB programs. The goal of an MRB program is the ability to offer borrowers financing options, typically in the form of a below market interest rate and in some cases downpayment assistance, that aids qualifying borrowers in purchasing a home. In most, if not all cases, the borrower must be a first-time homebuyer and not exceed income and purchase price limits.

The Corporation's programs do have differences from other MRB programs, however. The Corporation is limited, in most cases, to serving the specific groups of professionals mandated to us by the Legislature. The Corporation also offers downpayment and closing costs assistance to all who qualify for our programs, not just a select few. Furthermore, our programs cover the entire state, whereas local and county issuers are limited to serving their respective city or county.

Although similarities exist between all single family bond programs, all issuers have specialized their programs to serve their target populations. For the Corporation, those targeted populations are legislatively mandated, but for all issuers it means developing key relationships with borrower groups, specialized lenders, and other service providers. It also means that first time homebuyers can look for the program that is best for them.

Our number one goal is to help Texans get housing, and therefore we recommend individuals to TDHCA or a local housing finance agency if they don't qualify for one of our programs or we feel they will be better served through another program.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The Corporation does not feel in conflict with other issuers of MRB programs. As mentioned above, our goal is to help borrowers achieve homeownership through the best avenue possible. If we feel a borrower is best served through another program, we encourage and provide the appropriate contact information for that borrower to obtain assistance. We currently have no memorandums of understanding or contracts with other issuers.

The Corporation has strong working relationships with housing advocates and associations, including TDHCA and the Texas Association of Local Housing Finance Agencies, which represents all local and county issuers. The Corporation makes itself readily available to discuss issues concerning the industry, specifically as it relates to the issuance of MRB funds.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The Corporation contracts for a variety of professional services in the issuance of single family bonds. Specific services contracted are included in the following table:

Contract Type	Purpose
Underwriters	Underwriter assists in the financial structuring of single family bond transactions and is responsible for selling the bonds to one or more purchasers.
Bond Counsel	Bond Counsel prepares the primary documents, certificates and opinions related to the single family bond transactions. Bond Counsel also files the bond transcript with the Texas Attorney General.
Financial Advisor	Financial Advisor reviews the financial aspects of the single family bond transactions on behalf of the Corporation.
Issuer's Counsel	Issuer's Counsel reviews the documents, certificates, and opinions related to the single family bond transactions on behalf of the issuers, the Corporation.
Trustee	The Trustee serves as and paying agent for each single family bond transaction.
Master Servicer	The Master Servicer is responsible for purchasing and pooling loans into certificates (GNMA, FNMA, etc.). Master Servicer is also responsible for servicing loans underlying each security.

Note: Accountability – Different aspects of compliance with contracts is monitored by the financial advisor,

the corporation's general, issuer and bond counsels, the trustee and the Corporation's Single Family Program's Manager. Contract compliance is also reviewed annually by the Corporation's independent financial auditor as required by Government Auditing Standards.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

N/A

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

The Corporation takes great pride in having the ability to offer Educators and Heroes the opportunity to purchase their first home. Serving these borrowers is a priority for the Corporation. The Homes Sweet Texas Loan Program not only allow us to continue serving these professions when our annual allocations have been fully committed, but also allows the Corporation to assist a lower income demographic.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency=s practices.

N/A

Program 5

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Affordable Homeownership Program for Texas
Location/Division	Austin, Texas
Contact Name	Paige McGilloway
Actual Expenditures, FY 2006	The Corporation does not categorize and allocate expenditures by program.
Number of FTEs as of August 31, 2006	1 (1 person is responsible for the Professional Educators; Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel; Home Sweet Texas Loan; Nursing Faculty and Affordable Home Loan Programs)

B. What is the objective of this program or function? Describe the major activities performed under this program.

In an effort to serve families seeking to purchase a home who are not able to meet the traditional lending requirements, the Corporation developed the Affordable Homeownership Program for Texas. The program, developed through a partnership between Ameriquest Mortgage Company (AMC) and the Corporation, provided borrowers with an affordable mortgage financing option that allows them the opportunity to achieve the dream of homeownership. As a result of this partnership, AMC committed up to \$100 million for mortgage loans and the Corporation committed \$1 million for down payment assistance to the program.

Under the program, eligible borrowers had access to an affordable mortgage loan product (10 year Treasury + 2.75%) and down payment assistance equal to seven percent (7%) of the mortgage loan amount. In addition, the program rewards borrowers with lower interest rates and lower mortgage payments, for making timely mortgage payments. Borrowers can reduce their mortgage interest rate by up to two percent (2%) during the first 48 months of their mortgage loan. Borrowers receive 50 basis points (.5%) reduction in their mortgage interest rate for every 12 months of on-time payments.

The Corporation and AMC believe homebuyer education is an essential component to success in home ownership. Under the program, borrowers are required to complete a pre and post-closing Home Buyer Education Training provided by ACORN Housing. Additionally, borrowers have intervention assistance available to them during the life of the mortgage loan.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The following table outlines the use of the Affordable Homeownership Program for Texas.

Loan Type	# of Loans Originated	Amount (\$) of Loans Originated	Average Interest Rate	Average FICO Score	Loan Delinquency Rate (a/o June 2007)
1 st Lien Loan	34	\$ 2,041,074	Fixed Rate (10 Yr Treas. + 275 bps)	571	15.6%
2 nd Lien Loan	34	\$ 151,171	4% Fixed	570	8.2%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

AMC committed up to \$100 million for mortgage loans and the Corporation committed \$1 million for down payment assistance to the program.

The initial release of the program was limited to a pilot initiative making \$20 million for first lien mortgage loans and \$1 million for down payment assistance second lien loans. The pilot initiative was released in south Texas under a partnership with the Community Development Corporation of Brownsville (CDCB) and the city of Brownsville. The Corporation released the program as a pilot to have flexibility. This allowed the Corporation to monitor the program in a controlled manner and amend guidelines when needed.

Unfortunately, the Affordable Homeownership Program for Texas has been suspended at the request of AMC. Pending further notice from AMC, the Corporation would like to re-start the program in partnership with a primary lender that would commit to the existing program structure and terms.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

To be eligible for the program a borrower must:

- § Have a FICO credit score between 525 up to 610
- § Have an income of 80% or below AMFI limit
- § Be a first time homebuyer or have not have owned a home for three years
- § Purchase a newly constructed home
- § Provide 3% of the sales price for down payment

Program rewards and benefits:

- § Affordable 30-year fixed rate mortgage
- § Mortgage interest rate reduction incentive for timely payments (see example below)
- § Second lien loan for down payment assistance equal to 7% of the first lien loan amount
- § Homebuyer education counseling
- § Post closing delinquency intervention/counseling

Example:

Borrowers who qualify for this program are rewarded for timely payments. The following example shows you how the incentive works over time, ultimately reducing the borrower's monthly mortgage payment.

Beginning mortgage interest rate: $5.10\% + 2.75\% = 7.85\%$

Rate after first 12 months of timely payment: $7.85\% - .50\% = 7.35\%$

Rate after 24 months of timely payment: $7.35\% - .50\% = 6.85\%$

Rate after 36 months of timely payment: $6.85\% - .50\% = 6.35\%$

Rate after 48 months of timely payment: $6.35\% - .50\% = \underline{5.85\%}$

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Detailed underwriting guidelines and eligibility criteria were developed and approved to focus this program on meeting the housing affordability needs of individuals and families which were not able to qualify for traditional lending options available for homeownership due to prior credit problems. The underwriting guidelines also ensured that if a borrower did meet the minimum requirements, they were required to complete the Homebuyer Education Training provide by ACCORN Housing. The homebuyer education training was provided at no cost to the borrowers.

Additionally, borrowers worked directly with the participating lender, CDCB, during the pilot phase. Recommend expanding the participating lender base by offering greater flexibility in the lender eligibility requirements; allow both for-profit and non-profit lenders to participate in program, currently only non-profit lenders are allowed to participate.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The funding sources for this program included funding for first lien mortgage loans through AMC and second lien mortgage loans from the Corporation. The Corporation utilized funds both internally generated and from a Wells Fargo Foundation Equity Investment Award. No general revenue or state appropriated funding sources were used in conjunction with this program.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

To the Corporation's knowledge no internal or external programs provide similar services.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

No duplication or conflict exists with other programs.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The Community Development Corporation of Brownsville (CDCB) served as the initial non-profit participating lender in the program during the pilot phase. CDCB met all the eligibility requirements to participate and have a strong presence in the Brownsville area. This also provided the Corporation and AMC strong oversight and coordination during the pilot process of all borrowers being considered.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

N/A

L. What statutory changes could be made to assist this program in performing its functions? Explain.

N/A

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Please refer to **Appendix 6**.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency=s practices.

N/A

Program 6

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Single Family Interim Construction and Acquisition Program
Location/Division	Austin, Texas
Contact Name	David Danenfelzer
Actual Expenditures, FY 2006	The Corporation does not categorize and allocate expenditures by program.
Number of FTEs as of August 31, 2006	2 (The responsibility for this program is shared by 2 people who also work on other programs)

B. What is the objective of this program or function? Describe the major activities performed under this program.

The program provides initial short-term financing for site acquisition, pre-development costs and/or interim construction to non-profit and for profit developers for the purpose of increasing and preserving the stock of affordable single family housing for homeownership throughout the State of Texas. The program targets the development of subdivisions in rural and underserved markets in Texas.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The program was initially released in late 2006, making available approximately \$500,000 from a Wells Fargo Equity Investment Award. In April 2007, the Corporation's Board of Directors approved using \$2,000,000 in additional funds for this program. Currently the Corporation is accepting applications for projects state-wide and has issued commitments for two projects totaling approximately \$750,000.

The program targets housing developments where at least 50% of the homes will be sold to households earning 80% or less than the AMFI. The Corporation will require a minimum number of lots or homes be sold to qualified low-income households based on the percentage of funds provided and other factors.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

This new program was originally released in late 2006. This program was developed by the Corporation and is not a legislatively mandated program.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

This program is intended to serve those smaller non-profit and for profit developers that typically do not have the equity or financial resources to secure funds for the complete project including land acquisition and construction financing. The program seeks to leverage private funding for 50% or more of any one project thereby increasing the number of projects that can be funded under the program.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The program is offered to eligible non-profit and for profit developers on a first come, first served basis. Program information will be available on the Corporation's website and it is anticipated that eligible borrowers will be able to submit a pre-application electronically. Staff will complete a preliminary review of the pre-application and notify the applicant of eligibility via email of the status and based on the internal review whether to complete and submit the necessary information to complete the application process.

Applications will be accepted on a statewide basis but preference will be given to projects located in rural communities and/or underserved areas as may be designated in the Corporation's Annual Action Plan.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The program is funded by a Wells Fargo Foundation Equity Investment Award, up to \$500,000, and from program funds through the Corporation, up to \$2,000,000. The program is not funded through federal grants or pass-thru funds. Since the Corporation does not receive appropriated funds from the State, the program is not funded through general revenue or appropriations.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

N/A

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The program was developed to meet the financing needs for smaller builder/developers of single family housing in rural and other underserved markets in Texas. The Corporation is not aware of similar programs being offered.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

N/A

L. What statutory changes could be made to assist this program in performing its functions? Explain.

N/A

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Please refer to **Appendix 7**.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

N/A

Program 7

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Multifamily Private Activity Bond Program
Location/Division	Austin, Texas
Contact Name	David Danenfelzer
Actual Expenditures, FY 2006	The Corporation does not categorize and allocate expenditures by program.
Number of FTEs as of August 31, 2006	1 (1 person is responsible for the Multifamily Private Activity Bond and the Multifamily Direct Lending Programs. This person also is partially responsible for the Single Family Interim Construction Loan Program)

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Texas Legislature in 2003 allocated 10 percent of the multifamily private activity bond (PAB) cap to the Corporation. The available amount for funding in 2006 was approximately \$40 million, and approximately \$44 million is available for 2007. Nonprofit and for profit developers can use the funds to finance the acquisition and rehabilitation or new construction of multifamily residential rental units across the state. Developers are encouraged to leverage PAB funds using Low Income Housing Tax Credits (Housing Tax Credits) available through TDHCA.

The Corporation's PAB program statute requires the Corporation to target areas with the greatest housing need that have expressed local community support for affordable multifamily housing. The statute also requires the Corporation to solicit proposals from developers who would provide the specific housing development that would address the targeted housing need outlined in the request, whether for senior, rehabilitation, rural, supportive, migrant farm worker, or other specific housing need. Applications received in response to the request for proposals issued by the Corporation will be scored and ranked using criteria that analyzes the developer's qualifications, experience and willingness to provide the types of multifamily housing targeted by the Corporation. Tax-exempt PAB financing will be allocated to the highest scoring proposal that meets the identified housing needs of the Request for Proposals, subject to available allocation.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Corporation is currently working to use its 2007 bond allocation to finance the acquisition and rehabilitation of 13 properties throughout the state, thereby preserving 1008 units of affordable housing. The closing is scheduled for early September.

The program strives to be efficient by minimizing the amount of duplicative information required from the applicants. The program allows applicants to submit electronic copies of their Housing Tax Credit

applications which contain the same information needed for the Corporation's review. Additionally, the use of electronic copies of the application allows the Corporation to share application materials with financial advisors, bond counsel and issuer's counsel, without the need for large amounts of paper transfers or shipping costs.

The program also utilizes only one staff person, the Manager of Multifamily Programs, to promote the program, review applications, do a complete underwriting of the financial feasibility of the transaction, and produce recommendations for the Board. These processes are overseen by the Executive Vice President to ensure compliance with program policies and to reduce the risk of errors or omissions from program reports.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The history of the program starts in 2003 when the Legislature created the Corporation's Multifamily Private Activity Bond Program. At the time, most bond funding from the State for multifamily rental projects was going to urban areas, and was not always welcomed in those areas. Creating the program using 10 percent of the multifamily bond cap and tasking the Corporation with its administration was an attempt to drive money into more underserved areas of the state, and an attempt to have community support be a big factor in its creation. Section 2306.565 Texas Government Code, sets forth that areas must be targeted by the Corporation's Board. In early stages of the program, the Corporation targeted housing need by geographic area, working directly with local governments to release the required request for proposals. In recent years, the Corporation has targeted housing by need across the state. For instance, the Board targeted Rehabilitation, Rural, Senior, and Supportive Housing in the 2007 request for proposal. This targeting strategy by statewide housing need seems to be working effectively.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The program most directly affects low-income Texans. The PAB program follows statutory guidelines and funds rental housing that will be affordable for persons earning 60% and 50% or less than the Area Median Family Income (AMFI). Generally, applicants are required to provide 40% of housing units developed to persons at 60% or less than the AMFI, or 20% of housing units to persons at 50% or less than the AMFI. Included here are that statistical data for developments that have been awarded, or are under consideration.

Property	Units	Affordable Units	AMI
Marshall Meadows	250	150	60% AMI
Rainbow Portfolio	1008	1008	60% AMI

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The program is administered in several stages. Below is a brief explanation of each stage in the process.

1. Policy Development. The Manager of Multifamily (Manager) develops the annual policy and request for proposals (RFP), pursuant to §2306.556 of the Texas Government Code, under the guidance of the Executive Vice President (the VP). These documents are also vetted by the Corporation's Bond Counsel, Financial Advisor and Issuer's Counsel. Once the final draft is complete the documents are then presented to the Corporation's Board for final approval.
2. Application Phase. Once the policy and RFP have been approved, the Manager develops and releases an application package, with the approval of the VP. The Manger publishes these documents in the Texas Register and to the Corporation's website. The Manager also promotes the program at conferences and trainings. Deadlines for application acceptance are listed in the RFP and once received, the Applications are logged by the Manager. All checks for the payment of fees are passed onto the Corporation's Accountant or CFO for recording.
3. Awards Phase. After acceptance, copies of the applications are forwarded to Bond Counsel, Issuer's counsel and Financial Advisors (the Internal Workgroup). The Manager reviews the application materials for threshold and scoring criteria and ranks competing applications appropriately. The VP reviews the application summaries and scoring, and approves recommendations to the Board for inducement awards. If the transaction is induced by the Board, the Manager works with the Internal Workgroup, the Applicant and Lender to negotiate details of the transaction under the guidance of the VP. The Manager oversees applications for reservations to the Bond Review Board and works with the Applicant in applying for Housing Tax Credits. Once the structure and bond documents are substantially final, the transaction goes before the Board for final approval of the Bond Resolution.
4. Closing Phase. After the Board has approved the Bond Resolution and tax credits are awarded, if applicable, the Manager and Internal Workgroup file an application for State Debt Issuance with the Bond Review Board (the BRB). The Manager, Internal Workgroup and VP work with BRB staff to resolve any application issues and present the application to the Board of the BRB.
5. Compliance Phase. Once the bonds are closed and funded, the Corporation begins asset management and compliance activities. The Manager works with Asset Oversight Staff to plan for onsite inspections, annual compliance reviews and other ongoing reviews. The Asset Oversight Staff are responsible for communicating with the Applicant and property managers about training, compliance review and onsite visits.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Bonds issued under the PAB Multifamily Program are used pursuant to §§1372.0231(b-1) and 2306.565 of the Texas Government Code. Chapter 1372 sets aside 10% of the State's private activity allocation of residential rental project bonds for the Corporation to issue multifamily housing revenue bonds for its public purpose, as described therein. For 2007, the set aside was approximately \$44 million. Section 2306.565 provides additional limitations on scoring and use of the bonds by the Corporation for multifamily rental developments.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

There are numerous programs statewide that provide similar services to the PAB program; however, the only other statewide bond program is run by the TDHCA. Though TDHCA's private activity bond program is similar in that it serves the entire state of Texas, the Corporation's programs are uniquely tailored to target underserved areas of the state. Pursuant to §2306.565 of the Texas Government Code, the Corporation's

PAB program targets areas of the state based on local support, housing needs and other criteria. While TDHCA bond and tax credit funds predominately go to urban areas (more than 90% of their funds have been used in Dallas, Fort Worth and Houston) the Corporation's program has awarded less than 9% of its funds in urban areas. In addition to the Corporation's success in targeting underserved geographic areas of the state, it has awarded 70% of its funds to preserve affordable housing at-risk of losing income restrictions.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Statutory requirements for the two state programs are different, and prevent duplications as outlined above. No conflicts arise as a result of multiple issuers for residential rental bonds. In fact, developers benefit from having a choice of programs, including the ability to compare issuer fees. Internal flexibility also allows the Corporation to tackle more challenging markets and projects, which further helps in avoiding duplicative services. To avoid conflicts between programs the Corporation has adopted the TDHCA's underwriting and development standards in recent years, which also helps to expedite applications through the housing tax credit process, required of PAB applications, and run by TDHCA.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

While the program does require ample notification of the issuance of multifamily bonds to local, regional and federal units of government, it does not have any other specific relationships established.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The Corporation contracts for a variety of professional services in the issuance of multifamily bonds. Specific services contracted are included in the following table. Please note that the Corporation did not issue any multifamily bonds during fiscal year 2006.

Contract Type	Purpose
Bond Counsel	Bond Counsel prepares the primary documents, certificates and opinions related to multi-family bond transactions. Bond Counsel also files the bond transcript with the Texas Attorney General.
Financial Advisor	Financial Advisor reviews the financial aspects of the multi-family bond transactions on behalf of TSAHC.
Issuer's Counsel	Issuer's Counsel reviews the documents, certificates, and opinions related to the multi-family bond transactions on behalf of the issuers, TSAHC.
Trustee	The Trustee serves as paying agent for each multi-family bond transaction.

Note: Accountability – Different aspects of compliance with contracts is monitored by the financial advisor, the corporation's general, issuer and bond counsels, the trustee and the Corporation's Multifamily Program's

Manager. Contract compliance is also reviewed annually by the Corporation's independent financial auditor as required by Government Auditing Standards.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

The Legislature has set aside 10 percent of the private activity bond volume cap for rental housing for the Corporation's program. The relevant portions of Government Code Section 2306.565 on the Corporation's Multifamily Private Activity Bond Program are the following: *(f) The board of directors of the corporation shall identify housing developments with respect to which the board anticipates directing the Bond Review Board to allocate bond funds under this section, based on the highest scores received in the scoring and ranking process described by Subsection (e). (h)the board shall consider the staff's recommendations in making its final decisions regarding the allocation of bond funds for housing developments under this section and shall inform the Bond Review Board of those decisions. (j) The decisions made by the corporation regarding the allocation of bond funds under this section are not subject to the restrictions in Section 1372.0321, as added by Chapter 1367 or 1420, Acts of the 77th Legislature, Regular Session, 2001 [the restrictions referenced are those that require TDHCA and all local issuers to participate in a lottery for bond volume cap and require that certain priorities are given to their applications that are set forth in statute.]*

The Corporation believes that the intent of these provisions was to make the use of the Corporation's bond authority as flexible as possible to achieve the specific goals of the program, including to finance multifamily rental projects that meet the targeted housing needs of the State as determined by the Corporation's Board of Directors, and to finance projects that have local and community support in underserved areas of the state. One problem with the current statutory system is that although the statute clearly states that the Corporation "directs the Bond Review Board to allocate bond funds" and "shall inform the Bond Review Board of those decisions," the flexibility in other parts of the statute was not given to the Corporation to request, for instance, \$30 million in bond authority for one pooled bond financing of multiple properties, even though that seems to be the intent when it exempted the Corporation from the lottery and priority process. The reason is because Government Code Section 1372.037(4) requires that each "project" is for no more than \$15 million. The Corporation's program is to serve underserved areas of the state, so pooled transactions with multiple small properties is common and the only way the transaction can be financially feasible. The Corporation currently can make separate reservations, each for \$15 million, and then put them together into one large financing. However, it would seem consistent with the program's intent to exempt the Corporation from the \$15 million per project requirement for its Multifamily Private Activity Bond Program.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Please refer to **Appendix 8**.

- N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:**
- why the regulation is needed;
 - the scope of, and procedures for, inspections or audits of regulated entities;
 - follow-up activities conducted when non-compliance is identified;
 - sanctions available to the agency to ensure compliance; and

- **procedures for handling consumer/public complaints against regulated entities.**

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency=s practices.

N/A

Program 8

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Multifamily Direct Lending Program
Location/Division	Austin, Texas
Contact Name	David Danenfelzer
Actual Expenditures, FY 2006	The Corporation does not categorize and allocate expenditures by program.
Number of FTEs as of August 31, 2006	1 (1 person is responsible for the Multifamily Private Activity Bond and the Multifamily Direct Lending Programs. This person also is partially responsible for the Single Family Interim Construction Loan Program)

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Multifamily Direct Lending Program is an umbrella for all of the Corporation's lending activities related to the creation and preservation of affordable rental housing. The program utilizes internal funding, grants, and leveraged financing from a number of sources. The Corporation is a member of the Federal Home Loan Bank of Dallas (FHLB), which grants us the ability to borrow funds through the FHLB Community Investment Program. We also have a contract with the Community Development Trust (CDT) and act as a local conduit lender for their affordable housing loan programs. Finally, the Corporation has used its own income and received equity investments from Wells Fargo Bank, which have been used to provide gap financing to affordable rental developments.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Multifamily Direct Lending Program has provided gap financing to seven housing projects totaling 1,484 affordable units in the past 5 years. The Corporation has utilized over \$500,000 of its own funds in direct loans and leveraged more than \$6 million through its relationships with CDT, FHLB and Wells Fargo. These activities directly relate to the Corporation's mission and provide safe decent and affordable housing for thousands of low-income Texans.

Table of Awards

Property	Affordable Units	Amount
Marshall Meadows	250	\$500,000 ¹
Rainbow Portfolio	1008	\$500,000 ⁴
Bunker Hill Senior Village	44	\$550,000 ²
Sagebrush Apartments	60	\$875,000 ²
Limestone Ridge Apts.	76	\$1,004,000 ³
Parkstone Crossroads Village	112	\$1,525,000 ³
Keywest Senior Village	120	\$1,634,000 ³
Totals	1670	\$6,588,000

Notes. 1. Corporation's Funds; 2. FHLB loan with 25% of loan amount from Corporation's Funds; 3. CDT conduit loan; 4. Wells Fargo Equity Investment funds.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The purpose and function of this program has changed little from its inception. The most significant changes may be related to the variety of strategies and resources that the Corporation draws on to finance new projects. At its inception, the Corporation focused on utilizing its contracts with CDT and FHLB and acted as a conduit lender. More recently, the Corporation's loans have been smaller and used for gap financing, rather than first lien loans. This change in market needs has allowed the Corporation to provide direct loans using its own resources and to generate investments in the Corporation's loan funds through grants and equity investments. This strategy also allows the Corporation to create on going streams of income from its lending programs. While the Corporation will continue to lend funds as both a direct and conduit lender, having two strategies allows us to focus on providing funding to a greater variety of projects and increases our impact on affordable housing production.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Through the Corporation's loans, affordable housing is created and preserved for low-income Texans. Generally, the Corporation is required by statute to lend funds only to developments that will reserve at least 20% of housing units to persons earning 50% of the Area Median Family Income (AMFI), or 40% of units to persons earning 60% of the AMFI. However, the Corporation often has set higher standards for affordability and lent funds to projects reserving 100% of housing units to low-income persons. To date, the program has provided 1,484 units of affordable housing to low-income Texans.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The program operations are taken care of by the Multifamily Programs Manager on a daily basis. The Manager is responsible for marketing, application development, application review and underwriting of each application. Awards and the development of program policies are overseen by the Executive Vice President and President of the Corporation, with final approval of all program policies by the Board of Directors. The program also is assisted by the Corporation's loan servicing team.

The program is administered in several stages. Below is a brief explanation of each stage in the process.

6. **Policy Development.** The Manager of Multifamily (Manager) develops loan policies, term sheets, and application materials under the guidance of the Executive Vice President (the VP) and President. These documents are also vetted by the Corporation's General Counsel. Once policy documents are drafted they are presented to the Corporation's Board for final approval.
7. **Application Phase.** Once the policy has been approved, the Manager develops and releases an application package, with the approval of the VP. The Manager publishes these documents to the Corporation's website. The Manager also promotes the program at conferences and trainings. Applications are logged and reviewed by the Manager. All checks for the payment of fees are passed onto the Corporation's Accountant or CFO for recording.
8. **Awards Phase.** After acceptance, the Manager reviews the application materials for threshold criteria and begins underwriting. The VP reviews the application summaries, underwriting reports, and approves any commitments recommended by the Manager. If the application continues the application will be brought back to the Board for final approval.
9. **Closing Phase.** After the Board has approved the loan the Manager requests assistance from General Counsel to draft closing documents, collects due diligence from the Applicant and assists in processing closing documents to ensure loan closing occurs on time.
10. **Compliance Phase.** Once the loan is closed and funded by the Corporation, Asset Oversight Staff begins planning for onsite inspections, annual compliance reviews and other ongoing reviews. The Asset Oversight Staff are responsible for communicating with the Applicant and property managers about training, compliance review and onsite visits.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Corporation primarily uses income from fees and loan repayments to cover operations of the program. As noted before, loan funds are generated through conduit lending agreements, our membership with FHLB and investments into our loan fund by Wells Fargo. This program receives no general revenues or state appropriations.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

The Corporation's lending program is unique to other state agency programs that lend to affordable housing developments, in the fact that the Corporation leverages private investments and grants, rather than appropriated state or federal funds. While TDHCA lends federal HOME funds and state appropriated Housing Trust Funds to affordable rental housing developments, the Corporation's funds are drawn from lending agreements with the FHLB, CDT and investments into the Corporation's loan fund by Wells Fargo Bank. The Corporation also has fewer regulatory hurdles that could limit the use and utilization of its loan

funds, when compared to the federal and state resources that TDHCA utilizes.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

While the Corporation's lending program targets low-income affordable housing similar to TDHCA, there has been little or no duplication of efforts. The need for affordable housing is great in Texas. TDHCA's programs often target different income groups and geographical areas because of federal and state regulatory limitations. Additionally, our funding sources are not accessible by other state agencies, which limits duplication or conflict with other agency programs.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The Corporation contracts for general legal services to help prepare loan documents and represent the Corporation in the transaction.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

N/A

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Please to **Appendix 9**.

- N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:**
- why the regulation is needed;
 - the scope of, and procedures for, inspections or audits of regulated entities;
 - follow-up activities conducted when non-compliance is identified;
 - sanctions available to the agency to ensure compliance; and
 - procedures for handling consumer/public complaints against regulated entities.

N/A

- O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency=s practices.**

N/A

Program 9

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Multifamily 501(c)(3) Bond Program
Location/Division	Austin
Contact Name	Dave Danenfelzer
Actual Expenditures, FY 2006	The Corporation does not categorize and allocate expenditures by program.
Number of FTEs as of August 31, 2006	0

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Corporation's 501(c)(3) Multifamily Bond Program was created to finance the acquisition and rehabilitation, or new construction, of affordable multifamily housing units. The Corporation has not used this financing option for the creation of multifamily rental housing since 2002 due to changes in the market that have made these transactions less financially feasible. The Corporation now uses the Multifamily Private Activity Bond Program, which allows for 4 percent tax credits to be matched with the Corporation's bonds, to finance multifamily rental housing in the state. The Multifamily Private Activity Bond transactions, because of the 4 percent tax credits that can infuse up to 30 percent equity in the transaction, allow for a more financially feasible transaction. The Corporation still does Asset Oversight and Compliance monitoring for the properties that were financed in 2001 and 2002 through this program.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

During its use and prior to changes to the program, the Corporation issued in excess of \$400 million in bonds that produced over 10,000 affordable housing units.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The Corporation's 501(c)(3) Multifamily Bond Program was created to finance the acquisition and rehabilitation, or new construction, of affordable multifamily housing units. Unlike the Corporation's Private Activity Bond Program, the 501(c)(3) Bond Program is not restricted by volume cap. However, 501(c)(3) financing may not be used in conjunction with Housing Tax Credits. The program is available year-round to qualified non-profit developers, designated under the Internal Revenue Code as 501(c)(3) organizations, and may be used throughout the state of Texas.

As stated earlier, the Corporation has not used this financing option for the creation of multifamily rental housing since 2002 due to changes in the market that have made these transactions less financially feasible. In the last few years the affordable housing markets, especially in Dallas and Houston, have been soft. Since underwriting the transactions, rents went down and expenses went up. The owners reported in some cases that insurance had doubled on the properties.

Changes in the law have also caused these transactions to be less financially feasible for future potential transactions. In 2001 and 2002, Section 11.182 of the Property Tax Code allowed Community Housing Development Organizations (CHDOs) to receive a 100 percent property tax exemption for owning multifamily rental properties that were providing affordable housing. All of the owners that received the 501(c)(3) bond financing from the Corporation received this property tax exemption under state law. The law in 2003 changed so that in most counties around the state, except for the large metropolitan areas, a 50 percent rather than a 100 percent property tax exemption is available for providing affordable rental housing. Another important change occurred as a result of the 2003 legislative session. The program statutorily requires that the savings provided to owners from property tax exemptions be spent on appropriate supportive services for low-income tenants. This prevents any property tax exemption savings from being used to pay debt service on the bonds. With these legislative changes in 2003, coupled with the financial changes in the market, a borrower would not be able to pay back the debt on the 501(c)(3) bonds and keep rents to the required affordable rates without additional sources of equity in the transaction. The Corporation would like to keep the program available should an appropriate transaction come along, for instance a transaction that instead of relying on tax credits relies on private grants or federal, state or local subsidy to make the transaction financially feasible.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Eligible borrowers under this program are 501(c)(3) nonprofit corporations whose mission is to provide affordable housing.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Corporation's current Multifamily 501(c)(3) Bond Program Guidelines are attached under **Appendix 10**, which describe the application process and specific requirements under the program for interested 501(c)(3) nonprofit corporations. However, since we have not received any applications since 2002, the Corporation is now following up on the properties that were financed in 2001 and 2002. Many of the properties have had financial difficulties, including defaults on the subordinate bonds on a number of the transactions. As a result, the Corporation staff work with the owners, bond insurers and others on appropriate "work out" structures to help the transactions become financially feasible again. In addition, working with the trustees to gather and pass along the financial status on the bonds to the appropriate parties, including the Bond Review Board, has been a continuing and increasing activity for the 501(c)(3) Bond Program.

The Asset Oversight and Compliance on the 501(c)(3) properties takes place every year and is covered under that program activity.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

N/A

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

TDHCA, as well as numerous local issuers, also issue 501(c)(3) bonds, although we believe that those programs have become inactive for similar reasons.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

N/A

L. What statutory changes could be made to assist this program in performing its functions? Explain.

Because this program is inactive, the Corporation should not need to review and update the program guidelines on an annual basis as required by Section 2306.564 of the Government Code.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency=s practices.

N/A

Program 10

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Asset Oversight
Location/Division	Austin, Texas
Contact Name	Pat Corser
Actual Expenditures, FY 2006	The Corporation does not categorize and allocate expenditures by program.
Number of FTEs as of August 31, 2006	3 (3 person share responsibility for Asset Oversight and Compliance)

B. What is the objective of this program or function? Describe the major activities performed under this program.

The objective of the Asset Oversight function is to ensure that multifamily developments financed with tax exempt bonds are providing decent, safe and sanitary housing and that each facility is operating in compliance with the Asset Oversight Agreement. The Corporation is currently responsible for the asset oversight inspections of 141 properties comprised of 30,072 units. The Corporation has contracts with TDHCA for 105 properties with 21,562 units and the Corporation has 36 properties with 8,510 units.

The Corporation provides an independent and objective overview of the operations and physical conditions of each subject property. This includes an inspection of the grounds, the exterior of the buildings, sidewalks, driveways, parking areas, roofs, all common areas, such as laundry facilities and community rooms and maintenance and storage areas. There is also an inspection of at least three apartment homes with the first preference being vacant units that are ready for occupancy. This allows the inspector to evaluate the interior conditions, including the appliances, of the apartment homes offered to new residents. If there are no vacant units, the property is required to provide all residents with a 48-hour notice that their apartment may be inspected. Additional units may also be inspected. This would include any apartments that are considered off line due to major damages. This includes damages resulting from events such as a fire or flood. The condition of the damage is evaluated along with an estimate of the cost and time required to bring the unit back on line. The inspector may give the owner a time frame for completing the repairs and having the unit available to the public.

The inspector reviews all the service requests reported by residents during the 30 day period prior to the on site visit. This provides a tool to determine if service requests are completed in a timely manner and if emergency issues are given priority. The inspector also confirms the property has a policy in place for after-hours emergencies. The property's preventative maintenance program is also reviewed. This includes the frequency of the tasks as well as the overall comprehensive program.

Each property is required to obtain and provide to the inspector a police report for the ninety day period preceding the inspection. The report is reviewed to determine if the number of police calls or the nature of the calls indicate the property is suffering from criminal activity. In the event the report indicates there are problems, the owner is required to develop and implement a crime prevention plan. The plan is reviewed by the inspector to confirm it

addresses the specific needs of the subject property. The owner may also be required to submit to the Corporation additional police reports. This allows the inspector to monitor the effectiveness of the property's crime prevention. This is thoroughly reviewed again during the next annual asset oversight inspection. In addition to the police report, the inspector reviews the safeguards for securing the apartment keys which includes the location and condition of the locked key box, the storage of the key code and the key to the lock box.

The Asset Oversight inspection provides the opportunity to ensure each property is in compliance with federal requirements pertaining to Equal Housing Opportunity and Fair Housing. This includes verifying that all on site staff are adequately trained in Fair Housing polices and confirming that the Equal Housing Opportunity logo and the Fair Housing posters are appropriately displayed. The property's marketing program for the past 30 days is reviewed for any indication that the owner/management company may be violating Fair Housing policies. The cost and effectiveness of the program is also evaluated.

The owner/management company is required to submit a copy of the current year's operating budget and the profit and loss variance report for the prior month and year to date. This provides a snap shot of the financial status of the property. It may reveal how a property is affected by excessive vacancies or an unexpected maintenance issue. Review of the financial status of the property also includes evaluating the dollar amount delinquent, the procedure for collecting past due balances and returned checks, as well as the policy for filing evictions. The review also includes verifying that these policies are applied consistently to support fair housing.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Corporation identifies deficiencies and provides the owner and the management company with solutions. The Corporation is effective each time an owner corrects a deficiency and each time no deficiencies are found during the inspection.

Deficiencies of the properties are noted as Observations and Findings on the asset oversight report. Observations address issues that can be improved upon, but do not require immediate corrective action on the part of the owner/management company. Observations are followed by a recommendation on how to improve the deficiency. Observations do not require written response. The following are examples typical observations:

- The completion time of work orders could not be determined from the report submitted by the property. It is recommended that future work orders be closed in the system on a daily basis or that a work order log is maintained in order to better determine the effectiveness of the maintenance program.
- The property does not have any made ready units for prospects to view. It is highly recommended that the property keep at least three units of different floor plan types made ready at all times for viewing. This would help the staff to lease more units in order to bring needed funds into the property.

Findings address serious issues that need to be cured immediately. Findings always require corrective action by management within the allotted time given by Corporation staff. Normally management is given 30 days to certify that they have resolved the outstanding issue. In the case of serious health or safety hazards management is only given 24 hours to correct the issue. The following are sample findings:

- The police reports showed a total of 13 burglaries on the property between March 1, 2007 and June 1, 2007. The report also showed 34 major disturbances during that period. Past inspections have noted a large occurrence of graffiti and vandalism on the property. During this inspection there were many broken light fixtures and evidence of graffiti. Management indicated that it is an ongoing struggle to keep the property clean of graffiti etc. Management stated that they will be adding extra camera surveillance and more off duty police patrol to help deter such activity. Management needs to create and implement a crime prevention plan for this property. In response to this review management must submit a copy of the crime prevention plan to

TSAHC by August 17, 2007. The crime prevention plan should outline the steps management plans to take in order to reduce the problem with crime on the property. Management should be requesting police reports on a monthly basis and examining them for evidence of lease violations. A copy of the police reports and other pro-active measures taken by management to deter crime must be submitted to TSAHC on a monthly basis until otherwise noted. These reports are due on the 17th of each month.

- The laundry room does not have a smoke detector or fire extinguisher. This must be corrected within 24 hours because this is a safety issue. Ensure that you are following local property code. In response to this review, the manager must sign a letter, on company letterhead, stating that this has been corrected and submit to TSAHC by May 16, 2007.

The Corporation's efficiency can be demonstrated in part by the 2007 schedule from January through October, which includes 151 asset oversight inspections conducted primarily by two staff members. Additional information is noted below in Section F.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

In 1997, TDHCA contracted with the Corporation to begin providing asset oversight services for TDHCA bond financed properties.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The functions of this department affect owners, bondholders, investors, management companies, neighborhoods in which the properties are located and the residents that occupy the apartment homes. The asset oversight inspections determine if the owner is providing decent, safe and sanitary conditions for the low income and very low income residents.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The asset oversight function is administered through an annual schedule of the inspections. The properties are grouped by location to minimize travel time between inspections and maximize cost benefits.

- Notification of the Asset Oversight inspection is sent to the owner, the management company and the property thirty (30) days prior to the on-site visit.
- The inspection is conducted and includes reviewing the property's operational policies and procedures, review of the financials and an assessment of the physical conditions of the facility.
- The assessment of the property's operations is compiled on a standard report format and is submitted to the owner, the management company and the property within 30 days of the on-site visit. (Report format is attached as **Appendix 11**)
- The report denotes deficiencies as "Findings" and the report includes the specific due date for the required corrective action. The owner/management company is provided with 30 days to submit certification and any requested verification that the deficiency has been corrected. (Exigent health and safety issues may require completion within 24 hours.)
- The report may also include "observations" with "recommendations" for improvement. While

observations do not require a written response, follow up is conducted during the next inspection. If the owner/management company has not addressed the issue, a Finding may be issued.

- The staff member conducting the inspection reviews the response and determines if the corrective action is adequate to close the Finding.
- Written notification is sent to the owner, the management company and the property to inform them that the Finding has been closed.
- Completed asset oversight inspection reports for the thirty-six (36) Corporation properties are posted on the Corporation's website. Upon verification that deficiencies have been corrected, the inspector updates the report on the website to reflect the completion date.
- A Summary of the findings and observations of the 36 Corporation properties is compiled into the Annual Report (please refer to **Appendix 12**) which is presented to the Board for their review.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding for the functions of the Asset Oversight department is paid by the owners of the properties pursuant to the agreed upon conditions for receiving financing for the projects.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

The functions of the Asset Oversight department are similar to the services of numerous management companies in the multifamily affordable housing industry, accounting firms and individuals that contract with owners to provide a one-time or annual inspection, sometimes referred to as a due diligence. The difference is that as a non-profit entity, fees assessed for the services of the Corporation are utilized for affordable housing. The functions are also similar to those of TDHCA and HUD; however, the Corporation utilizes no state or federal dollars to function.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Going forward, it is the intent of the Corporation to coordinate with TDHCA regarding properties financed using funds from both entities in an effort to avoid duplication and thereby afford owners clear and concise requirements. The Corporation also coordinates with Southwest Housing Compliance Corporation, the contract administrator for the project based Section 8 properties in Texas, when applicable.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The Asset Oversight and Compliance Monitoring Division did not have any contracted expenditures during fiscal year 2006.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

N/A

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency=s practices.

N/A

Program 11

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Compliance
Location/Division	Austin, Texas
Contact Name	Pat Corser
Actual Expenditures, FY 2006	The Corporation does not categorize and allocate expenditures by program.
Number of FTEs as of August 31, 2006	3 (3 people share responsibility for Asset Oversight and Compliance)

B. What is the objective of this program or function? Describe the major activities performed under this program.

The objective of the Compliance department is to ensure that multifamily developments financed with Tax-Exempt Bonds comply with the required minimum set-asides, rent limits and the provision of Resident Services as stipulated in the Owner's Regulatory and Compliance Agreements. The minimum set-asides ensure that residents within a certain income level are eligible to participate in the program and have rents that are affordable. Resident Services are provided to empower residents and help them to become self-sufficient as they work their way toward a better life. By providing support networks this allows residents living within a certain income level to make better choices and have more positive outcome in their lives.

There are 2 set-asides that owners can chose to meet the Corporation's minimum statutory requirements, they are:

- a. 20/50 meaning- 20% of the apartments must be leased to households whose income does not exceed 50% of the Area Gross Media Income (AGMI) as set by the Department of Housing and Urban Development. These residents are considered Very Low Income (VLI) residents.
- b. 40/60 meaning 40% of the apartments must be leased to households whose income does not exceed 60% of the Area Gross Median Income (AGMI) as set by the Department of Housing and Urban Development. These residents are considered Low Income (LI) residents.
- c. In addition, owners who receive 501(c)(3) bond financing must also comply with what is known as the "Safe Harbor" rule- meaning 75% or more of residential units shall be available for occupancy or held vacant at all times by residents whose income does not exceed 80% of the Area Gross Median Income at move-in. This is the Low Income threshold that owners must be in compliance with at all times.

Once a set-aside is chosen by an owner it cannot be changed, therefore compliance is necessary to ensure that default does not occur. Failure to meet the required minimum set-asides is a serious non-compliance issue and can result in Default procedures if not corrected within the time prescribed or if no effort is made by the owner to have the corrections made within a prescribed time frame. The Corporation follows the default and time frame guidelines as stated in the Owner's Regulatory Agreement. Owners are given the opportunity to correct any

deficiencies that they encounter and it is the goal of the Corporation to assist owners in reaching and maintaining compliance.

The Certificate of On-Going Compliance, Occupancy Summary and Unit Status Reports are submitted to the Corporation by the 10th of each month via the on-line reporting system reflecting that the property is in compliance with all program requirements. These reports are used when the Corporation conducts the annual compliance review to verify that the property is in compliance based upon the most current information submitted by the property.

The Certificate of On-Going Compliance report indicates the number of Very-Low Income and Low-Income residents the apartment community has for both occupied and vacant units. This report reflects whether a property is meeting its required minimum set-asides.

The Occupancy Summary report indicates the status of the occupancy at the apartment community.

The Unit Status Report reflects the status of each unit at the apartment community whether it is vacant or occupied, the move-in and move-out dates of the household, the household's annual income, the household rent, number of household members, the unit designation indicating whether the household is Very-Low Income or Low-Income and the last time that the household was recertified. Households must be recertified on an annual basis (at least every 12 months) in order to remain an eligible household.

The resident services program is monitored on a monthly basis via on-line reporting as well as during the on-site review. It is required that owners maintain a Resident Services Binder on site for review so that the auditor can determine if the services reported are actually the services offered. A review of the sign-in sheets, activities held, and any flyers sent to residents/organizations is maintained in the binder.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The effectiveness and efficiency of this program can be seen in the number of Compliance Reviews that the Corporation conducts on an annual basis with a staff of three full-time members. There are 35 scheduled annual Compliance Reviews. The Corporation evaluates a random 20% of the 75% Low Income resident files at each property. We also provide on-site staff training to assist in the day-to-day operation when determining household eligibility so that owners can maintain on-going compliance.

The key elements that are reviewed during a resident file review include, but are not limited to:

- ü Application Process (is the application completely filled out-this is a must to determine household eligibility)
- ü Supplemental Rental Application (this form includes the asset and student information that is required by the program)
- ü Tenant Release and Consent Form (used to obtain information from employers and other entities)
- ü Income Verification (consistent number of check stubs, employer verification submitted directly from the employer)
- ü Has all income for the household been obtained based upon the information provided by the applicant/resident
- ü Does the credit report reflect any assets such as a home mortgage or does it show a deferred student loan that could indicate student status

- ü Is the income in the file calculated correctly and reflected accurately on the Income Certification and the Unit Status Report
- ü Are the documents dated appropriately
- ü Is the Income Certification within the correct time frame (120 days)
- ü Completed Income Certification-(signed and dated by management and resident(s) after all household information has been verified attesting the accuracy of the information provided)
- ü Has the household been recertified to determine on-going eligibility
- ü Does the lease agreement and the Income Certification reflect the same household members
- ü Is there a current required Government Housing Lease Addendum in the resident file
- ü Does the information that the household has provided have supporting documentation as needed

The Corporation identifies deficiencies found during the file review that are not in line with the program requirements or the property's policies and procedures. A detailed report is completed and provides the owner and the management company with corrective action solutions. This department is effective each time an owner corrects a deficiency and upon the next review when deficiencies are reduced.

After a file review is completed there is still work that needs to be done to ensure that any deficiencies found are addressed correctly; if not, appropriate notices are sent to the owner. When a property does not respond by the date requested a notice of Non Response is sent. If the owner does respond but the documentation submitted is not sufficient to correct the problem, a notice of Incomplete Response is submitted. Each notice gives the owner additional time for the corrective action to be submitted to the Corporation.

The Corporation's efficiency can be demonstrated in part by the 2007 schedule, January through May, which includes 35 annual compliance audits conducted primarily by one staff member. Additional information is noted below in Section F.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Compliance functions were originally outsourced to The Seigel Group to conduct file reviews and ensure that the owners were in compliance with the required minimum set-asides and rent limits according to the Regulatory and Compliance Agreements.

In 2004, the Corporation hired an Asset Oversight and Compliance Manager who was responsible for conducting site visits and compliance file reviews. In addition, a tracking and reporting system was implemented for properties to self-report on a monthly basis. It was at this point that the on-line reporting system was created making it much easier to track whether owners were meeting the required set-asides on a monthly basis; therefore, reducing the paperwork that was submitted into the office.

Currently there are 3 full time staff members in the Asset Oversight and Compliance Department. The functions of the Corporation have changed by means of a better report tracking system and a revised compliance report to document necessary information as the program constantly evolves.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

This program benefits developers who obtain low interest financing to construct, acquire or rehabilitate affordable housing units for use by the general public. The program was created by the Tax Reform Act of 1986 to provide some relief on the federal budget in answer to several federal programs that no longer provide subsidies for low to moderate income households. The program regulations are found in Section 42 of the Internal Revenue Code

This program affects low to moderate income households by helping them to attain affordable housing. Some of the qualifications and eligibility requirements for qualified households are listed below. As stated earlier, owners must choose a minimum set-aside to capture households that the program is designed to help.

Additionally, compliance measures ensure that qualified households are able to secure affordable rents as a means to the more conventional market rents. The Department of Housing and Urban Development publishes the rent limits annually; therefore, Owners cannot arbitrarily raise rents to exceed the amount set by HUD. The Owner's Regulatory Agreement with the Corporation specifically states that rents cannot be raised above 5% without written permission from the Corporation. This is a safeguard to keep residents within the set rent limits.

To ensure that Owners comply with this requirement, as a part of the compliance monitoring process rents are reviewed to determine if a resident is paying more than the required amount. Owners who exceed the rent limits fall into non-compliance with the corrective action being a reduction of the rent to the correct rent amount, as well as a refund due the resident for any number of months that non-compliance existed. This process does benefit low to moderate income households by providing affordable rents.

According to the owner's Regulatory Agreement, the eligibility requirements are:

- ü 75% of the units in the property shall be occupied or held vacant and available for occupancy at all times by Low-Income residents
- ü 20% of the total number of units shall be rented to or held available for occupancy by Very-Low Income residents
- ü No resident whose income increases to 140% after being admitted shall be denied continued occupancy because of the increased income
- ü Households must be recertified annually (at least every 12 months) to determine on-going eligibility
- ü Track the Next Available Unit Rule-(this rule is to ensure that residents whose income exceeds the 140% income limits at recertification do not have to move and can still qualify as eligible; however, the next unit leased on the property must be leased to a qualifying household. The next unit cannot be leased to a Market resident.
- ü Section 8 households shall not be denied access simply because he/she is a Voucher holder
- ü Section 8 households rent is based on 2.5 times of the household's portion paid
- ü Students must be married filing a joint return or be eligible to file a joint return
- ü All assets must be considered in order to determine if any income is generated from that asset
- ü Self-employed individuals must provide 2 years tax return filed with the IRS or an audited/unaudited financial statement of the business
- ü All units must be available for lease to the general public
- ü Rental leases must contain a provision that the Borrower has relied on the Income Certification and documentation provided by the resident and any material misstatement is grounds for lease termination whether it is intentional or not
- ü The owner must submit quarterly reports due January 15, April 15, July 15 and October 15, in addition to monthly and annual reports

- ü The owner must file an 8703 (form reflecting that units continue to meet the requirements) annually with the Internal Revenue Service

Currently the Corporation has 8 developer/owners in our portfolio providing 8,510 housing units to qualified households throughout Texas.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Compliance department conducts audits according to the annual schedule. (For the 2007 schedule, please refer to **Appendix 13**)

- Notification of the inspection and audit is sent to the owner, the management company and the property thirty (30) days prior to the on-site visit.
- The audit and inspection are conducted simultaneously by two staff members.
 - Ø Reports are requested in the notification letter prior to the on-site visit to help determine the policies of the apartment community, monitor non-compliance or Fair Housing issues
 - Ø A part of the desk review in the office consist of an excel spreadsheet that is prepared from the Unit Status Report to determine the 20% resident files for review on-site
 - Ø Upon arrival at the property an initial interview is conducted with on-site staff to explain the compliance review process and ask any questions that are unclear from the reports that were submitted by the property and a list of the randomly selected files is given to the staff for the auditor's review
 - Ø The compliance review includes an audit of randomly selected resident files (20%) to verify that adequate documentation is obtained and income calculations are accurate to support the household meets the requirements for the program
 - Ø The audit also includes a review of the property's documentation of Resident Services provided during the year
 - Ø After all files have been reviewed an exit interview is conducted with the manager to discuss issues of non-compliance and answer any questions that the staff may have
 - Ø In preparing the Compliance Report the auditor has 5 days to get the draft report to the Compliance Manager for review. Upon approval by the Manager, a cover letter and the final report is sent to the owner, usually within 30 days, explaining any findings and the corrective action required
- The assessment of the property's operations and compliance is submitted to the owner and the management company within 30 days of the on-site visit. (for an example, please refer to **Appendix 14**)
 - Ø The report denotes deficiencies as "Findings" and the report includes the specific due date for the required corrective action. The staff member conducting the inspection or audit reviews the response and determines if the corrective action is adequate to close the Finding. The report may also include "observations" with "recommendations" for improvement.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding for the functions of the compliance department is paid by the owners of the property pursuant to the agreed upon conditions for receiving financing for the projects.

H. Identify any programs, internal or external to your agency that provides identical or similar services or functions. Describe the similarities and differences.

The functions of the compliance department are similar to the services of numerous management companies in the multi-family affordable housing industry, accounting firms, individuals that contract with owners to provide a one-time or annual audit of the resident files whereby they determine if a facility is in compliance with the specific program requirements. The difference is that as a non-profit entity, fees assessed for the services of the Corporation are utilized for affordable housing. The functions are also similar to those of TDHCA; however, the Corporation utilizes no state or federal dollars to function.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Going forward, it is the intent of the Corporation to coordinate with TDHCA regarding properties financed using funds from both entities in an effort to avoid duplication and thereby afford owners clear and concise requirements. The Corporation also coordinates with Southwest Housing Compliance Corporation, the contract administrator for the project based Section 8 properties in Texas, when applicable.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The Asset Oversight and Compliance Monitoring Division did not have any contracted expenditures during fiscal year 2006.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

Please refer to Section IX. Policy Issues

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency=s practices.

N/A

Program 12

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Mortgage Loan Servicing
Location/Division	Austin, Texas
Contact Name	Cynthia Gonzales
Actual Expenditures, FY 2006	The Corporation does not categorize and allocate expenditures by program.
Number of FTEs as of August 31, 2006	1 (This person is responsible for Mortgage Loan Servicing and also shares responsibility for the Accounting, Information Technology, Human Resources and Administration)

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Corporation's Loan Servicing Division is responsible for servicing loans made under the Housing Initiatives Program, Housing Trust Fund Program, and loans purchased by the Corporation through the Affordable Homeownership Program. The Loan Servicing Department utilizes the Interlinq software to service its portfolio. The Loan Servicing Department is responsible for new loan set-up, mailing monthly billing statements, mailing monthly collection letters, processing mortgage payments, contacting borrowers by telephone, preparing payoff statements and preparing Release of Liens. The following table outlines the Corporation's loan portfolio:

Mortgage Loan Portfolio	Number of Loans	Unpaid Principal Balance As Of June 30, 2007
Multifamily Direct Lending Program	2	\$1,371,148.83
TSAHC Portfolio	1	\$2,811.81
Subsidized Home Loan Purchase Program (SHLPP)	124	\$1,019,441.26
Demonstration Down Payment Assistance Program	27	\$454,299.08
Affordable Homeownership Program	34	\$131,350.18
Total TSAHC Loans	188	\$2,979,051.16

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Loan Servicing Department mails monthly billing statements along with self-addressed stamped envelopes to all borrowers every month on the 20th day of each month. On the 11th day of each month a collection letter (English/Spanish) is mailed to all borrowers who have not made their payment by their appropriate due date.

Mortgage Loan Portfolio	Number of Loans	Number of Delinquent Loans
Multi-Family Direct Lending Program	2	0
TSAHC Portfolio	1	0
Subsidized Home Loan Purchase Program	124	14
Demonstration Down Payment Assistance Program	27	7
Affordable Homeownership Program	34	3

The Aged Delinquents Report by Investor is utilized to measure the effectiveness of the Corporation's collection policy and this report is utilized to evaluate the borrower's ability to pay on a long term basis and the effectiveness of the Corporation's collection efforts.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

In May 1996 the Corporation was awarded a Collateralized Mortgage Obligations (CMO) Grant in the amount of \$1,573,200 for the purpose of the Subsidized Home Purchase Loan Program to assist qualified individuals and families in purchasing newly constructed residences by loaning persons up to 23% of the purchase price and partnering with other lenders to loan up to 77% of the purchase price. Almost the entire SHLPP portfolio is located in El Paso, Texas and the borrowers are mostly Spanish speaking.

In August 1997, the TDHCA Board approved a Housing Trust Fund Grant Award to the Corporation in the amount of \$679,000. The award was specified to fund second lien purchase money mortgage financing for qualified individuals and families. The funds usage was designated for down payment and closing cost assistance in order to substantially reduce the amount of the first mortgage, thereby allowing individuals and families at or below 60% of AMFI to meet the qualifying debt-to-income ratio standards imposed by the traditional first lien lending standards.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Description of Grant/Award to TSAHC	Specifications of Grant/Award
Housing Trust Fund Grant Award for Demonstration Down Payment Assistance Program in the amount of \$679,800	<ul style="list-style-type: none"> Loans will be 30 year second lien, 0%, fully amortized, made to eligible borrowers at or below 60% of Area Median Family Income (AMFI) At least one-half of the funds (or \$339,900) must be utilized for borrowers whose income is 30% or less of AMFI Maximum assistance amount to borrowers whose income is 30% AMFI or less: \$30,000 Maximum assistance amount to borrowers whose income is 31% - 60% AMFI: \$20,000 At least one-half of the funds must be expended in urban areas Borrowers must successfully complete homeownership counseling
CMO Grant for Subsidized Home Loan	<ul style="list-style-type: none"> The Borrower must be a first-time homebuyer, unless certain

Purchase Loan Program in the amount of \$1,573,200	<p>other conditions exist</p> <ul style="list-style-type: none"> • The Borrower must demonstrate the willingness and ability to repay the loan • The Borrower's family income can be no greater than the 80% of AMFI • The Borrower's Liquid Assets may not exceed \$6,000
The Corporation developed the Affordable Homeownership Program for Texas through a partnership with Ameriquest Mortgage Company (AMC)	<ul style="list-style-type: none"> • Have a FICO credit score between 525 up to 610 • Have an income of 80% or below AMFI limit • Be a first-time homebuyer or have not owned a home for three years • Purchase a newly constructed home • Provide 3% of the sales price for down payment

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Loan Servicing Department is responsible for new loan set-up, mailing monthly billing statements, mailing monthly collection letters, processing mortgage payments, contacting borrowers by telephone, preparing payoff statements and preparing Release of Liens.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Corporation was awarded a CMO Grant in the amount of \$1,573,200. These funds were for Lower Valley Housing Corporation and Tropicana Homes, Inc. to provide second lien mortgage loans for 140 homes to be built in El Paso County. These funds were used to provide up to 23% of home purchase price at a 2% interest rate and a loan term not to exceed 30 years. The term of the second lien mortgage could not exceed the term of the first lien mortgage.

The Texas Department of Housing and Community Affairs approved a Housing Trust Fund Grant to the Texas State Affordable Housing Corporation in the amount of \$679,800. The funds usage was designated for down payment and closing cost assistance.

The funding sources for the Affordable Homeownership Program were funded internally from the Wells Fargo Foundation Equity Investment Award.

The Corporation utilized its relationship with Federal Home Loan Bank to provide permanent financing for the new construction of a 60-unit multifamily affordable housing development in Brady, Texas in the amount of \$875,000 and the new construction of a 44-unit multifamily affordable housing development in Stephenville, Texas in the amount of \$550,000.

The Corporation used unrestricted assets to fund 25% of each loan. FHLB funded the remaining 75% on October 15, 2003 by creating two loans to the Corporation totaling \$1,068,750 at 6.395% with a 30 year amortization and 20 year term (balloon payment).

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Other companies that provide mortgage loan servicing include banks, credit unions, and independent mortgage companies. However, the Corporation's portfolio consists of loans to individuals and families of very low and extremely low income in the State of Texas that were originated through programs offered by the Corporation. This ensures consistent oversight of the portfolio directly by the Corporation.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The Corporation currently services only loans originated under its programs so no conflicts exist with other programs.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

N/A

L. What statutory changes could be made to assist this program in performing its functions? Explain.

N/A

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

- N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:**
- why the regulation is needed;
 - the scope of, and procedures for, inspections or audits of regulated entities;
 - follow-up activities conducted when non-compliance is identified;
 - sanctions available to the agency to ensure compliance; and
 - procedures for handling consumer/public complaints against regulated entities.

N/A

- O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency=s practices.**

N/A

Program 13

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Marketing and Public Relations
Location/Division	Austin, Texas
Contact Name	Janie Taylor
Actual Expenditures, FY 2006	The Corporation does not categorize and allocate expenditures by program.
Number of FTEs as of August 31, 2006	1 (1 person is responsible for Marketing, Public Relations and Fundraising)

B. What is the objective of this program or function? Describe the major activities performed under this program.

The primary objective of the marketing and public relations program is to promote the Corporation's programs to the groups who are served by or could use our programs. A secondary objective is to promote the Corporation as a whole to those in the housing industry.

1. Single Family Bond Programs
 - a. For our Single Family Bond Programs, the major marketing activities include attending conferences and conventions of groups whose members or employees are the following:
 - i. Public School Teachers, Librarians, Counselors, and Nurses
 - ii. Fire Fighters
 - iii. Peace Officers
 - iv. County Jailers
 - v. Texas Department of Criminal Justice Correction Officers
 - vi. Emergency Medical Services Personnel
 - vii. Texas Youth Commission Corrections Officers
 - viii. Nurse and Allied Health Faculty at a College or University
 - b. We also advertise or post information about our Single Family Bond Programs on the publications and website of the aforementioned groups' associations or employers.
 - c. We support our participating lenders to reach potential borrowers by supplying them with marketing brochures they can use.
 - d. We attend realtor and lender gatherings to speak about our Single Family Bond Programs.
 - e. We send out press releases each year to state-wide media announcing the availability of program funds.
 - f. We keep information on the Corporation's website up-to-date.
2. Multifamily Programs
 - a. The main marketing activity for our Multifamily Private Activity Bond Program and Direct Lending Program is keeping program information fresh on our website.
 - b. We have also created a program marketing brochure.
 - c. We send out press releases to the following groups' members alerting them of funds availability:

- i. Texas Affiliation of Affordable Housing Providers
 - ii. Rural Rental Housing Association of Texas
 - iii. Texas Homeless Network
 - iv. Texas Association of Community Development Corporations
 - v. Farm Worker Housing
 - vi. Texas Association of Local Housing Finance Agencies
- 3. Asset Oversight
 - a. Asset oversight of properties is required by many bond issuers, including the Corporation and the Texas Department of Housing and Community Affairs, to monitor the financial and physical health of a property and to provide suggestions for improvement. The Corporation will continue to provide asset oversight and compliance monitoring for our current Portfolio and those of TDHCA. The Corporation plans to work to contract with other entities to expand our asset oversight and compliance monitoring portfolio of business. We have recently started discussing plans to create a brochure on the program, add information on our website and advertise with the Texas Apartment Association.
- 4. The Corporation
 - a. One of the most important ways we market the organization is through our website. The website was redesigned early 2007 to better serve our audiences.
 - b. We also did a media tour of Austin press in February 2007 and were featured in New 8 TV during a weekly non-profit spotlight.
 - c. We are currently working on creating a brochure about the Corporation. This is a marketing tool that has not been used previously by the organization.
 - d. Most importantly, we have developed collaborative relationships with other affordable housing advocacy groups and are currently working on finding a dedicated funding source for the Texas Housing Trust Fund and creating an affordable housing locator website.
 - e. Each year we participate as a sponsor for events of other housing advocate groups, such as Housing Texas, Texas Association of Local Housing Finance Agencies, Texas Association of Community Development Corporations and Texas Low Income Housing Information Service.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The current level of marketing activity was implemented in late 2006. Early data is showing an increase in loan origination rates for our Single Family Bond Programs. The Professional Educators Home Loan Program saw an origination rate of \$2.3 million a month in 2006. Thus far in 2007 we have seen an origination rate of \$12.6 million a month. The Homes for Texas Heroes saw an origination rate of \$2.8 million a month in 2006. Thus far in 2007 we have seen an origination rate of \$5.3 million a month.

The Multifamily Private Activity Bond Program has also seen an improvement due to marketing efforts. The 2006 Request for Proposal released late 2006 received four proposals compared to none in 2005. It is important to note that changes were made to the Multifamily Private Activity Bond Program in 2006 that contributed to the rise in proposals. The changes were made by researching the needs in affordable housing as well as maximizing the flexibility the Corporation's program allows.

It is too early to measure marketing efforts currently underway or about to be implemented to market the non-bond programs or the Corporation, however early evidence (such as the increase in applications for our direct lending program) is promising.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Since the start of the Corporation, there has always been some form of marketing done, although very limited. The creation of the Single Family Bonds Programs in 2002 warranted marketing to the groups eligible for the programs. Again, the amount of marketing was limited. In the fall of 2006, the Corporation hired a Marketing and Development Manager to handle marketing (and other duties) exclusively for the Corporation. Since then the marketing activities of the Corporation have expanded to beyond the Single Family Bond Programs.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Our main objective is to market programs to those who are eligible to participate, whether that is as a borrower or potential partner (such as a lender, philanthropic organization, or housing advocates). Through our marketing, we reach thousands of potential eligible borrowers, lenders, developers, realtors, and housing advocates.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Please refer to **Appendix 15**.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

There is a marketing program manager who also handles fundraising, public relations, and government affairs for the Corporation. The marketing budget was \$25,000 for the 2007 fiscal year. Each participating lender in the Single Family Bond Programs is charged a yearly fee of \$500. The fee is almost entirely used for marketing purposes. In addition, the Corporation received \$15,000 in grant money from Freddie Mac for marketing purposes of our Single Family Bond Programs.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

N/A

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

During fiscal year 2006 the Corporation had contracted expenditures in the area of Marketing and Development for the following.

Contract Type	Purpose	FY 2006 Expenditures
Nonprofit Advisory Service	Grant prospecting, advise regarding the drafting of a fund development action plan, consultation-orientation for the TSAHC Board of Directors and capacity building coaching regarding fundraising opportunities.	\$10,895

Note: Accountability – Contract compliance is monitored by the Marketing and Development Manager, CFO and also by the Corporation's independent financial auditor as required by Government Auditing Standards.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

We are researching the possibility of changing our name and logo to something that suggests our non-profit status. We have met with potential donors and they have recommended a name change and logo to avoid confusion and to make us more appealing to potential donors. We will likely come up with the name internally, but will outsource the creation of a logo. This will likely require the creation of a DBA (Doing Business As) since our name is in statute and could require changing it legislatively.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

The Corporation has experienced significant growth during the past six months. We obtained additional allocation from unused bond authority for our Professional Educators Home Loan Program, our Multifamily Private Activity Bond Program is working on an important project for the state of Texas (especially rural communities), our Direct Lending Program is considering several applications and our Asset Oversight group is researching providing their services to other entities. One important asset of our organization for the State of Texas is our flexibility and our ability to implement new and innovative housing programs.

Here are two such projects we are working on:

Foundations Fund: We are considering creating an irrevocable Fund or program to which we will funnel excess revenue from our Single Family Private Activity Bond Programs. Our Single Family Bond Programs are fairly new (created in 2002) and as a result the revenue created from issuing those bonds has been minimal. However, as our programs mature, we will begin seeing higher returns. Currently, we use the revenue from our Single Family Bond Programs for the programs themselves including, but not limited to down payment assistance. Over the next several years we are expecting bond revenue from Single Family to grow to a more substantial amount and a “trust fund” type of program will be able to make an impact for affordable housing in Texas. Our board will have to officially form this program and determine the percentage of funds to reassign. Our plan is to seek applications from housing non-profits (such as Habitat for Humanity and UCP) for programs the Corporation will fund.

Employer Assisted Housing: The Corporation is in the early implementation stages of the HomeWorks Loan Program – an employer assisted housing program. The Corporation, the employer and employee would fund the down payment assistance as a 1:1:1 match. The down payment from the Corporation and the employer would be considered “loans” that would be forgiven at a rate of 20 percent each year for 5 years (a retention tool for the employer). Provisions would be set for departure by the employee (before the 5 year mark) due to attrition or a layoff. The employee would have to pay back the remaining unforgivable portion of the down payment assistance if the employee leaves on his/her own will. The remaining unforgivable portion of the down payment assistance would be forgiven if an employee leaves as a result of a layoff. The Corporation hopes to partner with a lender ensuring the borrowers are getting a good product and not predatory lending. The Corporation has had initial conversations with Countrywide and Wachovia. Countrywide is also interested in participating as an employer since they are opening a call center in Midland. The Corporation will be seeking funding for our portion of the down payment assistance and for marketing and administrative purposes. This program will be for those at 80% AMFI and below. We are also expecting this to be a first-come, first-served basis program since we anticipate employers will have a limited amount of funds for their down payment assistance match. We believe this could be an excellent program for the State of Texas to offer their employees by providing assistance for the purchase of their first home.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency=s practices.

N/A

Program 14

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Fundraising
Location/Division	Austin, Texas
Contact Name	Janie Taylor
Actual Expenditures, FY 2006	The Corporation does not categorize and allocate expenditures by programs.
Number of FTEs as of August 31, 2006	1 (1 person is responsible for Marketing, Public Relations and Fundraising)

B. What is the objective of this program or function? Describe the major activities performed under this program.

The objective of our development/fundraising program is to pursue donations, grants, and sponsorships for multifamily and single family program needs, as well as the Corporation as a whole. Activities include researching appropriate grant opportunities, becoming familiar with grant requirements and deadlines, and applying for suitable grant opportunities.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Although the Corporation has been a 501(c)(3) nonprofit entity since 2001, the Corporation had not actively pursued fundraising and grant opportunities until mid 2006. As of July 2007, the Corporation has pursued grants from the following foundations or corporations and received grants from those indicated:

Wells Fargo: \$1 million equity fund (2006)
 Ford Foundation: declined
 Lowes: declined
 Home Depot: declined
 Freddie Mac: \$15,000 grant (2007)
 The F.B. Heron Foundation: In progress
 Wachovia: In progress
 Federal Home Loan Bank of Dallas: In progress

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

A number of program funding requirements made it clear that a grant program could make our affordable housing programs more successful. For example, for the 2004 Multifamily Private Activity Bond Program

the Corporation provided from cash reserves a \$500,000 soft second loan for the Providence at Marshall Meadows development in San Antonio. The Corporation does not receive state appropriations and this level of subsidy for its programs can be a challenge.

This experience, as well as reviewing critical unmet housing needs in the state initially prompted us to pursue the creation of a fundraising program to fund the following programs: Single Family Down Payment Assistance, Multifamily Gap Financing Assistance, Homebuyer Education, and an Interim Construction and Land Acquisition Program.

In 2006 the Corporation made considerable strides in this area by developing a fundraising and Grant Program Action Plan and by searching out available grant funding for affordable housing.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

We will be utilizing the \$1 million from Wells Fargo for our Direct Lending programs. We recently created an Interim Construction Loan Program to make short term loans to smaller developers of single family affordable housing. We are currently considering three applicants, which would leverage approximately \$2.7 million of private funding. The applicants have proposed to build several hundred affordable single family homes in north Texas.

The Freddie Mac \$15,000 award was specifically for marketing purposes of Single Family Bond Programs. We have utilized the money to create a programs poster that is being mailed to public schools, police stations, fire stations and county jails across the State (their employees are eligible for our programs). The Corporation will be using the remaining funds to create a booth display since Corporation staff attend several conventions and conferences to market our programs.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Please refer to **Appendix 16**.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

There is a fundraising program administrator who also handles marketing, public relations, and government affairs for the Corporation. Aside from the employee's salary and occasional training, no other budget or funding is dedicated to this program.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

The Corporation is not aware of any other state-wide affordable housing public entity actively fundraising. The Texas Department of Housing and Community Affairs (TDHCA) does send out letters of request to various corporations seeking funding for the Texas Statewide Homebuyer Education Program (SHEP). However, any funding provided by private sources for TSHEP is donated to the Corporation as the 501(c)(3) administrator of the program.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The Corporation has started initial discussions with the Governor's Office regarding utilizing their Grants team to search for applicable grants we can pursue.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

During fiscal year 2006 the Corporation had contracted expenditures in the area of Marketing and Development for the following.

Contract Type	Purpose	FY 2006 Expenditures
Nonprofit Advisory Service	Grant prospecting, advise regarding the drafting of a fund development action plan, consultation-orientation for the TSAHC Board of Directors and capacity building coaching regarding fundraising opportunities.	\$10,895

Note: Accountability – Contract compliance is monitored by the Marketing and Development Manager, CFO and also by the Corporation's independent financial auditor as required by Government Auditing Standards.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

The Corporation is researching the possibility of changing our name and logo to something that suggests our non-profit status. We have met with potential donors and they have recommended a name change and logo to avoid confusion and to make us more appealing to potential donors. The Corporation will likely come up

with the name internally, but will outsource the creation of a logo. This will likely require the creation of a DBA (Doing Business As) since our name is in statute and will require changing it legislatively.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency=s practices.

N/A

Program 15

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Accounting, Information Technology, Human Resources and Administration
Location/Division	Austin, Texas
Contact Name	Melinda Smith
Actual Expenditures, FY 2006	
Number of FTEs as of August 31, 2006	3 (3 people share responsibility for the Accounting, Information Technology, Human Resources and Administration)

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Accounting division is responsible for the following activities:

- Accounting - Maintaining the general, subsidiary, single family & loan servicing accounting systems. Preparing financial statements for management and Board. Establishing internal accounting controls.
- Annual Audit – Coordinating annual financial, HUD and Public Funds Investment Act audits.
- Loan Servicing – servicing Corporation’s second lien single family & multifamily loan portfolio.
- Payroll & Human Resources - Maintaining payroll, health insurance, PEO contract, 401K non-discrimination testing, staff HR training (*Note: conflict of interest and ethics statements are updated annually for all staff*).
- Operating Budget – Preparing annual operating budget and monthly variance reports for management and the Board.
- Information Technology - Managing corporation’s information technology systems.
- Investments - investing the Corporation’s unrestricted cash funds, writing and updating the investment policy and maintaining compliance & reporting under the Public Funds Investment Act.
- Insurance - Maintaining the Corporation’s errors & omissions, criminal & general liability insurance.
- Maintaining compliance with master servicing agreements with Countrywide related to TDHCA bond programs.
- Banking Operations – Maintaining banking, investment and collateral agreements with primary depository, investment and safekeeping institutions.
- Office Equipment – Supervising purchase and maintenance of personal & network computer equipment, printers, multifunctional scanner/fax, furniture and other equipment as required by management & staff.
- Seller/Service Status - Preparing quarterly & annual reports required for maintaining Seller Service Status with Fannie Mae, Ginnie Mae, HUD, Freddie Mac & the Veterans Administration.
- BRB – Preparing and submitting semiannual Bond Review Board Reports.
- Standard Operating Procedures & Employee Handbook - Writing & maintaining standard operating

- procedures and employee handbook.
- Fixed Asset Inventory - physical inventory of fixed assets.
- Liaison with Comptroller and State Auditor's Office.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The Corporation's financial audit has resulted in an unqualified opinion every year and the Corporation has had no instances of reportable audit conditions, material weaknesses in internal control or significant management letter comments or verbal comments from outside independent auditors.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

No significant changes have occurred.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Accounting, information technology, human resources and administration affects all programs by providing necessary support services for each area's operations.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Accounting Division is administered with three staff positions, Chief Financial Officer, Controller and Office Manager. Policies and procedures have been established for each. Please refer to Accounting procedures, standard operating procedures and the employee handbook.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding for the Accounting Division is obtained in part from each program area – Single Family, Multifamily, Asset Oversight & Compliance Monitoring.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

N/A

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Accounting Division contracted expenditures for FY 2006:

Contract Type	Purpose	FY 2006 Expenditures
Professional Employer Organization	Contracted health insurance, 401 K Plan administration and HR assistance.	\$132,059.61
Legal	Legal counsel regarding general Corporate business (i.e. Bylaws, Article of Incorporation, etc.)	\$69,638.08
Subservicing Contract	Services loan portfolio for Bond Programs 52, 53 & 54.	\$144,250.72
Loan Servicing Software Maint./Support	Provides software updates, maintenance & support for loans servicing program.	\$3,500
Information Technology Consultants	Maintain network computer system.	\$21,465
Auditors	Perform annual and semi-annual financial & compliance audits.	\$57,692.71
Investment Advisors	Assist with investment of cash reserves, preparation of RFPs for depository services, quarterly investment reports & training in compliance with PFIA	\$18,000
Transcription	Court reporting for Board meetings.	\$5,082.65
Building Lease	Lease of office space and parking.	\$104,031.07
Equipment Lease	Lease of multifunctional office equipment and desk printers.	\$16,336.00
Storage Lease	Offsite storage for computer backup tapes and paper files.	\$3003.95

Note: Accountability – Compliance with contracts is tracked internally by the Chief Financial Officer and externally on an annual basis by the independent financial auditor as required by Government Auditing Standards.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency=s practices.

N/A

VIII. Statutory Authority and Recent Legislation

A. Fill in the following chart, listing citations for all state and federal statutes that grant authority to or otherwise significantly impact your agency. Do not include general state statutes that apply to all agencies, such as the Public Information Act, the Open Meetings Act, or the Administrative Procedure Act. Provide information on Attorney General opinions from FY 2003 - 2007, or earlier significant Attorney General opinions, that affect your agency's operations.

Texas State Affordable Housing Corporation Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	Authority/Impact on Agency (e.g., Provides authority to license and regulate nursing home administrators@)
Section 501(c)(3) Internal Revenue Code	Received Permanent 501(c)(3) Status; Public Charity; status was received after a 5 year review process and allows the Corporation to seek grants and alternative funding sources for programs.
Government Code Section 1372	Allocates Private Activity Bond Authority for different state purposes, including for single family housing and for residential rental project bonds (multifamily housing), then dedicates within those categories to specific issuers, including the authority for the Corporation's Single Family Private Activity Bond Programs and Multifamily Private Activity Bond Programs.
Government Code Section 2306.552 (Subchapter Y of Section 2306)	Establishes the Texas State Affordable Housing Corporation.
Government Code Section 2306.553	Sets forth the Corporation's public purposes, in essence, to perform activities and services that the Corporation's board of directors determines will promote the public health, safety, and welfare through the provision of adequate, safe, and sanitary housing, primarily for individuals and families of low, very low, and extremely low income.
Government Code Section 2306.562	Establishes the Professional Educators Home Loan Program.
Government Code Section 2306.5621	Establishes the Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program.
Government Code Section 2306.565	Establishes the Multifamily Private Activity Bond Program.
Government Code Section 2306.5622	Establishes the Nursing Faculty Home Loan Program

Attorney General Opinions	
Attorney General Opinion No.	Impact on Agency
Please refer to Appendix 17	

B. Provide a summary of recent legislation regarding your agency by filling in the chart below or attaching information already available in an agency-developed format. Briefly summarize the key provisions. For bills that did not pass, briefly explain the key provisions and issues that resulted in failure of the bill to pass (e.g., opposition to a new fee, or high cost of implementation).

Texas State Affordable Housing Corporation Exhibit 14: 80th Legislative Session Chart		
Legislation Enacted - 80th Legislative Session		
Bill Number	Author	Summary of Key Provisions
HB 280	Rep. J. Madden	Amend the Homes for Texas Heroes Loan Program to include juvenile correctional officers employed by the Texas Youth Commission under the definition of "Corrections Officer".
HB 618	Rep. D. Bonnen	Amend the Homes for Texas Heroes Loan Program to include emergency medical services personnel, as defined under Section 773.003 of the Health and Safety Code.
SB 1185	Sen. J. Nelson	Amend the Professional Educators Home Loan Program to included Allied Health Program Faculty and Nursing Faculty, by definition; Established exclusive PAB volume caps allocations for all issuers of qualified mortgage revenue bonds based on percentages; incorporates provisions also authorized under SB 3552.
SB 1332	Sen. R. West	Expands the duties of the Texas Bond Review Board (BRB) regarding policies for evaluating and managing debt and contracts for professional services executed in connections with debt issuances. See Appendix 18 .
SB 1908	Sen. R. Ellis	Authorizes the Corporation to redact personal financial information (including SSN, TIN, and bank account numbers) from public information requests. See attached Appendix 18 .
SB 3552	Sen. E. Lucio	See Appendix 18 .

Legislation Not Passed - 80th Legislative Session		
Bill Number	Author	Summary of Key Provisions/Reason the Bill Did Not Pass
HB 3627	Rep. Rodriquez	Creation of the Person with Disability Home Loan Program; bill left pending in sub-committee of House Urban Affairs Committee.
HB 3878	Rep. Menendez	Eliminating the Texas State Affordable Housing Corporation; bill left pending.

IX. Policy Issues

Policy Issue 1

A. Brief Description of Issue

During the 80th Legislative Session, Representative Jose Menendez filed legislation, House Bill 3878, that would have transferred the powers and duties of the Texas State Affordable Housing Corporation (“Corporation”) to the Texas Department of Housing and Community Affairs (TDHCA or the Department). HB 3878 did not pass, but the issues raised as to the necessity of having a separate state sponsored 501(c)(3) housing nonprofit remain.

Dissolving the Corporation would have a negative impact on affordable housing programs in Texas and the State would have lose a valuable and proven leveraging tool for affordable housing.

B. Discussion

When HB 3878 was introduced during the 80th Legislative Session, the Corporation staff had many opportunities to discuss with legislators, primarily those in the House Urban Affairs Committee, the negative impact the bill would have on affordable housing in Texas. The argument made for the originally filed bill was to maximize affordable housing dollars for Texas, but in return for a one-time gain to the State of a few million dollars, the State would lose so much more expertise, leveraging and flexibility for years to come.

The Corporation was created in 1994 for the primary purpose of acquiring property in support of affordable housing in Texas. TDHCA was seeking to acquire a foreclosed colonia subdivision in El Cenizo, Texas to assist borrowers that had purchased property under a contract for deed. During the 73rd Legislative Session, Senator Gonzalo Barrientos filed SB 1356 creating the Corporation as a part of TDHCA.

SB 1356 also authorized that TDHCA’s Executive Director would serve as President of the Corporation and the Board of TDHCA would serve as the Board of the Corporation. In 1997, Representative Fred Hill filed HB 2577 which passed during the 75th Legislative Session; this legislation amended the Corporation’s Board makeup to include 6 members, 4 members appointed by the Governor, as well as the Chair of TDHCA’s Board and the Chair of TDHCA’s Program Committee. This legislation also provided that the Executive Director of TDHCA serve as the ex-officio President of the Corporation.

During the 76th Legislative Session, HB 3059 (filed by Representative Fred Hill) amended the Corporation’s Board to its current structure consisting of 5 members, all appointed by the Governor. In addition, the bill authorized the Corporation’s Board to select and employ an individual to serve as President of the Corporation. According to bill analysis of HB 3059:

“The Texas State Affordable Housing Corporation (TSAHC) was granted powers above and beyond those granted to the Texas Department of Housing and Community Affairs (TDHCA) in order to produce financing support for affordable housing initiatives in Texas, and to allow TSAHC to leverage limited state and federal funds by partnering with private lenders and accessing secondary market capital. This may have presented a conflict with the non-compete provision of the law. Previously, TSAHC was required to remit all excess net revenue to the housing trust fund. If TSAHC is allowed to retain some part of its annual net revenue it will be able to build equity to sustain operations and have

the ability to access a larger pool of financing. The law formerly required the executive director of TDHCA to serve as the president of TSAHC, and for the presiding officer of the programs committee TDHCA board and four other board members to serve on TSAHC's board of directors. This could have created conflicting agendas and the appearance of impropriety, and restricted the ability of TSAHC to secure the most qualified individual to serve as president. Additionally, there were six members on the board of TSAHC. This presented the possibility of deadlocked votes on some decisions."

The Corporation's public purpose is to perform activities and services that will promote the public health, safety, and welfare through the provision of adequate, safe, and sanitary housing, with a focus on serving low income individuals and families. To accomplish this purpose, HB 3059 authorized the Corporation to use its excess earnings to further the Corporation's new or existing affordable housing initiatives. The Corporation's mission and purpose remain the same today with new programs and resources being used to expand its efforts to provide affordable housing in Texas.

C. Possible Solutions and Impact

Reverting the Corporation to its structure prior to HB 3059 (76R) or dissolving the organization, would have a negative impact on affordable housing programs in Texas. The State of Texas would lose the tool it currently has to leverage limited state and federal housing funds. Below are examples of what the State would lose:

Leveraging Private Lending Dollars for Housing:

- The Corporation created the Direct Lending Program to finance multifamily affordable rental complexes in underserved areas of the state. Through partnerships with the Community Development Trust and the Federal Home Loan Bank the Corporation has leveraged more than \$5 million for affordable housing.

Multifamily Direct Lending Program Loans Funded to Date

Projects	Location	Amount Funded	Financing	Total # Units
Sagebrush Apartments	Brady, Texas	\$875,000*	FHLB	60
Bunker Hill Senior Village	Stephenville, Texas	\$550,000*	FHLB	44
Crossroads Apartments	Wichita Falls, Texas	\$1,525,000	CDT	112
Limestone Ridge Apts	Big Spring, Texas	\$1,004,000	CDT	76
Key West Senior Village	Odessa, Texas	\$1,634,000	CDT	120

*Corporation loaned a total of \$356,250 to Sagebrush and Bunker Hill from its own funds, equal to 25 percent of each of the loans, to leverage this financing.

- The Corporation created the Affordable Homeownership Program of Texas to mitigate predatory lending practices and to provide financing options for credit-blemished borrowers: Dedicated \$1 million of the Corporation funds to leverage \$100 million dedicated for this program by Ameriquest.

Leveraging the Corporation's Dollars for Housing:

- The Corporation loaned \$500,000 in multifamily gap financing in conjunction with the issuance of over \$14 million in bonds for the new construction of a 250-unit affordable multifamily apartment complex in San Antonio (Marshall Meadows). We are currently considering making another \$500,000 loan for gap financing of the acquisition and rehabilitation of 1008 multifamily affordable housing units across Texas. This will also be in conjunction with the issuance of \$34.9 million in bonds.

- The Corporation created the Interim Construction Loan Program to make short term development loans for single family housing. We are currently considering three applications.

Leveraging Private Donations for Housing:

- 501(c)(3) Status. The Corporation received the Final Determination Letter from IRS in May 2006 after 5-year advance ruling period.
- The Corporation received an “equity equivalent” investment award of over \$1 million pursuant to the Community Reinvestment Act from Wells Fargo Community Development Corporation in 2006 for down payment assistance loans, the Interim Construction Loan Program, and the Multifamily Gap Financing Program.
- The Corporation accepts donations of single family homes from public entities to transfer and assign to nonprofits to create single family affordable homes—the University of Texas at Austin and the CDC Blackland in East Austin have used this program.
- The Corporation has accepted donations from private corporations as the 501(c)(3) administrator of over \$50,000 for the Texas Statewide Homebuyer Education Program at TDHCA.
- The Corporation hired a Manager of Marketing and Development in late 2006 to pursue foundation and donor contributions for housing. This year we have received two grants totaling \$15,000 and are in the processing cycle of two other grants.
- The Corporation has developed and is in the early implementation stages for the Home Works Loan Program – an Employer Assisted Housing Program where employers fund employees’ down payment assistance.
- The Corporation is in the development stages of setting up the Texas Foundation for Affordable Housing to support housing for working families. We are considering making the Texas Foundation for Affordable Housing the fundraising “arm” of our organization. In addition to seeking donations from private corporations and foundations, we plan to leverage revenues generated from existing the Corporation programs, including the single family bond programs.

Leveraging the Corporation’s Ability to Own Property to Preserve Affordable Housing:

- The Corporation has owned, rehabilitated, and sold multifamily properties acquired through the Federal Affordable Housing Disposition Program.
- The Corporation is considering, at TDHCA’s request and to preserve affordability, the purchase of two rural senior multifamily complexes that were financed in part by TDHCA and are now in foreclosure.

Leveraging Funds to Build the Capacity of Housing Advocates and Organizations:

- The Corporation has donated close to \$30,000 in sponsorships for housing conferences and forums to build housing capacity statewide. We are currently working with a task group made up of housing advocates to produce a housing locator database and website. We are also working with disability housing advocates to organize a summit that will address housing needs for the disabled.

Full Legislative Oversight of State Nonprofit Entity:

- The Corporation is a state nonprofit entity that receives no appropriations but has full Legislative oversight. The State has significant oversight through our board members, State Auditors Office, Bond Review Board, Legislative oversight committees, and of course we are subject to the Sunset Review Process.
- All revenues the Corporation earns through its housing programs are reinvested in housing programs and/or used to create new housing initiatives.
- The Corporation is the contracted provider of asset oversight services for over 100 bond financed properties approved by TDHCA. The complimentary relationship created by this contract ensures current and future bond financed properties awarded by TDHCA will be monitored with a focus on

maintaining the quality standards of affordable housing in Texas. In addition, the Corporation's revenues are reinvested in housing initiatives and programs. By eliminating the Corporation, TDHCA has indicated it would need to outsource this service to a private firm or perform the work internally at a cost to the State. Any profits made by a private company would not go back into housing programs for the State.

An analysis of research done throughout the country on the structure of state housing agencies (see **Attachment 7**) reflects there are many models to consider on the division and organization of state and federal housing programs within a state, especially one with the population of Texas. The research indicates that most states have separated the state and federal housing programs among at least two housing entities.

There is an incredible benefit for Texas in having a non-profit housing entity, especially when the roles of the housing entities are aligned to compliment one another and be strategic partners. The Corporation's non-profit status reduces costs to the State and provides checks and balances to affordable housing programs in Texas. The Corporation was created to be flexible and responsive to housing needs.

We welcome the opportunity to explore through the Sunset Review Process other programs and initiatives the Corporation could implement for the State, such as the administration of the State's single family housing private activity bond program.

Policy Issue 2

A. Brief Description of Issue

During the 80th legislative session, an issue of duplication of efforts arose that is a policy issue for the state. The issue is whether duplication of effort exists regarding the single family bond programs administered by TDHCA and the Corporation, and if so, how that issue should be resolved.

B. Discussion

Single family mortgage revenue bond (MRB) authority volume cap is allocated by the Legislature to issuers of those bonds as set forth in Government Code Chapter 1372. In the last legislative session, bond volume cap percentages were assigned to all issuers of qualified mortgage revenue bonds, along with new dates to make reservations and apply for additional volume cap. The breakdown is as follows:

- 10% of the State’s ceiling that is available exclusively for reservations by issuers of qualified mortgage bonds is given to the Corporation.
 - 54.5% of the 10% available to the Corporation shall be allotted to the Professional Educators Home Loan Program.
 - 45.5% of the 10% available to the Corporation shall be allotted to the Fire Fighter, Law Enforcement Officer, and Security Officer Home Loan Program.
- 56.66% of the State’s ceiling that is available exclusively for reservations by issuers of qualified mortgage bonds is given to housing finance corporations.
- 33.34% of the State’s ceiling that is available exclusively for reservations by issuers of qualified mortgage bonds is given to the Texas Department of Housing & Community Affairs.

As a result TDHCA and the Corporation will use 44.34 % of the single family mortgage revenue bonds available to the State. Each entity uses its portion for specialized single family bond programs serving different borrowers and within different income limits.

TDHCA operates the Texas First Time Homebuyer and Mortgage Credit Certificate Programs. The Texas First Time Homebuyer Program provides below market interest rate mortgage loans through a network of participating lenders to eligible families and individuals who are purchasing their first home or who have not owned a home in the past three years. Two types of loans are available under this program. An “Unassisted Rate” loan typically offers TDHCA’s lowest interest rate available and does not provide funds for down payment and closing cost assistance. For borrowers needing assistance with their down payment, an “Assisted Rate” loan is offered to income-eligible borrowers that provides grant funds up to 5% of the mortgage amount. These loans are offered at a slightly higher interest rate. The Mortgage Credit Certificate Program increases a family’s disposable income by reducing its federal income tax obligation. The tax credit is valid for the life of the loan as long as the borrower occupies the property as their primary residence.

The Corporation operates the Texas Professional Educators Home Loan Program, the Texas Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program (Homes for Texas Heroes), and the Home Sweet Texas Loan Program, each as described in detail under the Guide to Agency Programs. The Corporation is currently originating, on average, \$12.6 million a month under the Professional Educators Home Loan Program and \$5.3 million a month under the Homes for Texas Heroes Program. Because

the Corporation received additional bond volume cap in the collapse on September 1 last year, the Corporation this year will use more than its set aside amount of cap. In 2007, the Corporation is on track to issue and originate home loans with approximately \$151 million in bond funding.

In effect, the Corporation and TDHCA both must have their own employees and both contract with bond counsel, financial advisors, and master servicers to perform all the necessary functions of each of their single family bond programs. Although these programs do serve different populations at different interest rates, the Corporation's programs are able to maintain a similar level of production at a lower cost without utilizing appropriated funds. Therefore some efficiencies could be gained by transferring the single family bond programs of TDHCA to the Corporation.

C. Possible Solutions and Impact

The positive impact to the State by transferring all statewide single family private activity bond authority to the Corporation, approx. \$241 million (excluding the local issuer annual set-a-side) for 2007, would be to significantly increase fee income to the Corporation for the State's housing programs and at the same time reduce the cost to the State of operating its housing programs. The State would no longer pay for overhead, salaries, or benefits, including the State's defined benefit retirement program, but would enjoy the same success in serving first-time low-income homebuyers in the State. The Corporation's proven track record on its programs clearly shows that it has the capacity and experience to take over the programs currently being administered by TDHCA. Moreover, the State, through the Legislature and a Governor-appointed board, would still have direct oversight over the effectiveness of the single family bond programs. No oversight would be lost through this transfer.

Other states have followed this model of separating out state housing finance agencies, such as the Corporation, which can be self-sufficient from the revenue generated from bond issuances, from housing administration agencies, such as TDHCA, which administer state and federal programs and are generally not self-sufficient. No state that the Corporation is aware of has transferred such functions as bond programs back to an agency of the state, thereby increasing state FTEs and benefits burdens on that state.

X. Other Contacts

A. Fill in the following chart with updated information on people with an interest in your agency, and be sure to include the most recent e-mail address.

Texas State Affordable Housing Corporation Exhibit 15: Contacts			
INTEREST GROUPS			
Group or Association Name/ Contact Person	Address	Telephone	E-mail Address
Texas Jail Association Contact: Sharese Hurst	Correctional Management Institute of Texas George J. Beto Criminal Justice Center Sam Houston State University Huntsville, TX 77341-2296	(936) 294-1687	sharese@shsu.edu
Texas State Association of Fire Fighters Contact: Mike Higgins	627 Radam Lane Austin, Texas 78745	(512) 326-5050	mhiggins@tsaff.org
Combined Law Enforcement Association of Texas Contact: Charley Wilkison	400 West 14th Street, Suite 200 Austin, Texas 78701	(800) 252-8153	charley@cleat.net
Texas Federation of Teachers Contact: Linda Bridges	3000 South IH 35 Ste 175 Austin, TX 78704-6536	(512) 448-0130	
Texas State Teachers Association Contact: Jack Kelly	316 West 12th Street Austin, TX 78701	(877) 275-8782	jackk@tsta.org
Association of Texas Professional Educators Contact: Josh Sanderson	305 E Huntland Dr, Suite 300 Austin, TX 78752	(512) 467-0071	
Texas Higher Education Coordinating Board Contact: Camille Pridgen	P.O. Box 12788 Austin, TX 78711	(512) 427-6240	<a href="mailto:camille.pridgen@the
cb.state.tx.us">camille.pridgen@the cb.state.tx.us
Texas Department of Criminal Justice Contact: Carol Blair Johnston	P.O. Box 99 Huntsville, Texas 77342	(936) 437-4020	<a href="mailto:Carol.johnson@tdcj.
state.tx.us">Carol.johnson@tdcj. state.tx.us
United Cerebral Palsy of Texas Contact: Jean Langendorf	1016 La Posada, Suite 145 Austin, TX 78752	(512) 472-8696	jeanL@ucptexas.org
Texas Youth Commission Contact: Mary Wood	P.O. Box 4260 Austin, TX 78765	(512) 424-6151	<a href="mailto:Mary.wood@tyc.stat
e.tx.us">Mary.wood@tyc.stat e.tx.us

INTERAGENCY, STATE, OR NATIONAL ASSOCIATIONS			
Group or Association Name/ Contact Person	Address	Telephone	E-mail Address
Texas Low Income Housing Information Service Contact: John Henneberger	508 Powell St Austin, TX 78703-5122	(512) 477-8910	john@texashousing.org
Texas Association of Community Development Corporations Contact: Steve Carriker	1021 East 7 th St., Suite 104 Austin, TX 78702	(512) 457-8232	steve@tacdc.org
Texas Association of Local Housing Finance Agencies Contact: Jeanne Talerico	5766 Balcones Drive #102 Austin, TX 78731-4201	(512) 481.9933	Jeanne@TALHFA.org
National Association of Local Housing Finance Agencies	2025 M. Street, NW Suite 800 Washington, DC 20036	(202) 367-1197	
Texas Affiliation of Affordable Housing Providers Contact: Jim Brown	814 San Jacinto, Suite 408 Austin, TX 78701	(512) 476-9901	jbrown@taahp.org
National Council of State Housing Agencies	444 North Capitol Street, NW, Suite 438 Washington, DC 20001	(202) 624-7710	

LIAISONS AT OTHER STATE AGENCIES			
Agency Name/Relationship/ Contact Person	Address	Telephone	E-mail Address
Texas Department of Housing and Community Affairs Relationship: State Housing Agency Contact: Mike Gerber, Executive Director	Physical Address 221 East 11th Street Austin, Texas 78701-2410 Mailing Address: P.O. BOX 13941 Austin, TX 78711-3941	(512) 475-3930	mike.gerber@tdh ca.state.tx.us
Texas Department of Housing and Community Affairs Relationship: liason on Asset Oversight Corporation performs for TDHCA Contact: David Burrell, Real Estate Analysis Division	Physical Address 221 East 11th Street Austin, Texas 78701-2410 Mailing Address: P.O. BOX 13941 Austin, TX 78711-3941	(512) 475-3800	David.burrell@td hca.state.tx.us
Office of the Governor Relationship: Governor's Office Liason Contact: Amanda Arriaga	P.O. Box 12428 Austin, TX 78711	(512) 463-5157	Amanda.arriaga @governor.state.t x.us
State Auditors Office Contact: Lisa Collier	1501 N. Congress Ave. Austin, TX 78701 P.O. Box 12067 Austin, TX 78711-2067	(512) 936-9448	lcollier@sao.state .tx.us
State Comptrollers Office Relationship: liason for preparing the Comprehensive Statewide Financial Report (CAFR) Contact: Tom Meredith	PO Box 13528 Austin, TX 78711-3528	(512) 463-2897	
Bond Review Board Relationship: Bonding Authority Contact: Bob Kline, Executive Director	P.O. Box 13292 Austin, TX 78711-3292	(512) 463-1741	kline@brb.state.t x.us

CONTRACTORS			
Company/Relationship/ Contact Person	Address	Telephone	E-mail Address
Fulbright & Jaworski, LLP/Bond Counsel/Bob Dransfield	2200 Ross Avenue, Suite 2800 Dallas, Texas 75201	(214) 855-8068	rdransfield@fulbright.com
First Southwest Company/Financial Advisor/Robin Miller	325 North Saint Paul Street, Suite 800 Dallas, TX 75201	(214) 953-4174	rmiller@firstsw.com
RBC Capital Markets/Underwriter/Gary Machak	2711 North Haskell Avenue City Place Center East, Suite 2400 Dallas, Texas 75204	(214) 989-1659	Gary.machak@rbccm.com
Greenberg Traurig/General Counsel and Issuer Counsel/ Rob Dubbelde	Two Commerce Square 201 Market Street, Suite 2700 Philadelphia, Pennsylvania 19103	(215) 988-7841	dubbelder@gtlaw.com
Greenberg Traurig/General Counsel and Issuer Counsel/Bill Gehrig	800 Connecticut Avenue Washington, DC 20006	(202) 331-3170	gehrigw@gtlaw.com
Countrywide Home Loans, Inc./Master Servicer/Tim Almquist	7105 Corporate Drive Plano, TX 75204	(972) 526-2347	Tim_almquist@countrywide.com
Patterson and Associates/Investments Advisor/Linda Patterson	301 Congress Avenue, Suite 570 Austin, TX 78701	(512) 320-5042	linda@patterson.net
Administaff/HR Services/Marian Brown	9600 N. Mopac Expressway, Suite 200 Austin, TX 78759	(512) 231-4513	Marian_brown@administaff.com
Mission IT/IT services/Dean Goodman	1800 Salina Street Austin, 78702	(512) 300-6569	dean@missionitserVICES.com
Greenlights for Nonprofit Success/Grants/Tara Kirkland	1301 W. 25 th St., Suite 400 Austin, TX 78705	(512) 288-2627	
Mikeska Monahan & Peckham LLP/Independent Auditor/Don Mikeska	100 Congress Avenue Ste. 990 Austin, TX 78701	(512) 476-1040	dmikeska@mmpcpa.com

XI. Additional Information

A. Fill in the following chart detailing information on complaints regarding your agency. Do not include complaints received against people or entities you regulate. The chart headings may be changed if needed to better reflect your agency's practices.

Texas State Affordable Housing Corporation Exhibit 16: Complaints Against the Agency C Fiscal Years 2005 and 2006		
	FY 2005	FY 2006
Number of complaints received	0	0
Number of complaints resolved	0	0
Number of complaints dropped/found to be without merit	0	0
Number of complaints pending from prior years	0	0
Average time period for resolution of a complaint	0	n/a

The Corporation received one informal complaint regarding specific multifamily properties located in the greater Dallas area via written email correspondence. The complaint was not filed under the formal process, however the Corporation addressed the issues outlined in the complaint, provided written correspondence to the parties to the complaint, and notified the board of directors via memorandum. In addition, the parties to the complaint provided public testimony at the Corporation's October 13, 2006 Board of Directors Meeting. Individuals offering public testimony included:

- Bill Blaydes, Dallas City Council
- Mark Flynt, Behringer Harvard Funds
- Bill Vandivort, Dallas County Appraisal District Board
- Steve Wakefield, Lake Highlands Area Improvement Association

To view email correspondence regarding Bent Creek and Creekwood Apts., Board Meeting transcript, and the Corporation's formal complaint procedure (available on our website), please refer to **Appendix 19**.

B. Fill in the following chart detailing your agency's Historically Underutilized Business (HUB) purchases.

Texas State Affordable Housing Corporation				
Exhibit 17: Purchases from HUBs				
FISCAL YEAR 2004				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	n/a	0	0	11.9%
Building Construction	n/a	0	0	26.1%
Special Trade	n/a	0	0	57.2%
Professional Services	926,668	83,286	8.9%	20.0%
Other Services	n/a	0	0	33.0%
Commodities	n/a	0	0	12.6%
TOTAL	926,668	83,286	8.9%	

FISCAL YEAR 2005				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	n/a	0	0	11.9%
Building Construction	n/a	0	0	26.1%
Special Trade	n/a	0	0	57.2%
Professional Services	213,056	72,585	34.1%	20.0%
Other Services	n/a	0	0	33.0%
Commodities	n/a	0	0	12.6%
TOTAL	213,056	72,585	34.1%	

FISCAL YEAR 2006				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	n/a	0	0	11.9%
Building Construction	n/a	0	0	26.1%
Special Trade	n/a	0	0	57.2%
Professional Services	174,446	69,159	39.6%	20.0%
Other Services	n/a	0	0	33.0%
Commodities	n/a	0	0	12.6%
TOTAL	174,446	69,159	39.6%	

C. Does your agency have a HUB policy? How does your agency address performance shortfalls related to the policy?

The Corporation does not have a written policy that addresses Historically Underutilized Businesses (HUBs). However, it does take HUB status into consideration when contracting services.

D. For agencies with contracts valued at \$100,000 or more: Does your agency follow a HUB subcontracting plan to solicit bids, proposals, offers, or other applicable expressions of interest for subcontracting opportunities available for contracts of \$100,000 or more? (Tex. Government Code, Sec. 2161.252; TAC 111.14)

The Corporation does have the need to execute contracts valued at or above \$100,000; the Corporation solicits bids for services through a Request for Proposal (RFP) process. Previously issued RFP's are available for review.

E. For agencies with biennial appropriations exceeding \$10 million, answer the following HUB questions.

N/A - The Corporation does not receive appropriated funds

F. Fill in the chart below detailing your agency's Equal Employment Opportunity (EEO) statistics.

Texas State Affordable Housing Corporation Exhibit 18: Equal Employment Opportunity Statistics							
FISCAL YEAR 2004							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	1		7%		11%		31%
Professional	6		9%		10%	4	47%
Technical	0		14%		18%		39%
Protective Services	0		18%		21%		21%
Para-Professionals	0		18%		31%		56%
Administrative Support	3		19%	1	27%	3	80%
Skilled Craft	0		10%		28%		10%
Service/Maintenance	0		18%		44%		26%

FISCAL YEAR 2005							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	1		7%		11%		31%
Professional	9		9%	2	10%	7	47%
Technical			14%		18%		39%
Protective Services			18%		21%		21%
Para-Professionals			18%		31%		56%
Administrative Support	3		19%	1	27%	3	80%
Skilled Craft			10%		28%		10%
Service/Maintenance			18%		44%		26%
FISCAL YEAR 2006							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	1		7%		11%		31%
Professional	9	1	9%	2	10%	8	47%
Technical			14%		18%		39%
Protective Services			18%		21%		21%
Para-Professionals			18%		31%		56%
Administrative Support	2		19%	1	27%	2	80%
Skilled Craft			10%		28%		10%
Service/Maintenance			18%		44%		26%

G. Does your agency have an equal employment opportunity policy? How does your agency address performance shortfalls related to the policy?

The Corporation's Equal Employment Opportunity Policy, which is included in the Corporation's Employee Handbook follows:

"TSAHC provides equal employment opportunities to all employees and applicants without regard to race, color, religion, sex, sexual orientation, national origin, age, disability, marital status, pregnancy, status as a parent, military status, or status as a Vietnam-era or special disabled veteran in accordance with applicable federal and state laws. In addition, TSAHC complies with applicable state and local laws governing nondiscrimination in employment. This policy applies to all terms and conditions of employment, including but not limited to, hiring, placement, promotion, termination, layoff, recall, transfer, leaves of absence, compensation and training."

The Corporation does not have specific performance measurement standards related to the Equal Employment Opportunity Policy.

XII. Agency Comments

Please refer to the Attachments section for documents that can shed further light on the Corporation and its functions.

Sunset Bill Summary 2003
Texas State Affordable Housing Corporation
Implementation of SB 284 by Lucio (Callegari)

Bill Reference	Bill Provision
<p>Page 1, Lines 7-9 and Line 14; Page 6, Lines 11-12 and 21-22; Page 12, Lines 26-27; Page 13, Line 4 to Page 14, Line 19; Page 20, Lines 16-24; Page 20, Line 25 to Page 21, Line 7</p>	<p>Changes the term “teacher” to “professional educator” with regard to the Teacher Home Loan Program (renamed the Professional Educator Home Loan Program). Defines the term “professional educator” for the purposes of receiving assistance from the loan program. Removes the requirements for professional educators to be classroom teachers, to have resided in the state for the five years preceding the application date for a loan, and to have worked as a teacher for the three years preceding the loan application date. Adds a requirement for the professional educator to have been employed by a school district in the state on the loan application date. Amends session law from the 77th Legislature to repeal the priority for awarding loans to teachers in areas of the state with teacher shortages as defined by TEA. Requires the Corporation to issue its annual \$25 million single-family bond allocation for the Professional Educator Home Loan Program by August 1 of each fiscal year. Includes instructional provision. (L-1)</p>
<p>Page 1, Line 20; Page 2, Lines 5-20; Page 6, Lines 18-20; Page 16, Line 9 to Page 18, Line 10; Page 20, Line 25 to Page 21, Line 7</p>	<p>Allocates 10 percent of the state’s private activity bond cap for multifamily housing to the Corporation. Reduces the allocation to TDHCA from 25 percent to 20 percent, and reduces the allocation to local housing finance corporations from 75 percent to 70 percent. Changes the public purpose of the Corporation to specifically include issuing 501(c)(3) bonds and private activity multifamily bonds. Requires the Corporation to direct the Bond Review Board on the issuance of the Corporation’s 10 percent multifamily bond set-aside. Requires the Board of the Corporation to adopt guidelines and criteria to determine what projects should be recommended to BRB for funding. Exempts Corporation bonds from the priority structure that governs the distribution of other multifamily private activity bonds. Includes instructional provision. (L-2)</p>
<p>Page 2, Lines 23-27; Page 5, Lines 18-23; Page 18, Lines 21-27</p>	<p>Requires the Corporation and the Department of Housing and Community Affairs to share compliance information on funding applicants. (C-1.6)</p>
<p>Page 3, Lines 3-11; Page 5, Lines 4-12; Page 18, Lines 11-20</p>	<p>Requires the Corporation to contribute information to the State Low Income Housing Plan developed by the Texas Department of Housing and Community Affairs. (C-1.5)</p>
<p>Page 6, Line 3</p>	<p>Continues the Corporation for six years, until 2009. (C-1.1)</p>
<p>Page 7, Lines 21-24</p>	<p>Adds standard Sunset language requiring appointments to the Board be made without regard to the appointee’s race, color, disability, sex, religion, age, or national origin. (ATB-G3)</p>
<p>Page 8, Lines 1-4; Page 21, Lines 8-26; Page 22, Lines 5-11</p>	<p>Creates six-year terms for Corporation Board members and includes instructional provisions for implementing the terms. (C-1.2)</p>
<p>Page 8, Line 5 to Page 9, Line 6</p>	<p>Adds standard Sunset language specifying the grounds for removing a Board member. (ATB-G5)</p>

Sunset Bill Summary 2003
Texas State Affordable Housing Corporation
Implementation of SB 284 by Lucio (Callegari)

Bill Reference	Bill Provision
Page 9, Line 7 to Page 10, Line 10; Page 21, Line 27 to Page 22, Line 4	Adds standard Sunset language requiring members of the Board to complete training before assuming their duties. Includes instructional provision. (ATB-G7)
Page 10, Line 13 to Page 11, Line 15	Adds standard Sunset language prohibiting the Corporation's Board members and employees or their spouses from serving as an officer or employee of a related Texas trade association. (ATB-G2)
Page 11, Lines 19-26	Adds standard Sunset language requiring the Corporation to provide information on standards of conduct to its Board members and employees. (ATB-G6)
Page 11, Line 27 to Page 12, Line 4	Adds standard Sunset language requiring the Board to develop and implement policies that clearly separate the functions of the Board and the Corporation staff. (ATB-G8)
Page 12, Lines 5-23	Updates standard Sunset language requiring the Corporation to develop an equal opportunity policy. (ATB-G11)
Page 14, Line 26 to Page 15, Line 22	Requires the Corporation to adopt a minimum dollar-for-dollar public benefit requirement for recipients of 501(c)(3) bonds. (C-1.3)
Page 15, Line 23 to Page 16, Line 8	Requires the Corporation to annually review policies for awarding 501(c)(3) bonds, and to adopt guidelines specifying reasonable expectations for public benefit requirements. (C-1.4)
Page 19, Lines 1-23; Page 22, Lines 12-17	Adds standard Sunset language requiring the Corporation to maintain information on written complaints and notify the parties about policies for and status of complaints. Includes instructional provision. (ATB-G10)
Page 19, Line 24 to Page 20, Line 12	Adds standard Sunset language requiring the Corporation to make effective use of technology in its delivery of services and provision of information to the public. (ATB-G13)
Page 22, Line 18	Sets the effective date of the Act as September 1, 2003.

TEXAS STATE AFFORDABLE HOUSING CORPORATION AUDIT COMMITTEE GUIDELINES

These guidelines are intended to define the purposes, membership and responsibilities of the Audit Committee of the Texas State Affordable Housing Corporation (“the Corporation”).

I. PURPOSES

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee’s primary duties and responsibilities are to:

1. Monitor the integrity of the Corporation’s financial reporting process and systems of internal controls regarding finance, accounting, legal and ethics compliance.
2. Monitor the independence and performance of the Corporation’s independent financial auditors who shall report directly to the Audit Committee.
3. Facilitate communication among the independent auditors, management, the CFO and the Board of Directors.
4. Monitor compliance by the Corporation and its directors, officers and employees with applicable law and Corporation’s code of ethics and conflict of interest policies.
5. Establish procedures for the receipt, retention and treatment of financial matters complaints and the confidential anonymous submission by employees regarding questionable accounting.
6. Report on its activities to the Board of Directors.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and it has direct access to the independent auditors as well as anyone at the Corporation. The Audit Committee has the ability to retain, at the Corporation’s expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties. However, it is not the duty or responsibility of the Audit Committee or its members to conduct auditing or accounting review or procedures, and each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Corporation from which it receives information and (ii) the accuracy of the financial and other information provided to the Audit Committee by such persons or organizations.

II. COMPOSITON AND MEETINGS

The Audit Committee shall be comprised of three members made up of two directors as determined by the Board of Directors and the Chief Financial Officer of the Corporation. The President of the Corporation will serve as an Ad Hoc member of the Committee. The two member board directors shall be free from any relationship that would interfere with the exercise of his or her independent judgment. All members of the Audit Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements, and at least one member of the Audit Committee shall have accounting or related financial management expertise.

Audit Committee members shall be appointed on recommendation by the full Board of Directors. If a Chair of the Audit Committee is not designated or present, the members of the Audit Committee may designate a Chair by majority vote of the Audit Committee.

Audit Committee members will be reimbursed for travel and other actual and reasonable expenses incurred in the conduct of official Audit Committee business. No member of the Audit Committee may accept any additional consulting, advisory or other compensatory fee from the Corporation or other organization.

The Audit Committee shall meet at least four times annually or more frequently if circumstances dictate.

III. RESPONSIBILITIES AND DUTIES

To carry out its purposes, the Audit Committee shall have the following duties and responsibilities:

Review Procedures

1. Review and assess the adequacy of these guidelines at least annually and submit any proposed changes to the Board of Directors for approval.
2. Review the audited financial statements with management, prior to distribution. Review should include discussion with management and independent auditors of significant issues regarding accounting and auditing principles, practices and judgments.
3. In consultation with the management, the CFO and independent auditors, consider the integrity of the company's financial reporting processes and controls. Discuss significant financial and non-financial risk exposures and the steps management has taken to monitor, control, and report such exposures. Review significant findings prepared by the independent auditors together with management's responses.

4. Consider and approve, if appropriate, major changes to the Corporation's accounting principles as suggested by the independent auditors, management or CFO and any items required to be communicated by the independent auditors in accordance with SAS 61.

Independent Auditors

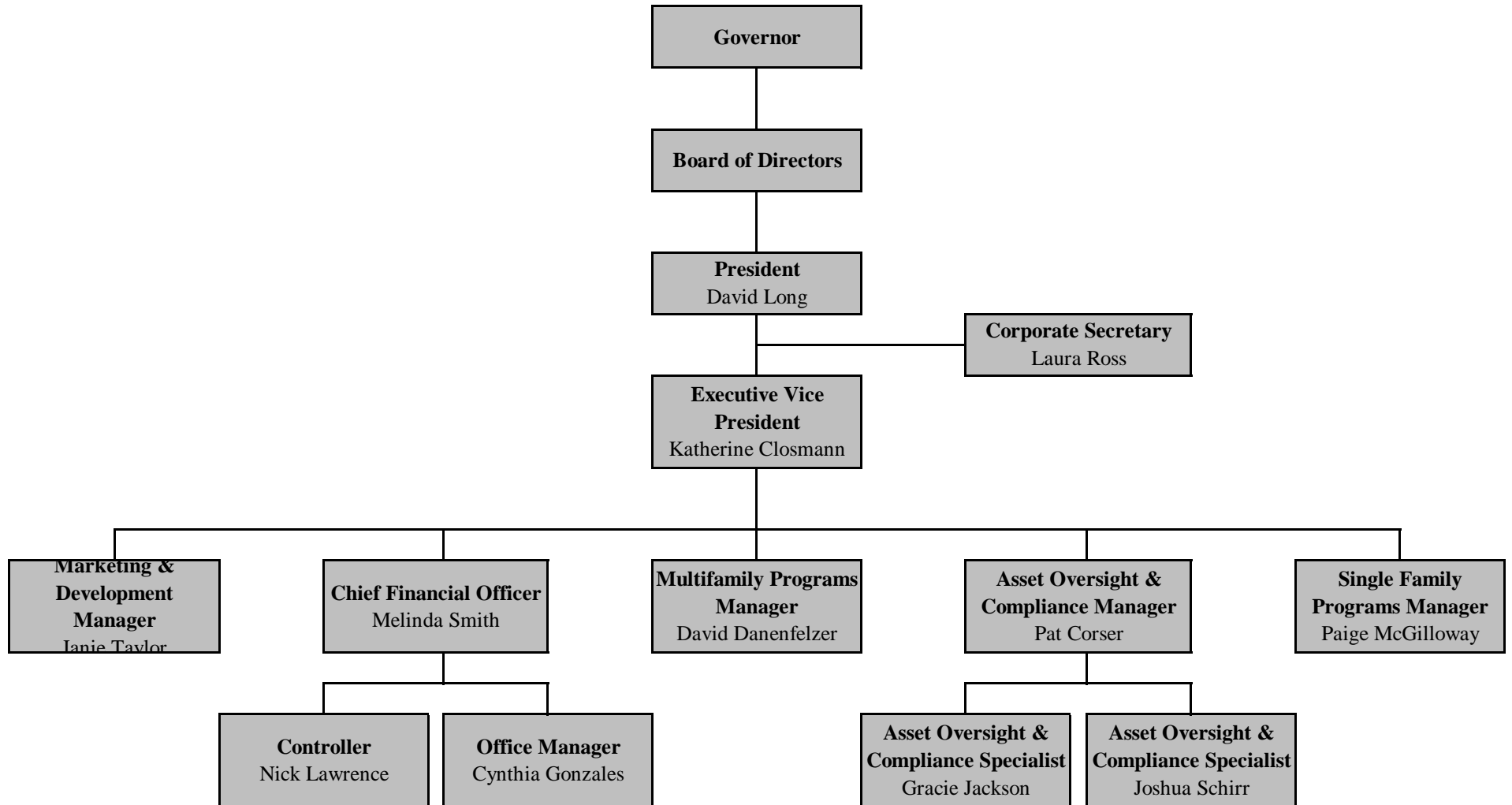
1. The independent auditors are ultimately accountable to the Audit Committee and the Board of Directors. The Audit Committee shall review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the independent auditors or approve any discharge of auditors when circumstances warrant.
2. On an annual basis, the Audit Committee should review and discuss with the independent auditors all significant relationships they have with the Corporation that could impair the auditors' independence.
3. Prior to releasing the audit report, discuss the results of the audit with the independent auditors. Discuss certain matters required to be communicated to the Audit Committee in accordance with AICPA SAS 61.
4. Review with the independent auditor any management letter provided by the auditor and the Corporation's response to that letter.

While the Audit Committee has the responsibilities and powers set forth in these guidelines, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations.

Texas State Affordable Housing Corporation
Approved Operating Budget
(Fiscal Year Ending August 31, 2007)

	<u>2007</u>
<u>REVENUE</u>	
Servicing Revenue	\$ 427,000
Multifamily Revenue	329,000
Federal Home Loan Bank Interest Income	110,000
Asset Oversight Revenue	650,000
Investment Revenue	160,000
Single Family	150,000
Total Budgeted Revenue	\$ <u>1,826,000</u>
 <u>EXPENDITURES</u>	
Salaries & Payroll Related Expense	\$ 1,014,000
Professional Services	210,000
Office & Equipment Lease	134,000
Travel & Meals	98,000
Interest on FHLB Notes	75,000
Sponsorships & Grants	12,500
Marketing	30,500
Insurance Expense	23,500
Professional Dues & Training	21,000
Communication Expense	16,000
Bank Fees & Charges	10,000
Office Supplies	9,000
Publications, Subscriptions, Office Maintenance	4,000
Freight, Delivery & Postage	7,500
Furniture, Equipment & Software	10,000
Printing	3,000
Program & Loan Administration	7,000
Total Budgeted Expenditures	\$ <u>1,685,000</u>
Excess of Budgeted Revenues over Budgeted Expenditures	\$ <u><u>141,000</u></u>

Texas State Affordable Housing Corporation 2007



Summary of Recent TSAHC Programs

	Series 2007 A-3 Educators	Series 2007C Heroes	Series 2007 A-1 Educators	Series 2006C Statewide 80%	Series 2006B Heroes	Series 2006 A Educators	Series 2005B Heroes	Series 2005 A Educators
Bonds								
Closing Date	June 20, 2007	May 2, 2007	February 22, 2007	September 21, 2006	June 15, 2006	February 28, 2006	October 25, 2005	July 27, 2005
Par	\$37,235,000	\$23,525,000	\$85,000,000	\$29,530,000	\$23,040,000	\$23,809,000	\$20,000,000	\$23,920,000
Yield @ 100% PSA	4.91%	4.76%	4.61%	4.67%	4.66% / 4.71% GO Zone	4.72%	4.67%	4.48%
Non-Orig Call Date	February 1, 2009	August 1, 2008	May 1, 2008	December 1, 2007	August 1, 2007	March 1, 2007 July 1, 2007	August 1, 2006 March 1, 2007 June 1, 2007	March 1, 2006 September 1, 2005 January 1, 2007
Basic Structure	Synthetic Step, premium term bond monthly pass-thru	Synthetic Step, premium term bond monthly pass-thru	Synthetic Step, premium term bond monthly pass-thru	No Step, premium term bond monthly pass-thru	Synthetic Step, premium term bond monthly pass-thru	Step Coupon, premium term bond monthly pass-thru	Premium PAC & Term, Serials, Par Term, semiannual pay	Premium PAC & Term, Serials, Par Term, semiannual pay
GIC Rate / Provider	5.140% (Pallas)	4.526% (REC)	5.103% (Aegon)	5.061% (BLB)	5.061% (BLB)	4.7-0% (Robobank)	4.33% / 3.83% (Pallas)	3.63% / 3.05% (Pallas)

	Series 2007 A-3 Educators	Series 2007C Heroes	Series 2007 A-1 Educators	Series 2006C Statewide 80%	Series 2006B Heroes	Series 2006 A Educators	Series 2005B Heroes	Series 2005 A Educators
Loans								
Rate	6.25%	6.15%	6.15%	6.25%	6.25%-6.15% / 5.99%	5.99%	5.99%	5.95%
Down Payment Assist.	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Origination Period	thru Jan 15, 2009	thru June 15, 2008	thru Mar 15, 2008	thru Oct 17, 2007	thru June 15, 2007	thru May 15, 2007	thru April 15, 2007	thru Oct 16, 2005
Original Expected Average Origination	9.9 months	7.5 months	7.8 months	5.9 months	7.0 months	9.0 months	11.2 months	8.5 months
\$ Loans Committed (as of 9-30-07)	\$37,359,745	\$23,361,101	\$34,577,305	\$23,515,390	\$20,827,512	\$23,844,270	\$19,970,602	\$24,054,578
% Loans Committed	100%	99%	99%	100%	88%	100%	100%	101%

	Series 2007 A-3 Educators	Series 2007C Heroes	Series 2007 A-1 Educators	Series 2006C Statewide 80%	Series 2006B Heroes	Series 2006 A Educators	Series 2005B Heroes	Series 2005 A Educators
Economics								
Issuer Fee	10 bps	15 bps	10 bps	40 bps	10 bps / 9 bps	9 bps	5 bps	19 bps
Cash Contribution	(\$31,300)	\$10,011	\$60,000	\$93,000	\$50,000	\$45,500	\$277,525	\$450,800
Total Costs of Issuance	\$563,179	\$430,000	\$560,000	\$436,550	\$433,290	\$425,000	\$375,000	\$425,000
Projected Value - \$	\$778,173	\$512,000	\$495,000	\$1,147,000	\$302,000	\$261,000	\$964,000	\$1,559,000
PV Projected Value - \$	\$604,430	\$366,000	\$345,000	\$778,000	\$205,000	\$155,000	\$158,000	\$378,000
PV as % of Bonds - %	1.62%	1.55%	0.99%	3.29%	0.87%	0.82%	0.79%	1.56%
Expected Cash Contribution Payback	At Closing	< 1 year	1 year	1 year	1 year	1 year	28 years	12 years



Affordable Homeownership Program for Texas Underwriting Guidelines

Category	Subcategory	Guidelines
Credit	Report Type	Tri-merged credit report -- use the middle score of the highest wage earner
	FICO	525 - 610
	Alternative Credit	Not allowed.
	Rental History	Documentation to prove no rental lates in the last 12 months. If no documentation can be provided, the following must be provided: Filed Affidavit of Living at Home Completed budget worksheet Proof of three months cash reserves
	Bankruptcy	None in the last 24 months
	Delinquent Trades	Must be brought current or paid off (satisfied)
	Debt Ratio	Maximum 55%
	Mortgages	None -- this is a first-time home buyer program. The following will be considered on a case-by-case basis: An individual or an individual and his or her spouse who have not owned a home during the three-year period before the purchase of a home with HOME assistance Any individual who is a displaced homemaker A single-parent if his or her former spouse now owns the house An individual who owned a dwelling unit that was not affixed to a permanent foundation, or was not in compliance with state, local, or model building codes.
	Open Judgments	Anything that can cloud title must be paid off. If the judgment or lien has been satisfied, evidence of the release is required and must be placed in the loan file.
	Open Tax Liens	Open tax liens must be paid off.
	Foreclosure	N/A -- first time home buyer program May be considered on a case-by-case basis if one of the exceptions under "Mortgages" applies.
	Open Medical Collections	Open medical collection accounts are not required to be brought current. The payment does not have to be factored into the DR.
	Open Collections	A 3% payment must be added for each account and included in the debt ratio

Affordable Homeownership Program for Texas Underwriting Guidelines

Category	Subcategory	Guidelines
	Charge-offs	<p>A 3% payment must be added for each account and included in the debt ratio for any open charged off trade line (balance greater than "0"), or</p> <p>If the applicant is on a payment plan, the monthly scheduled payment must be included in the debt ratio.</p> <p>Any charged off trade line that is not open (e.g., "0" balance, settled, discharged through a bankruptcy) does not need to be included in the debt ratio calculation</p> <p>Charge-offs of \$5,000 or more require higher level approval.</p>
	Past Due Student Loans	<p>Must be current, if not deferred. If in default, allow pmt arrangements.</p>
	Past Due on Child Support or Alimony	<p>If child support is owed, will require divorce decree to determine monthly payment requirement.</p> <p>Unpaid outstanding balance allowed as long as monthly payments are being made.</p> <p>If the outstanding balance is Charged-Off and child support payments are being garnished, the 3% charge-off rule does not apply. Apply the actual garnished amount to debt service.</p>

Affordable Homeownership Program for Texas Underwriting Guidelines

Category	Subcategory	Guidelines
Income	Documentation Type	<p>Full Documentation, which requires: Current and consecutive 24-months bank statements, or Prior two years' tax returns/W-2s, plus YTD (VOE or paycheck stub showing YTD earnings). Note: Section 8 Housing Choice Vouchers are permitted and may be grossed up by 25%.</p> <p>Allow up to 25% as Stated income as long as: A handwritten letter (not on Ameriquest letterhead) prepared and signed by the borrower, detailing the amount and source of all the income stated on the 1003, is required. Important: Under no circumstance should an Ameriquest associate write the letter for the borrower. Information on the stated letter must match the information in the loan file, including the system-generated 1003 and the Statement of Identity. The stated income for the borrower's occupation and/or other sources must be reasonable and subject to both the branch manager's and the loan approval authority's discretion. For self-employed borrowers, verification that the business license is in good standing is required and must be documented in the loan origination system. If applicable, a tax return showing earned income credit. Room rent from a relative of the borrower is not allowed. Fixed income, such as Social Security, cannot be documented as stated income. If a borrower's stated income is supplemented by Full Documentation income, both incomes must be documented in the file</p>
	Disposable Income	<p>The following net disposable income minimums (based on the number of family members) are required: \$450 for 1 family member \$600 for 2 family members \$900 for 3+ family members Calculation: Total gross monthly income – outstanding monthly debts (such as credit cards, auto, and new PITI) * .77 (if gross monthly income is \$2,500 or less) or .70 (if gross monthly income is more than \$2,500). If the result exceeds the values above based on number of family members, this requirement is satisfied.</p>
	Earned Income Credit	Permitted, but must be included in the 25% allowance for Stated Income.
	Annual Limit	Income for all borrowers must not exceed 80% of the area's Applicable Median Family Income (AMFI).

Affordable Homeownership Program for Texas Underwriting Guidelines

Category	Subcategory	Guidelines
Cash Reserves		None
Employment		12 months employment required Since many low-to-moderate income borrowers may change jobs frequently, a history of frequent job changes may be acceptable provided there is evidence that the borrower has maintained continuous earned income at current or increasing levels. Seasonal income considered on a case-by-case basis.
Citizenship	Resident Alien	Permanent resident-alien status, or nonpermanent resident-alien status borrowers (citizens of other countries who reside in the U.S.) must provide proof of employment within the United States. A Social Security Number is required. Income and assets used for loan qualification purposes must be verifiable from within the United States without requiring the use of a foreign bank or credit source. Permanent resident-alien status borrowers must provide a copy of their green card; nonpermanent resident aliens must provide a current work authorization document. Sources of income paid in foreign currency may not be used in income calculations.
	Non-resident Alien	May not assist in loan qualification.
Property	Type	New homes only SFR only (no manufactured/mobile homes)
	Location	Standard (not rural) Rural Definition: Support services are more than 10 miles away from the subject marketing area. Neighboring property dwellings are located more than a half-mile from the subject property dwellings, as approximated during a review of the site map and site photographs. Neighborhood is less than 25% built up. Subject property has five or more acres (10 acres in the state of Texas; see printed Legal Limitations for Texas). All comparables are five miles or more from the subject property. Property has a non-paved access road.
	Occupancy	Owner occupied
1st Lien Loan Terms	Product	Fixed-rate loan only
	Type	Purchase only; however, the lot balance may be included in the loan if the borrower owns the lot.
	Term	30 year

Affordable Homeownership Program for Texas Underwriting Guidelines

Category	Subcategory	Guidelines
	Rate	275 basis points over the 10-year treasury. The rate is determined at the time Ameriquest enters the application in our origination system and is based on the “constant maturity treasury rate” in effect on the 15 th of the prior month as published by the Federal Reserve Board on the following Web site: www.federalreserve.gov/releases/h15
	LTV	Maximum 90%
	CLTV	Maximum 100% using the appraised value instead of the purchase price
	Loan Amount	Minimum \$50,000 up to a maximum of 100% of the purchase limit for the area
	Prepayment Charge	None allowed
	Closing Costs	May be financed with the 1st lien loan as long as the LTV does not exceed 90%
	Seller Contribution	Up to 6%
	Down Payment	Borrower must provide 3% of the down payment from his/her own funds. (Must be re-verified prior to closing) If the borrower has lot equity exceeding 5% of the total home value, this can qualify as their 5% down payment as long as: The borrower provides a copy of the note for the lot purchase, and The lot is appraised, or The CDC certifies the appraised value of the lot.
	Down Payment Seasoning	If the borrower deposits the down payment funds in a bank or with escrow within the 30 days prior to closing, the borrower’s ability to generate savings sufficient to cover the down payment must be documented. If the borrower has the down payment funds on deposit in a bank or with escrow for longer than 30 days prior to closing, no proof of savings capacity is required.
	Down Payment Assistance	A 2 nd lien loan covering up to 7% of the purchase price must be funded concurrently with the 1 st lien loan. Refer to the 2 nd Lien Loan Terms section for details.

Affordable Homeownership Program for Texas Underwriting Guidelines

Category	Subcategory	Guidelines
	Rate-reduction feature	Interest rate will be reduced by 50 bps for each 12 consecutive months when the borrower makes timely payments (the payment is considered timely if it's received by the 16 th of the month) Maximum of 200 bps in total reduction. Rate reductions are applicable only to the first 48 months of the loan term. The loan will be analyzed for rate reduction eligibility after the 12 th , 24 th , 36 th and 48 th payments.
	Title	An extended TLTA title insurance policy is required. The amount of the TLTA title insurance policy must equal the total amount of loan.
	Appraisal	A full appraisal is required. Submit the new home plans with the application and the full appraisal prior to final approval. The appraisal must not be older than 90 days.
	Rate Buy downs	Not allowed
	Credit Counseling	Borrowers must obtain credit counseling from an ACORN credit counselor (or other AMC approved counselor) prior to funding. A certificate of completion must be included in the loan file.
	Impounds	Required for taxes and insurance on loans exceeding 80% LTV.
	MI Coverage or Guarantee Fee	N/A
2nd Lien Loan Terms	Down Payment Assistance	With the following exceptions, all of the 1 st lien terms apply to the 2 nd as well. Maximum 7% 2nd lien loan Repayable Fixed-rate loan Amortized over a 10 year term 4% interest rate
3rd Lien Terms	Gift	A gift to cover the closing costs not to exceed the 100% CLTV maximum These funds will be in the form of a forgivable 3rd-lien loan originated by the CDC and closed concurrently with the 1st and 2nd lien loans. No payments required Loan is fully repayable up to the 5 th year and is 20% forgiven each year thereafter. The loan is completely forgiven after the 10 th year.

Texas State Affordable Housing Corporation

Acquisition and Interim Development Loan Program - Term Sheet

The Texas State Affordable Housing Corporation (the "Corporation") is pleased to announce the availability of funds for site acquisition and interim construction loans to non-profit and for-profit developers for single-family homeownership subdivisions in underserved markets and rural areas of the state. The program provides short-term financing to increase and preserve the stock of affordable housing through rehabilitation, in-fill and subdivision development.

Although each loan will be tailored to the Borrower's individual needs, here are some of the basic terms and conditions of the program.

Eligible Borrowers:	Any reputable and experienced entities engaged in affordable housing development, including non-profit or for-profit developers, partnerships, limited liability companies, municipalities, housing authorities, or other business entities as approved by the Board.
Experience:	All Applicants will be required to submit proof of past residential construction and subdivision development experience. The Corporation will determine on a case by case basis the level of appropriate experience needed by Applicants and their partners.
Affordability:	The program targets housing developments where at least 50% of the homes will be sold to households earning 80% or less than the AMFI. The Corporation will require a minimum number of lots or homes be sold to qualified low-income households based on the percentage of funds provided and other factors. All housing constructed and sold to qualified and non-qualified households must be financed with fixed rate loans. Borrower's that do not fulfill the affordability guarantees will be subject to additional fees, fines or payments as determined by the loan agreement.
Term of Loan:	The standard length of loan agreements, (the "Term") of all loans is 18 months. Borrowers may be granted one 6 month extension to the maturity date, if benchmarks are met in the development process.
Interest Rate:	Interest rates for the Program shall be set at a fixed rate of interest based on the cost of funds available to the Corporation. The minimum interest rate for the program shall be 4.75% annually. Loans that receive an extension to the maturity date shall have an increase of .25% to the interest rate.
Payment:	Payments of principal and interest shall be made from the net sales proceeds (i.e., those proceeds remaining after the payment of normal and customary closing costs) received from the sale of lots, or homes. Interest shall be calculated on the principal balance of the loan outstanding from time to time and based upon the actual number of days elapsed divided by 360
Loan to Value Ratio (LTV):	Generally, the maximum LTV for all loans is 80%. The Corporation may consider other loan-to-value limits based on financial strength and amount of guarantees provided by the Applicant.
Qualified Expenses:	No funds may be used for administrative or general operating costs of the Applicant. Not more than \$50,000 may be used for approved predevelopment expenses. Any payout of loan funds must be accompanied by invoices, receipts of other approved reimbursement requests.
Predevelopment & Equity Investments:	The Corporation may consider Equity Investments in developments that serve very-low income (50% AMI and below) or special needs populations. The Corporation shall consider any financing, loan or investment of funds into a development as an Equity Investment, when the Borrower can not provide sufficient guarantees or owner equity, as determined by the Corporation. A minimum number of very-low income units shall be established to be reserved based on the amount and nature of the contributions made by the Corporation. Additional fees, or charges may be included in the payment terms of the loan for units or lots sold to non-qualified households.

Texas State Affordable Housing Corporation

**Request for Proposals
from Multifamily Developers
for the Rehabilitation or Construction of
Targeted Multifamily Housing in Texas using
Tax-Exempt Bond Financing**

**Texas State Affordable Housing Corporation
1005 Congress Avenue, Suite 500
Austin, Texas 78701**

Request for Proposals

In the 78th Regular Session (2003), the Texas Legislature awarded 10 percent (10%) of the State's multifamily housing volume cap to the Texas State Affordable Housing Corporation (the "Corporation"). For 2007, that amount is estimated to be approximately \$43 million. Government Code Section 2306.565 requires that the Corporation use a request for proposal ("RFP") process to allocate its set aside of multifamily volume cap. The Corporation's volume cap allocation is not subject to the restrictions of the lottery or the priority process as set forth in Government Code Section 1372.0321. The RFP is for the Corporation to choose one or more developers to work with the Corporation's staff in 2007 to develop proposed multifamily housing developments.

The developer or developers chosen through this RFP process will have full access to all or a portion of the Corporation's volume cap (as designated by the Corporation) with no further competition process; however, each specific housing development will need to be approved by the Corporation's Board of Directors (the "Board") on an individual basis before receiving a reservation from the Bond Review Board. Although volume cap is limited, the Corporation encourages proposals from developers of new and existing multifamily properties and will use its best efforts to provide bond financing to as many qualified properties as reasonably feasible for targeted areas of housing need identified by the Corporation.

The Corporation is requesting proposals from qualified persons ("Developers") interested in working with the Corporation to construct or rehabilitate the following multifamily housing as targeted by the Corporation:

- 1) Rehabilitation of Multifamily Housing
- 2) Rural Housing (New Construction or Rehabilitation)
- 3) Senior Housing (New Construction or Rehabilitation)
- 4) Supportive Housing (New Construction or Rehabilitation)

The Corporation will offer approximately \$43 million in private activity bonds along with a low interest, cash flow loan of up to \$500,000.

Questions about the RFP can be directed in writing to:

David Danenfelzer
Texas State Affordable Housing Corporation
1005 Congress Avenue, Suite 500
Austin, Texas 78701
Telephone (512) 477-3555, Ext. 403
Fax (512) 477-3557
Email: ddanenfelzer@tsahc.org

All questions and responses will be posted on the Corporation's web site (www.tsahc.org) within the Multifamily Bond Programs section. Developers will be held responsible for information posted to the website related to the RFP. Submissions are due by no later than 2:00 P.M. Central Time on Friday, January 5, 2007. If the Corporation's allocation of volume cap is not fully preliminarily allocated at the January meeting, or becomes available at a later date, then the Corporation will announce the availability of such funds and accept new Responses. All responses must be submitted at least 14 days prior to the next available board meeting to be considered for a preliminary allocation.

General Information

The Corporation is interested in contracting with a firm that is experienced, qualified, and interested in partnering with the Corporation for the rehabilitation or construction of multifamily rental housing in the targeted areas of housing listed above.

The staff of the Corporation will score and rank the Developers and their proposed potential developments (“Proposed Developments”) based on the Scoring Criteria in Appendix A, and the Board may select one or more Developers. The Board may preliminarily allocate its available volume cap between Developers for planning and development purposes, if more than one Developer is chosen. More than one property may be pooled together under a single bond issuance. **The RFP will be extended month-to-month until the Corporation’s entire volume cap is preliminarily allocated.** The Board may choose alternate Developers who may receive a portion of the Corporation’s volume cap if one or more of the Developers first chosen by the Board do not obtain a reservation of allocation by July 2007.

Proposed Development Requirements

Requirements:

1) The Proposed Developments must meet one or more of the targeted housing needs of the State:

- A) Rehabilitation of Multifamily Housing
- B) Rural Housing (New Construction or Rehabilitation)
- C) Senior Housing (New Construction or Rehabilitation)
- D) Supportive Housing (New Construction or Rehabilitation)

Applicable Definitions:

Rehabilitation- As defined in the Texas Department of Housing and Community Affairs Qualified Allocation Plan (QAP) in effect at the time of the Response. Rehabilitation also includes Reconstruction, as defined in the QAP.

Rehabilitation Costs - Rehabilitation Developments must establish that the Rehabilitation will substantially improve the condition of the housing and will involve at least \$12,000 per unit in direct hard costs unless financed with TX-USDA-RHS in which case the minimum is \$6,000.

Rural - An Area that is a) outside the boundaries of a metropolitan statistical area (MSA); or b) within the boundaries of an MSA, if the area has a population of 20,000 or less and does not share a boundary with an area that has a population greater than 20,000; or c) in an area that is eligible for New Construction or Rehabilitation funding by the U.S. Department of Agriculture-Rural Housing Service. (**Area** means an incorporated place or Census Designated Place as defined by the US Census Bureau. Proposed Developments located outside the boundaries of a place shall use the Area definition of the closest place.)

Senior Housing - A Proposed Development that meets the requirements of the federal Fair Housing Act and: a) is intended for, and solely occupied by, individuals 62 years of age or older; or b) is intended and operated for occupancy by at least one individual 55 years of age or older per unit, where at least 80% of the total housing units are occupied by at least one individual who is 55 years of age or older; and where the owner publishes and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for individuals 55 years of age or older. (See 42 U.S.C. Section 3607(b)).

Supportive Housing - A combination of affordable housing with services that helps people live more stable, productive lives. Supportive Housing should be designed for people who face

serious challenges, such as homelessness, very low incomes, and serious persistent issues that may include substance abuse, mental illness, and HIV/AIDS.

Proposals not meeting the requirement above will not be scored or presented to the Board.

2) The Corporation seeks to provide housing to a mix of eligible households, including the low and very low income. **A Developer will be disqualified from consideration if any of requirements (a) through (c) below are not met.** At a minimum, all Developments will be required to meet the following income and rent restrictions:

- (a) **Minimum Income Restrictions.** A minimum of twenty percent (20%) of the units in a Qualified Residential Rental Project must have Gross Rents that are restricted to households with incomes no greater than fifty percent (50%) of the Area Median Income (“AMI”), adjusted for family size, or at least forty percent (40%) of the units in the Project must be affordable to persons and families with incomes at or below sixty percent (60%) of the AMI, adjusted for family size.
- (b) **Rent Restrictions.** Gross monthly rent charged on an income restricted unit will not exceed 30% of the applicable AMI.
- (c) **Minimum Term of Restrictions.** Income and rent restrictions must be maintained for a qualified project period to be determined in accordance with federal and state law.

To receive the maximum amount of points the Developer may choose to serve lower income groups through the following method:

- (d) **Preferred Income Restrictions.** A minimum of forty percent (40%) of the units in a Qualified Residential Rental Project must have Gross Rents that are restricted to households with incomes no greater than fifty percent (50%) of the AMI. The remaining units must be restricted to households with incomes no greater than sixty percent (60%) of the AMI.

All applications must comply with the Texas Department of Housing and Community Affairs (TDHCA) Qualified Allocation Plan (QAP) and Rules pertaining to the Low Income Housing Tax Credit Program in effect at the time of response in order to apply for 4% tax credits.

Development Characteristic Standards

Construction and Amenities Standards

Minimum standards for size of the units at a Proposed Development (New Construction Only) are as follows:

- (1) 500 square feet for an efficiency unit;
- (2) 650 square feet for a non-elderly one bedroom unit; 550 square feet for an elderly bedroom unit;
- (3) 900 square feet for a non-elderly two bedroom unit; 750 square feet for an elderly two bedroom unit;
- (4) 1,000 square feet for a three bedroom unit; and
- (5) 1,200 square feet for a four bedroom unit.

Minimum Amenities for the units at the Proposed Development include:

- (1) New Construction Units must be built with three networks: One network installed for phone using CAT5e or better wiring; a second network for data installed using CAT5e or better wiring; and a third network for TV services using COAX cable;
- (2) Mini blinds or window coverings for all windows;
- (3) Dishwasher and Disposal (not required for TX-USDA-RHS Developments);
- (4) Refrigerator;
- (5) Oven/Range;
- (6) Exhaust/vent fans in bathrooms; and
- (7) Ceiling fans in living areas and bedrooms.

Approved Added Potential Property Amenities include:

- (8) Full perimeter fencing;
- (9) Controlled gate access;
- (10) Gazebo w/sitting area;
- (11) Accessible walking path;
- (12) Community gardens;
- (13) Community laundry room;
- (14) Public telephone(s) available to tenants 24 hours a day;
- (15) Barbecue grills and picnic tables--at least one for every 50 Units;
- (16) Covered pavilion that includes barbecue grills and tables;
- (17) Swimming pool;
- (18) Furnished fitness center;
- (19) Equipped Business Center (computer and fax machine) or Equipped Computer Learning Center;
- (20) Furnished Community room;
- (21) Library (separate from the community room);
- (22) Enclosed sun porch or covered community porch/patio;
- (23) Service coordinator office in addition to leasing offices;
- (24) Senior Activity Room (Arts and Crafts, etc.)—Only Senior Property eligible;
- (25) Health Screening Room;
- (26) Secured Entry (elevator buildings only);
- (27) Horseshoe, Lawn Bowling Courts, Croquet Courts, Bocce Ball Courts, Putting Green or Shuffleboard Court--Only Senior Property eligible;
- (28) Community Dining Room w/full or warming kitchen--Only Senior Property eligible;
- (29) Two Children's Playgrounds Equipped for 5 to 12 year olds, two Tot Lots, or one of each--only family developments eligible;
- (30) Sport Court (Tennis, Basketball or Volleyball)--only family developments eligible; or
- (31) Furnished and staffed Children's Activity Center--only family developments eligible.

Approved Added Potential Unit Amenities:

- (32) Covered entries;
- (33) Nine foot ceilings;
- (34) Microwave ovens;
- (35) Self-cleaning or continuous cleaning ovens;
- (36) Ceiling fixtures in all rooms (light with ceiling fan in all bedrooms);
- (37) Refrigerator with icemaker;
- (38) Laundry connections;
- (39) Storage room or closet, of approximately 9 square feet or greater, which does not include bedroom, entryway or linen closets – does not need to be in the Unit but must be on the property site;
- (40) Laundry equipment (washers and dryers) for each individual unit;
- (41) Thirty year architectural shingle roofing;
- (42) Covered patios or covered balconies;
- (43) Covered parking (including garages) of at least one covered space per Unit;
- (44) 100% masonry on exterior, which can include stucco, cementitious board products, concrete brick and mortarless concrete masonry, but not EIFS or synthetic stucco;

- (45) Greater than 75% masonry on exterior, which can include stucco and cementitious board products, concrete brick and mortarless concrete masonry, but not EIFS or synthetic stucco EFIS ;
- (46) Use of energy efficient alternative construction materials (for example, Structural Insulated Panel construction) with wall insulation at a minimum of R-20;
- (47) R-15 Walls / R-30 Ceilings (rating of wall system);
- (48) 14 SEER HVAC for New Construction or radiant barrier in the attic for Rehabilitation;(WG)
- (49) Energy Star or equivalently rated refrigerators and dishwashers;
- (50) High Speed Internet service to all Units at no cost to residents; or
- (51) Fire sprinklers in all Units.

Substantial Resident Services

A Developer will only receive points for providing resident services under the scoring criteria if substantial resident services will be provided to the residents of the Proposed Development(s). Substantial Resident Services means that the Developer will have a sustained program for providing services to its tenants. A sustained program means that the Developer will provide at least five (5) services to its residents on an on-going basis, there must be a dedicated budget for the services, transportation to the services if off-site, and preferably on-site staff to provide the services. The five (5) services claimed must be listed in the TSAHC Resident Services Program Guidelines, attached as Appendix B.

Texas Standard for Energy Efficiency

The TDHCA QAP requires all developments to meet the standard statewide energy code adopted by the State Energy Conservation Office. On September 1, 2005, two new energy code notices were put into effect: IECC (International Energy Conservation Code)-2003 and ASHRAE (American Society of Heating, Refrigerating and Air Conditioning Engineers) 90.1-2004; also known as the "Texas Standard". Under this program, minimum requirements are set for energy efficient design and major renovation projects so that they may be constructed, operated, and maintained in a manner that minimizes the use of energy without constraining the building function or the comfort of the occupants. The Corporation promotes the use of energy efficiency in multi-family housing developments by providing a point based incentive for exceeding the Texas Standard.

Submission Requirements

Submissions to this RFP must include brief summary responses to the following in the order listed along with each section tabbed. If any item listed below is not included in the submission, please provide a written explanation behind the tabbed section. The Corporation reserves the right to request additional information upon review of initial submissions.

1. **Title Page & Application Form**
2. **Scoring Criteria: Targeted Multifamily Housing A.** Describe the Proposed Development(s) that you would like for the Corporation to finance using its allocation of multifamily private activity bonds, clearly describing how the development(s) meet the targeted housing needs of the state as designated by the Corporation (Rehabilitation, Rural, Senior, or Supportive). Please provide all known parameters for the Proposed Developments, including location and zoning maps. In addition, provide an organizational chart of the proposed ownership structure for the Proposed Development(s) and identify the various legal entities to be involved in the construction, ownership, operation, and management of the improvements and the nature of their

involvement. Describe the roles and responsibilities of each team member on this Development and provide resumes that include qualifying experience.

3. **Scoring Criteria: Affordability B. and C.** Describe how the Proposed Development(s) meet the low rent and low-income set aside requirements as described in this RFP.
4. **Scoring Criteria: Proposed Development Characteristics D.** Provide a Development Cost Schedule identifying anticipated development costs associated with the Proposed Development(s) to show the cost per unit (includes contractor and developer profit, overhead, and general requirements). If more than one development is proposed, the costs from all developments should be combined for the total cost per unit calculation.
5. **Scoring Criteria: Proposed Development Characteristics E.** Describe in detail the construction quality and the amenities that your firm will provide for the Proposed Development(s). Explain how the construction and amenities for the Proposed Development meet the Construction Quality and Amenities Standards of the Corporation as described in this RFP.
6. **Scoring Criteria: Proposed Development Characteristics F.** Describe in detail the resident services that you will provide at your Proposed Development(s) (resident services must be listed in the TSAHC Resident Services Program Guidelines (Appendix B)). The plan must state how services will be determined, who will be providing the services, transportation arrangements (if applicable), and available/proposed space to be used for the provision of resident services. Explain how the resident services meet the “substantial resident services” standard as described in this RFP.
7. **Scoring Criteria: Proposed Development Characteristics G.** If the Proposed Development(s) will exceed the Texas Standard as outlined by the State Energy Conservation Office, describe the energy efficiency methods proposed and explain how these compare to and exceed the minimum standard. All energy efficiency features identified should be consistent with the cost of construction information provided above.
8. **Scoring Criteria: Developer Experience and Qualifications H.** Describe experience in the development of properties using tax-exempt bond financing and/or LIHTC. Show in a table format and include the name and address of the property(s), property description, whether new construction or acquisition and rehabilitation, whether 9% or 4% LIHTC and allocation year, description of the participation of the Developer, identification of any participation by a housing-related nonprofit or city or other public entity where the property is located, and the name and telephone number of a reference person(s) for each property (maximum of 4 examples of properties completed using both LIHTC and tax-exempt bond financing, and if no properties completed using both financing methods, list a maximum of 4 properties completed using either tax-exempt bond financing or LIHTC and specify which was used).
9. **Scoring Criteria: Developer Experience and Qualifications I.** Describe past experience working on affordable housing developments with cities or other local government entities, as evidenced by the receipt of HOME funds, CDBG funds, PHA funds, real estate, or some other substantial contribution from the local government entity. Show in a table format and include a description of the work, and name and telephone number for a contact representative at each (maximum of 4 examples for each local government entity with which you worked).

10. **Scoring Criteria: Developer Experience and Qualifications J.** Describe past experience rehabilitating or constructing affordable housing developments that meet or exceed the construction and amenities standard described in this RFP. Show in a table format the address of the developments and a name and telephone number for a contact representative at each (maximum of 4 development examples).
11. **Scoring Criteria: Developer Experience and Qualifications K.** Describe your experience developing multifamily affordable properties that are currently providing substantial resident services, as defined in this RFP. Show in a table format the address of the developments, the services provided, and a name and telephone number for a contact representative at each (maximum of 4 development examples).
12. **Scoring Criteria: Developer Experience and Qualifications L.** Describe your experience successfully managing affordable housing developments; at a minimum the properties should be meeting the cash flow requirements of the properties. Show in a table format the address of the developments that you are successfully managing and a name and telephone number for a contact representative at each (maximum of 4 development examples).
13. **Scoring Criteria: Developer Experience and Qualifications M.** Describe your experience rehabilitating or constructing multifamily rental housing that exceeds the Texas Standard for energy efficiency. Show in a table format the address of the developments and a name and telephone number for a contact representative at each (maximum of 4 development examples).
14. **Scoring Criteria: Developer Experience and Qualifications N.** If applicable, describe and provide supporting evidence (e.g., certification by a governmental agency) of the status as a Historically Underutilized Business (HUB), minority business enterprise (MBE) and/or women owned business enterprise (WBE), or, if applicable, describe the Developer's or the general contractor's history of utilizing HUB's on developments completed in the last three years.
15. **Scoring Criteria: Developer Experience and Qualifications O. and P.** Prepare a table of all previous developments financed with affordable housing program assistance for which you have been a principal. Please note in the table whether the developments are in compliance with all applicable bond, tax credit, HOME, or other federal, state, or local affordable housing programs from which the development received funding and whether the developments are involved in development/financing related litigation or IRS actions. If any are out of compliance, or have been out of compliance in the last three years, please give an explanation. In addition, provide a list of all properties for which the Developer or Developer's principals have received TDHCA housing construction or rehabilitation funding. Please list the property name, the name of the legal owner of the property, the type of funding, and the city where the property is located. As part of the evaluation process, the Corporation will request information from TDHCA's Compliance Division and review any internal compliance records on each principal of the Developer.

Provide the following Certification:

Certification by the Developer and Developer's principal(s) that all previous developments financed with affordable housing program assistance are currently in compliance with all applicable bond, tax credit, HOME, or other federal, state, or local affordable housing program from which the developments received funding.

Provide the following Certification:

Certification by the Developer that all previous developments for which the Developer and/or the Developer's principal(s) or related entities were involved or were requested to be financed and which were financed with affordable housing program assistance have not been and are not currently involved in litigation regarding the development and/or financing of any of the properties and are not the subject of any IRS actions. If the Developer is unable to make this certification please explain in detail.

16. **Scoring Criteria: Developer Experience and Qualifications Q.** Audited financial statements of the Developer or Guarantor for the last three years. The Developer shall fully explain any negative audit findings. If audited financial statements are not available, please provide evidence of financial condition of Developer and/or Developers principals, or Guarantor. Provide the names of three banks or other financial institutions that can provide business references and the names and telephone numbers of contact persons. Developers should be aware that the Corporation is subject to the provisions of the Texas Public Information Act, and that information received by the Corporation may be subject to open records requests.

Response Submission and Approval Procedures

Response Filing Requirements

One response should be submitted for the entire proposal. If the response includes more than one property, there are various sections of the response that are property specific and should be submitted for each property. A Developer desiring to respond to this RFP shall complete and file with the Corporation one (1) original and two (2) copies of the RFP response (the "Response") by the submission deadline. The Response (original and two copies) shall be filed with the Corporation by mailing or delivering the same to the following address:

David Danenfelzer
Texas State Affordable Housing Corporation
1005 Congress Avenue, Suite 500
Austin, Texas 78701
(512) 477-3555, Ext. 403
(512) 477-3557 (Fax)

In addition, the Developer shall send one (1) copy of the Response to the following professionals of the Corporation by the submission deadline:

Financial Advisor
Mr. Robin Miller
First Southwest Company
325 North St. Paul Street, Suite 800
Dallas, Texas 75201

Issuer's Counsel
Mr. Robert Dubbelde
Greenberg Traurig, LLP
2700 Two Commerce Square
2001 Market Street
Philadelphia, PA 19103

Bond Counsel
Mr. Robert Dransfield

Fulbright & Jaworski L.L.P.
2200 Ross Ave.
Suite 2800
Dallas, TX 75201

Selection of Developer/Preliminary Allocation of Bond Cap

Upon compliance with the response requirements set forth in the RFP, the Corporation will conduct a preliminary review of all Responses. If all of the Response requirements are met and the Response meets the Corporation's purposes and guidelines, the Response will be scored by the Corporation in accordance with the criteria identified in Appendix A. The Developer will be notified in writing of any deficiencies identified in the Response and will be provided a timeframe to correct noted deficiencies. If the deficiencies are not corrected to the satisfaction of the Corporation within the allotted timeframe, the Response will not be considered by the Board for preliminary allocation.

The Board will have an opportunity to call any Developer before the Board (at the Board's discretion) to review the Developer's experience, qualifications, and/or the characteristics of the Proposed Developments.

At the same Board meeting at which oral presentations are made, the Board may select Developers and alternate Developers for preliminary allocation of volume cap based on the final scores of the Responses and the oral presentations. The Corporation reserves the right to approve more than one Developer and preliminarily allocate volume cap allocation to the selected Developers based on the financing needs of their Proposed Developments. **The Corporation also reserves the right not to choose any Developers, even one that is awarded the most points in the final scoring of the Responses.**

The Corporation reserves the right in its sole discretion to modify, suspend or amend this program at any time, with or without further notice to any interested party. All costs incurred in the response or development process are the sole responsibility of the Developer. All decisions of the Corporation are subject to such additional conditions, restrictions and requirements as determined by the Corporation in its sole discretion. In addition, the Corporation's selection of Proposed Developments for possible allocation of private activity bond cap is subject to final allocation approval by the Texas Bond Review Board.

Responsibilities of Developers **After Award of Preliminary Allocation by the Corporation**

Before the Board directs the Bond Review Board to reserve an allocation for a particular development, the Developer must provide the Corporation with a detailed description of the Proposed Development (the "Reservation Detail") that gives the specifics for the development, clearly setting forth that it meets the specifications in their original proposal. If the specifics vary from what was proposed, the variances must be explained in writing in the Reservation Detail. The Reservation Detail must also include evidence of local need and community support for the development, as well as evidence of financial feasibility. Evidence of local need and community support would include, but is not limited to, one or more of the following:

- 1) A letter of support for the development by the Mayor, the City Manager, or the City Administrator

- 2) A resolution of support from the City Council or County Commissioner's Court
- 3) A letter from an affected neighborhood association
- 4) Evidence that a local government entity is provided funding for the development
- 5) A letter of support from the State Representative or Senator representing the district where the development is or will be located.

Any letters of opposition received by the Developer must also be provided in the Reservation Detail.

A complete Reservation Detail must be submitted to Corporation staff at least 25 days before the Board meeting. Based on the final evaluation of the Reservation Detail, the Board may choose to pass an "Inducement Resolution" and direct the Bond Review Board to reserve an allocation for the development. If allocation remains after the July board meeting, the alternate developer(s) may submit their Reservation Detail for consideration at the August board meeting.

After the reservation of volume cap, the Corporation will hold a public hearing (the "TEFRA Hearing") on the development. Before the closing on the bonds, the staff will prepare final evaluations and recommendations to the Board, which will include any public comments received at the TEFRA Hearing. Based on those recommendations, the Board may choose to consider and adopt a Bond Resolution and to make a final decision on allocating the bonds for that development. The Corporation must approve the initial selection of a management company and all subsequent changes in management agent during the term while the bonds are outstanding.

See Appendix C for a detailed discussion of these items:

- I. Subsequent filing requirement, public hearings and document preparation
- II. Final Approval and Closing
- III. Sale of Bonds
- IV. Fees and Other Costs
- V. Miscellaneous

Appendix A Scoring Criteria

Targeted Multifamily Housing

- A. The Developer proposes rehabilitating or constructing multifamily rental housing that has been targeted by the Corporation. The following types of multifamily rental housing have been targeted by the Corporation: 1) Rehabilitation of Multifamily Housing; 2) Rural Housing (New Construction or Rehabilitation); 3) Senior Housing (New Construction or Rehabilitation) 4) Supportive Housing (New Construction or Rehabilitation). (To receive these points all proposed developments must meet a targeted housing need.) **20 points total**
20 points – meets targeted housing needs of State
0 points – does not meet targeted housing needs of State

Affordability

- B. The proposed unit rents for all Proposed Developments meet the low-rent requirement in the RFP.
20 points total
20 points – meets minimum low-rent requirement
0 points – does not meet rent requirements
- C. The proposed number of units set aside for low-income individuals and families meet the preferred or minimum set-aside requirements in the RFP. **20 points total**
20 points – meets preferred low-income set aside requirements
15 points – meets minimum low-income set aside requirements
0 points – does not meet minimum low-income set aside requirements

Proposed Development Characteristics

- D. The lowest proposed cost per unit (includes contractor and developer profit, overhead, and general requirements) for the Proposed Development(s). If more than one development is proposed, the costs from all developments should be combined for the cost per unit calculation. *The minimum hard cost per unit must meet the requirements of the TDHCA QAP.* **20 points total**
20 points – lowest per unit construction cost
15 points – next lowest per unit construction cost
10 points – next lowest per unit construction cost
5 points – next lowest per unit construction cost
0 points – next lowest per unit construction cost

- E. The Proposed Development(s) will meet or exceed the construction standards and amenities as described in the RFP.
15 points total
 15 points--each Proposed Development exceeds by 15 Added Property or Unit Amenities the Construction Standards and Amenities as described in the RFP.
 10 points – each Proposed Development exceeds by 10 Added Property or Unit Amenities the Construction Standards and Amenities as described in the RFP.
 5 points – each Proposed Development at least meets the minimum Construction Standards and Amenities as described in the RFP.
 0 points – each Proposed Development does not meet the minimum Construction Standards and Amenities as described in the RFP.
- F. The Proposed Development(s) will provide substantial resident services, as defined in the RFP, to all households at the development(s). All proposed resident services must be listed in the TSAHC Resident Services Program Guidelines (Appendix B).
15 points total
 15 points – each Proposed Development will provide substantial resident services.
 0 points – each Proposed Development will not provide substantial resident services.
- G. The Proposed Development(s) will exceed the Texas Standard for energy efficiency as described in detail in the Submission Requirements section of the RFP. (To receive these points all proposed developments must exceed the Texas Standard.) **10 points total**
 10 points – energy efficiency proposed exceeds the Texas Standard
 0 points – energy efficiency proposed does not exceed the Texas Standard

Developer Experience and Qualifications
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- H. The proposal demonstrates the experience and qualifications of the Respondent and team members as evidenced by the completion of multifamily housing rental developments using bond financing and/or Low Income Housing Tax Credits (LIHTC). **20 points total**
 20 points – 4+ multifamily developments completed using bond financing and LIHTC
 15 points – 1-3 multifamily developments completed using bond financing and LIHTC
 10 points – 4+ multifamily developments completed using bond financing or LIHTC
 5 points – 1-3 multifamily developments completed using bond financing or LIHTC
 0 points – no multifamily developments completed using bond financing or LIHTC
- I. Experience working on affordable housing developments with cities or other local government entities, as evidenced by the receipt of HOME funds, CDBG funds, PHA funds, real estate, or some other substantial contribution from the local gov't entity.
10 points total
 10 points– 3+ multifamily projects completed with the participation of a local gov't entity
 5 points – 1-2 multifamily projects completed with the participation of a local gov't entity
 0 points – 0 multifamily projects completed with the participation of a local gov't entity

- J. Experience rehabilitating or constructing multifamily affordable developments that meet or exceed the construction standards and amenities as described in the RFP.
10 points total
10 points – 3+ multifamily projects developed and completed that exceed the construction standards and amenities as described in the RFP.
5 points – 1-2 multifamily projects developed and completed that at least meet the construction standards and amenities as described in the RFP.
0 points – no multifamily projects developed and completed that meet the construction standards and amenities as described in the RFP.
- K. Experience providing quality resident services appropriate to the needs of the tenants.
10 points total
10 points– 3+ multifamily projects developed that are currently providing substantial resident services, as defined in the RFP.
5 points – 1-2 multifamily projects developed that are currently providing substantial resident services, as defined in the RFP.
0 points – 0 multifamily projects developed that are currently providing substantial resident services, as defined in the RFP.
- L. Experience and success managing affordable housing developments.
10 points total
10 points– 3+ multifamily affordable developments the development team is currently managing that are meeting the cash flow requirements of the properties.
5 points – 1-2 multifamily affordable developments the development team is currently managing that are meeting the cash flow requirements of the properties.
0 points – 0 multifamily affordable developments the development team is currently managing that are meeting the cash flow requirements of the properties.
- M. Experience rehabilitating or constructing multifamily rental housing using green building/energy efficiency techniques.
10 points total
10 points– 2+ multifamily projects developed that exceed the Texas Standard for energy efficiency.
5 points – 1 multifamily project developed that exceeds the Texas Standard for energy efficiency.
0 points – 0 multifamily projects developed that exceed the Texas Standard for energy efficiency.
- N. The development team has provided for Historically Underutilized Business (HUB) participation. **10 points total**
10 points – HUB participation on two recent developments
5 points – HUB participation on one recent development
0 points – no HUB participation
- O. All previous developments for which the Developer has been a principal are in compliance with bond, tax credit, HOME, or other federal, state, or local affordable housing programs from which the development received funding. **10 points total**
10 points – All previous developments in compliance, as certified by the Developer
0 points – Not in compliance, or no certification provided as to compliance

- P. All previous developments financed with affordable housing program assistance are not currently involved in litigation regarding the development and/or financing of a property and are not the subject of any IRS actions, or such litigation or IRS actions have been explained to the Corporation's satisfaction. **10 points total**
10 points – No litigation or outstanding IRS issues, as certified by the Developer, or fully explained to the Corporation's satisfaction
0 points – No litigation or outstanding IRS issues, or no certification provided
- Q. The financial capacity of the Developer or Guarantor has been established, as evidenced by an absence of any negative findings on audited financial statements (or audit findings that have been explained to the Corporation's satisfaction), or by financial information pertaining to the Developer and/or Guarantor in form and substance satisfactory to the Corporation. **10 points total**
10 points – financial capacity of the Developer or Guarantor established
0 points – financial capacity of the Developer or Guarantor not established

TOTAL POSSIBLE POINTS: 230

APPENDIX B

TSAHC Resident Services Program Guidelines

It is the Texas State Affordable Housing Corporation's goal to have the nation's leading Resident Services Program. To reach this goal, and better serve your residents, we need your help on site. TSAHC has created basic guidelines and report systems to help with this process.

The following is a list of activities/courses that can be implemented. If you are interested in starting an activity or course that is not on the list, please propose the new activity to the Manager of Asset Oversight and Compliance for approval. Please make sure that it will encourage economic self sufficiency and/or promote homeownership opportunities.

- Career Services
 1. Computer Literacy
 2. GED Classes
 3. Job Skills/Training
 4. Resume/ Job Search Workshop
 5. Job Fair

- Children's Services
 1. After School Care
 2. Swimming Lessons
 3. On-site Daycare
 4. On-site Tutoring Sessions
 5. Performing Arts
 6. Halloween Safety
 7. Site library

- Community Awareness
 1. Crime Watch
 2. Self Defense Course
 3. Child Id/Fingerprinting Program
 4. Fire Safety
 5. Domestic Violence Shelter/ Programs
 6. Host Support Groups Such as AA, Anger Management, etc.
 7. Community Gardens
 8. Community Service Activities (i.e. Habitat for Humanity)

- Domestic Skills
 1. Budgeting
 2. Tax Prep. Courses
 3. Low Cost Healthy Cooking
 4. Organization Classes
 5. Cleaning Supply Safety

- Medical and Health Services
 1. Basic First Aid and CPR

2. Caring for the Disabled
 3. Health and Screening Services
 4. HIV/AIDS Classes
 5. Vaccinations/ Flu Shots
 6. Weight Loss Club
 7. Diabetes/ Heart Disease Courses
 8. Babysitting Safety Courses
- Personal Development
 1. Counseling Services
 2. Credit Counseling
 3. English as a Second Language Courses
 4. Home Ownership Counseling
 5. Parenting Classes
 6. Anger Management Courses
 7. Family Counseling
 - Transportation Services
 1. Grocery Store
 2. Library
 3. Medical Visits
 4. Cultural Events

Inappropriate activities include children's movie time, patio decorating contests, gambling trips, resident parties, Easter Egg Hunts or other activities along these lines. Properties are welcome to offer these activities, but they will not count towards fulfilling the Resident Services obligation.

APPENDIX C

AFTER THE CORPORATION'S ADOPTION OF THE INDUCEMENT RESOLUTION, IT IS THE DEVELOPER'S RESPONSIBILITY TO PROCEED WITH REASONABLE DISPATCH TO COMPLETE THE BOND FINANCING PROCESS IN A TIMELY MANNER, INCLUDING, BUT NOT LIMITED TO, THE PAYMENT OF ANY FEE DEPOSITED AND THE PROVISION OF REQUIRED INFORMATION, DOCUMENTS, ETC. NECESSARY TO PROCEED.

ANY PRELIMINARY OFFICIAL ACTION OF THE CORPORATION SHOULD NOT BE CONSTRUED AS AN INDICATION AS TO THE MARKETABILITY OF OBLIGATIONS, OR AS THE FINAL APPROVAL OF THE DEVELOPMENT BY THE CORPORATION, ITS FINANCIAL ADVISOR OR BOND COUNSEL. RATHER, IT IS AN INDICATION THAT THE CORPORATION WILL ATTEMPT TO ISSUE ITS OBLIGATIONS FOR THE PROPOSED DEVELOPMENTS SUBJECT TO, (I) A READINESS TO PROCEED BY THE DEVELOPER WITH FINANCING STRUCTURE APPROVAL PROCESS, (II) THE DEVELOPER'S CONTINUING COMPLIANCE WITH THESE REGULATIONS AND COOPERATION IN PROVIDING ANY AND ALL REQUESTED INFORMATION TO THE CORPORATION, (III) APPROVAL BY THE TEXAS BOND REVIEW BOARD OF THE SALE OF OBLIGATIONS, (IV) MARKET CONDITIONS AND TERMS ACCEPTABLE TO THE CORPORATION AND TO ITS STAFF AND CONSULTANTS, (V) ACCEPTABLE EVIDENCE OF LOCAL SUPPORT FOR THE DEVELOPMENT AND (VI) APPROVAL BY THE TEXAS ATTORNEY GENERAL OF THE ISSUANCE OF THE OBLIGATIONS.

I. Subsequent Filing Requirements, Public Hearings and Document Preparation

1. Subsequent Filing Requirements. Prior to review of the Reservation Detail for final approval by the Corporation, and prior to review by the Texas Bond Review Board, the Developer may file such additional documents or statements in support thereof as the Developer shall consider relevant and appropriate and shall file the following:

(a) such additional information as is requested by the Corporation, the Financial Advisor, or Bond Counsel;

(b) a proforma copy of any official statement, prospectus, or other offering memoranda, through the use of which the proposed obligations are to be offered, sold, or placed with any lender, purchaser, or investor, which offering, sale, or placement material shall contain prominent disclosure substantially to the effect that:

(i) neither the Corporation nor the State has undertaken to review or has assumed any responsibility for the matters contained therein except solely as to matters relating to the Corporation and to a description of the obligations being offered thereby;

(ii) all findings and determinations by the Corporation and the State, respectively, are and have been made by each for its own internal uses and purposes in performing its duties under the legislation enabling the Corporation and these Regulations;

(iii) notwithstanding its approval of the obligations and the Development, neither the State, nor the Corporation endorses or in any manner, directly or indirectly, guarantees or promises to pay such obligations from any source of funds of either or guarantees, warrants, or endorses the creditworthiness or credit standing of the Developer or of any Guarantor of such obligations, or in any manner guarantees, warrants, or endorses the investment quality or value of such obligations; and

(iv) such obligations are payable solely from funds and secured solely by property furnished and to be furnished and provided by the Developer and any Guarantor and are not in any manner payable wholly or partially from any funds or properties otherwise belonging to the Corporation or the State.

2. Public Hearings and Meetings. The Corporation is required to hold certain public hearings and meetings prior to final approval by the Corporation's Board and by the Texas Bond Review Board. With respect to the public hearing required under federal tax law by the Tax Equity and Fiscal Responsibility Act ("TEFRA"), the Corporation is required to hold such hearing (the "TEFRA Hearing") in the jurisdiction in which the Development is to be located. The Corporation must publish notice in the *Texas Register* and the local newspapers of general circulation in the participating jurisdictions at least fifteen (15) days prior to the TEFRA hearing. The *Texas Register* is published only on Fridays and such notice must be provided to the *Texas Register* no later than noon on the Wednesday which is ten (10) days preceding the Friday in which the publication is requested. **The *Texas Register* provides no exceptions to this deadline.** Accordingly, the Corporation will require the Developer to provide an appropriate location, date and time for TEFRA hearings as approved by the Corporation and transmit this information to the Corporation at least 7 days prior to the date notice is required to be published in the *Texas Register*. The TEFRA Hearing may not be held (and notice of such Hearing may not be published) prior to the date a Development is selected by the Corporation; provided, however, that such hearings may be scheduled and publication of notice of such hearings may be provided for prior to selection as long as (a) the Corporation's staff determines that such action is appropriate, (b) the hearing and publication of notice do not actually occur until after selection by the Corporation and (c) the Borrower provides the deposit to the Corporation set forth in Section IV.A.1. (d) below.

The Corporation must also provide notice of the TEFRA hearing(s) to certain members of the Texas Legislature, local public libraries, homeowners' associations or other recognized neighborhood organizations or groups within a one mile radius of the Development(s), county and city officials, residents of the Development(s) (if occupied), and other interested parties designated by the Corporation. The Corporation will not publish notice of a public hearing until it has received from the Developer:

- (a) the names and addresses of any affected homeowners' associations, and
- (b) the names of the state legislators, the city council members and the county commissioners in whose district or precinct (as applicable) the Development(s) are located.

THE INFORMATION REQUIRED BY THE CORPORATION TO GIVE NOTICE OF THE TEFRA HEARING IS AVAILABLE FROM THE CORPORATION. A HEARING INFORMATION FORM MUST BE RETURNED TO THE CORPORATION AT LEAST 7 DAYS PRIOR TO THE DATE NOTICE MUST BE PROVIDED TO THE TEXAS REGISTER. FAILURE TO TIMELY PROVIDE THIS INFORMATION TO THE CORPORATION MAY RESULT IN A DELAY IN PUBLIC NOTICE AND ACCORDINGLY, A DELAY IN THE CLOSING OF THE DEVELOPMENT.

3. Bond Review Board Approval. Obligations issued by the Corporation are subject to approval by the Texas Bond Review Board (the "BRB"). BRB rules provide an exemption

from the formal approval process for Texas State Affordable Housing Corporation Multifamily conduit transactions unless such transactions involve an ad valorem tax reduction or exemption. If no ad valorem tax exemption or reduction is requested with respect to the Development, the formal BRB approval process should not be required. However, if one or more BRB members request it, the formal BRB approval process must be followed. If so, representatives of the Developer are expected to attend the BRB planning session and the BRB meeting at which the Development will be considered for approval. Additional information may be requested by BRB members and the Developer's cooperation in providing this information is required.

If the formal BRB approval process is required, the Corporation, with the assistance of its Bond Counsel, will prepare and file the notice of intent and the BRB Application for the Development. The Corporation will file the notice of intent and the BRB Application with the BRB only if it has timely received all required information and documentation for the completion of the BRB Application from the Developer and/or its consultants.

4. Document Preparation. Bond Counsel shall have the primary responsibility for the preparation of the legal instruments and documents to be utilized in connection with the financing of the Development by the Corporation. No bonds or other obligations will be sold or delivered unless the legality and validity thereof have been approved by Bond Counsel. The Developer and its legal counsel shall cooperate fully with Bond Counsel, the Financial Advisor, the Issuer's Counsel and the Corporation's agents in the preparation of such materials.

5. Material Changes to Financing Structure. Any and all material proposed changes to the financing structure, ownership of the Development, or scope or materials of or for the Proposed Development, from that set forth in the Response or the Reservation Detail must be disclosed to the Corporation immediately in writing and approved by the Corporation.

In the event that the Development does not close within the time frame established by the Corporation, the Corporation reserves the right to terminate its participation in the financing. See Section V.B. below.

II. Final Approval and Closing

1. Final Approval by the Corporation. The Board will consider final action on the Reservation Detail after the completion of the public hearings and at the recommendation by the Corporation's staff. If approved, the Board shall adopt a resolution, in such form as is recommended by Bond Counsel, authorizing the issuance of obligations to provide financing for the Development. Final approval will be granted only upon:

(a) receipt by the Board of evidence satisfactory to it that the Developer has complied in all material respects with these Regulations not otherwise waived by the Board; and

(b) an affirmative determination of the Board that:

(i) all requirements for and prerequisites to final approval under these Regulations have either been satisfied or waived and are in form and substance satisfactory to the Board; and

(ii) the operation of the Development(s) will constitute a lawful activity, is qualified for approval by the State, complies with and promotes the purposes of the Corporation and satisfies the requirements of the Corporation.

2. Closing of the Development. Following the public hearing(s) and final approval by the Corporation and the BRB (if necessary), the Corporation will proceed to close the financing in accordance with the documents approved by the Corporation and when finally approved by the Texas Attorney General and Bond Counsel in accordance with the terms of the sale or placement.

III. Sale of Bonds

A. Structure of the Development. There are a variety of bond financing structures and credit enhancements that may be utilized by the Developer such as letters of credit, mortgage insurance and surety bonds. Prospective Developers are encouraged to contact the Corporation's Financial Advisor for further information regarding financing structures prior to submission of a Reservation Detail. The Developer is required to execute an agreement in connection with awarding the sale of the Corporation's obligations to an underwriter or to an institutional purchaser through a private placement which obligates the Developer to the payment of the costs of issuing such obligations as more fully described herein.

B. Environmental Review. Prior to the sale of the obligations, the Developer will be required to conduct a Phase I Environmental Site Assessment. At bond closing, the Developer will be required to provide an environmental indemnity clause in the form to be provided by Bond Counsel.

C. Public Sale Requirements.

1. If the obligations are to be publicly sold, whether by competitive bid or negotiated sale, the bond issue must be structured so as to receive an investment grade rating of "BBB-" (or its equivalent) or higher by a nationally recognized rating agency acceptable to the Corporation and its Financial Advisor. If a credit enhancement is being provided, obligations may be credit-enhanced by an institution that is acceptable to the Corporation and its Financial Advisor.

The Reservation Detail must indicate the type and nature of the proposed credit enhancement or surety, and the name and telephone number of a contact person (if known at time of submission) at such institution.

2. Obligations with an investment grade rating of "AA" or higher may be in minimum denominations of \$50,000. For the Corporation to approve transactions that are rated "BBB-" (or its equivalent) or higher but less than "AA," the obligations must be sold in minimum initial denominations of \$100,000 and in integrated multiples of \$5,000 for amounts in excess of \$100,000.

D. Limited Offering Requirements. If the obligations do not have an investment grade rating of "BBB-" (or its equivalent) or higher, the Corporation will consider such obligations to be non-rated for purposes of this subsection D. The Corporation may require that the obligations be rated or permit, at its sole discretion, the issuance of the obligations without a rating. The Corporation requires that non-rated obligations be privately placed or offered on a limited basis with restrictions. In order for a non-rated transaction to be considered by the Corporation, the placement must comply with the following minimum requirements: (i) the sale must be made to a "qualified institutional buyer" as defined in Rule 144(a) of the Securities Act of 1933 (a "QIB") or an "accredited investor" as defined in Regulation D under such act (an "Accredited Investor") and cannot be an underwriting or purchase with an intent to resell any portion of the obligations, (ii) if they are sold to QIBs, the obligations must be issued in

minimum denominations of not less than \$250,000 and integral multiples of \$5,000 in excess thereof, and if they are sold to Accredited Investors, the obligations must be issued in such higher minimum denomination as the Corporation may require, (iii) at such time as the bond financing is presented to the Corporation for final approval, the Developer (or placement agent, if applicable) must (a) identify the Purchaser of the obligations and (b) provide a written commitment from the Purchaser in form and content customarily used by real estate lending institutions outlining the terms and conditions of such commitment to purchase the obligations, (c) the Purchaser must represent that it is in the business of originating or acquiring and owning for its account, tax-exempt bonds or mortgage loans on multifamily rental housing properties, (d) there shall be no offering statement of the Corporation, or when a placement agent is involved in the sale of the obligations, there may be a placement memorandum prepared by the agent for the Purchaser, and (e) the Corporation may require that one physical obligation be issued with a legend stating that the initial and any subsequent purchaser(s) of such bond shall be a QIB or an Accredited Investor, as applicable. In the case of a private placement transaction, the Developer or placement agent, upon delivery of the obligations, shall provide the Corporation with an executed investment letter from the investor purchasing the obligations substantially to the effect that: (1) it is engaged in the business, among others, of investing in tax-exempt securities and is a QIB or an Accredited Investor, as applicable; (2) it has made an independent investigation into the financial position and business condition of the Developer and therefore waives any right to receive such information; and (3) it has received copies of the financing documents pursuant to which such obligations are issued. A form of such investment letter will be provided by the Corporation.

Any variation to the requirements set forth above must be requested in writing by the Developer and must be approved by the Corporation, and be acceptable to the Bond Counsel, Financial Advisor, and Issuer's Counsel.

IV. FEES AND OTHER COSTS.

The Developer will be responsible for all fees and expenses in connection with all bonds issued on its behalf. Such expenses, where eligible under the Code, may be financed through bond proceeds and will be considered part of the obligations authorized for issuance by the Corporation. Federal tax law provides that only two (2%) percent of the proceeds of a tax exempt bond offering may be used to pay "costs of issuance." The Developer commits to pay from other sources any costs of issuance not payable from tax-exempt bond proceeds. The following fees are payable at the times and in the amounts as described below. ***ALL FEES ARE NONREFUNDABLE, EXCEPT AS OTHERWISE PROVIDED HEREIN.***

A. Processing Fees, Closing Fees and Costs.

1. Processing Fees.

(a) Within 5 business days after the date of the meeting at which the Development is induced by the Board of the Corporation (after the Reservation Detail has been presented), the Developer shall make an initial deposit for expenses related to public hearings and application for private activity bond allocation. **Such deposit shall be \$7,500.**

Following the issuance of a reservation for volume cap from the Bond Review Board, the Developer shall make another deposit with the Corporation which shall be credited against fees and expenses incurred by Bond Counsel, the Financial Advisor and Issuer's Counsel in connection with the proposed financing. **Such deposit shall be \$27,500, which represents a \$12,500 deposit for Bond Counsel fees, a \$10,000 deposit for Financial**

Advisor's fees, and a \$5,000 deposit for Issuer's Counsel fees. All fees and expenses incurred by Bond Counsel, the Financial Advisor and Issuer's Counsel in connection with the Developer's transaction shall be deducted from such deposit whether or not the obligations are issued and the remaining balance, if any, shall be refunded to the Developer.

If the fees and expenses of Bond Counsel, the Financial Advisor and Issuer's Counsel exceed the amount of such initial deposit, the Corporation may require the Developer to deposit additional sums to be applied to the payment of the fees and expenses of Bond Counsel, the Financial Advisor and Issuer's Counsel. The amounts deposited with the Corporation by the Developer for payment of such fees and expenses will be applied to pay for the services rendered to the Corporation by such professionals whether or not the obligations are issued. The remaining balance of any such deposit, after payment of all such fees and expenses, shall be refunded to the Developer. If obligations are issued, such deposited amounts will be credited towards the fees and expenses of such professionals referred to below.

(b) The Developer shall reimburse the Corporation for all costs and expenditures incurred by the Corporation, prior to and after the selection of the Development by the board, to analyze the appropriateness and willingness of the Corporation to provide bond financing for the Developer's transaction, including, but not limited to, the reimbursement of costs and expenditures for (i) on-site visitation of multifamily residential developments to be financed (or the site(s) therefore), (ii) any reports deemed necessary or appropriate by the Corporation and not otherwise provided by the Developer, (iii) all costs and expenses (including travel and related expenses) of conducting public hearings and related meetings (described herein) and (iv) such other activities, inspections and investigations as are deemed necessary or appropriate by the Corporation in connection with its determination of the suitability of the Proposed Development for financing assistance to be offered by the Corporation. The Corporation will invoice the Developer for such costs and expenditures, and the Developer shall pay such invoices within ten (10) days of receipt. Failure to make prompt payment of such invoices may result in a termination of the participation of the Corporation and its consultants in the financing.

2. Closing Fees. Concurrently with the closing of the financing, the Developer shall pay or cause to be paid all fees and expenses in connection with the issuance of the obligations including, but not limited to, the following professional fees and other costs:

(a) all fees and expenses of Bond Counsel (to the extent such fees and expenses have not been covered by the above referenced deposit);

(b) all fees and expenses of the Financial Advisor (to the extent such fees and expenses have not been covered by the above-referenced deposit) or other consultants, for services rendered to the Corporation in connection with the Development or the issuance of the obligations;

(c) all fees and expenses of Issuer's Counsel (to the extent not covered by the above-referenced deposit);

(d) the actual amount of any closing or acceptance fees of any trustee for the obligations, any fees and premiums for casualty and title insurance, any security filing costs, any fees for placing the obligations, any fees and expenses of any compliance agent appointed in connection with the review of any property, any out-of-pocket expenses incurred by professionals acting on behalf of the Corporation, and any other costs and expenses, including issuance expenses, relating to the obligations, their security, and the Development;

(e) a closing fee to the Corporation of \$0.50 per \$1,000 principal amount of obligations issued, with a minimum closing fee of \$5,000;

(f) a closing fee to the Texas Bond Review Board of \$1,000 or 0.025% of the principal amount of the bonds certified as provided by §1372.039(a)(1), Government Code, whichever is greater.

3. Financial Advisor Fees. The fee to be paid to the Corporation's Financial Advisor shall be 1) for the first \$15,000,000 of bond principal, the fee shall be \$10,000 plus \$2.00/\$1,000 of the principal amount of debt issued with a minimum fee of \$20,000 (unless otherwise agreed to by the Corporation's Financial Advisor) and 2) for amounts above \$15,000,000 the fee shall be reduced to \$1.00/1000 for that amount over \$15,000,000. In addition, the Corporation's Financial Adviser shall also serve as the bidding agent for an additional fee with respect to all investment contracts to be entered into in connection with the investment of bond proceeds and revenues of the Developments. If the financing structure proposed by the Developer involves unique financing features such as hedge agreements, swap agreements, trust structures the fees to be charged by the Financial Advisor are subject to adjustment.

4. Bond Counsel Fees. The fee to be paid to Bond Counsel shall be \$4/\$1,000 of the principal amount of debt issued for the first \$20,000,000 of the principal amount of debt issued, \$3/\$1,000 of the principal amount of debt issued for the next \$20,000,000 of the principal amount of debt issued, and \$2/\$1,000 of the principal amount of debt issued thereafter, with a minimum fee of \$25,000 (unless otherwise agreed to by Bond Counsel). If the financing structure proposed by the Developer involves unique financing features such as hedge agreements, swap agreements, trust structures the fees to be charged by Bond Counsel are subject to adjustment.

In addition to the fees paid to Bond Counsel, the Developer will reimburse Bond Counsel for all out-of-pocket expenses incurred by Bond Counsel in connection with the Development. Such expenses include Bond Counsel fees in connection with the TEFRA Hearings and preparation and publication of notices thereof, Attorney General filing fees, and the preparation and filing of the BRB Applications and supplements thereto.

5. Issuer's Counsel Fees. The fee to be paid to Issuer's Counsel shall be \$1.00/\$1,000 of the principal amount of debt issued for the first \$10,000,000, \$0.80/\$1,000 of the principal amount of debt issued for the next \$10,000,000, and \$0.70/\$1,000 of the principal amount of debt issued thereafter, with a minimum fee of \$7,500 (unless otherwise agreed to by Issuer's Counsel.) In addition to the fees paid to Issuer's Counsel, the Developer will reimburse Issuer's Counsel for all out-of-pocket expenses incurred by Issuer's Counsel in connection with the Development. If the financing structure proposed by the Developer involves unique financing features such as

hedge agreements, swap agreements, trust structures the fees to be charged by Issuer's Counsel are subject to adjustment.

6. Administrative Fee. Until the final maturity of the obligations, the Developer will pay an Administrative Fee, remitted through the respective bond trustee to the Corporation on such basis as designated by the Corporation, in an amount equal to ten (10) basis points annually of the aggregate principal amount of the obligations outstanding, with a minimum annual fee of \$5,000. The Administrative Fee is exclusive of the trustee's fee, compliance agent fee, rebate analysts' fee, asset-oversight management fee (if required), audit fee, independent analyst fee, and any other costs or extraordinary costs as permitted under the respective bond documents. Payment of the Administrative Fee is to be covered by the bond credit enhancement and/or secured under the first mortgage on the property assigned to the bond trustee. The Corporation may require the payment of the Administrative Fee to be guaranteed by the Development owner and/or general partner(s).

7. Trustee's Fees. The Developer shall select a bond trustee from a list of bond trustees approved by the Corporation to administer the funds and accounts pursuant to the trust indenture between the Corporation and the trustee bank. All trustee fees and expenses, including fees of trustee's counsel, shall be approved by the Corporation, and will be paid by the Developer.

8. Auditor's Fees. The Corporation may at any time over the life of the project appoint an auditor to review the financial transactions under the bond documents, the compliance agent, and a rebate analyst to perform an analysis of rebate requirements with respect to the issue. Such fees and costs shall be paid by the Developer.

B. Continuing Costs.

Each Developer shall pay to the Corporation, in the manner described in the Development documents, the following amounts:

1. An annual asset oversight fee equal to \$25 per unit for the Development (as such fee may be adjusted in accordance with the Asset Oversight Agreement) (The Corporation may require the owner of the Development and/or related entities or person to guaranty the payment of these fees);

2. An annual compliance fee equal to \$20 per unit for the Development (as such fee may be adjusted in accordance with the Compliance Agreement) (The Corporation may require the owner of the Development and/or related entities or person to guaranty the payment of these fees);

3. Any amounts payable pursuant to any indemnity contract or agreement executed in connection with any financing of the Corporation completed as herein contemplated, and

4. The amount allocable to each Developer (whose financing has been completed) of costs and expenses incurred by the Corporation in the administration of the indemnity contract or agreement, any program established in connection with the financing of a Development, and any obligations of the Corporation, including an annual accounting and/or audit of the financial records and affairs of the Corporation. The amount of costs or expenses paid or incurred by the Corporation under this clause shall be divided and allocated equally among all Developers whose financings have been completed.

C. Changes in Fees. The Corporation reserves the right at any time to change, increase or reduce the fees payable under these Regulations. All fees imposed subsequent to closing by the Corporation under these Regulations will be imposed in such amounts as will provide funds, as nearly as may be practical, equal to that amount necessary to pay the administrative costs of conducting the business and affairs of the Corporation, plus reasonable reserves therefore.

D. Failure to Timely Pay Fees and Costs. The Corporation will not consider submissions for future transactions proposed by Developers who are delinquent in the payment of any fees described in this Section IV.

V. MISCELLANEOUS.

A. Unauthorized Representations and Bond Marketing Practices.

1. Required Approvals. No Developer, or any representative of any Developer or the Corporation, shall represent, directly or indirectly, to any lender (interim or otherwise) supplier, contractor, or other person, firm, or entity that the Corporation has agreed or is firmly committed to issue any obligations in relation to any Development or Response, or Reservation Detail until the Board has given final approvals for the issuance thereof under these Regulations, and then subject to the governmental approvals required by these Regulations and the approval of the Attorney General of the State of Texas, the approval of Bond Counsel and subject to any requirements imposed by the Corporation's Articles of Incorporation.

2. Offering Statement. No Developer, or any representative of the Developer or the Corporation, shall ever make any representation, directly or indirectly, express or implied, of any fact contrary to the disclosures required to be made by paragraph II.C.1.(b) of these Regulations (regarding an offering statement, prospectus or other offering memoranda).

3. Registration. Neither the Developer nor any securities firm, underwriter, broker, dealer, salesman, or other person, firm, or entity shall offer, sell, distribute, or place any obligations authorized by the Corporation by any process, method, or technique or in any manner, transaction, or circumstances or to any person or persons, the effect of which would be to require such obligations to be registered or would require filings to be made with regard thereto under the laws of the state or jurisdiction where such offer, sale, distribution, or placement is made without first registering the same or making the filings regarding the same required by such laws.

B. Failure to Comply with these Regulations. The Corporation will not consider submissions from Developers for a potential Development if the Developer is a borrower (or a related party thereto) in connection with obligations previously issued by the Corporation and such borrower (or related party) is not in compliance with the requirements set forth in these Regulations or is delinquent in the payment of any fees or costs set forth in these Regulations with respect to such prior issued obligations of the Corporation.

C. OTHER REQUIREMENTS. THE CORPORATION MAY IMPOSE ADDITIONAL OR DIFFERENT REQUIREMENTS ON A DEVELOPER THAN THOSE PROVIDED IN THESE REGULATIONS IN THE EVENT THAT THESE ADDITIONAL OR DIFFERENT

REQUIREMENTS BECOME NECESSARY TO PROVIDE THE BEST OPPORTUNITY FOR APPROVAL BY THE CORPORATION'S BOARD OF DIRECTORS AND/OR THE TEXAS BOND REVIEW BOARD.

Texas State Affordable Housing Corporation

Reservation Detail Package

Tab 1

I. Summary.

These guidelines are to be used by Developers that have been awarded preliminary allocations of Private Activity Bonds by the Texas State Affordable Housing Corporation (the "Corporation"). Developers are required to complete and submit all of the information detailed in these guidelines in order for the Corporation to complete its process of issuing an inducement resolution and submitting an application for reservation of an allocation of private activity bonds to the Texas Bond Review Board (the "TBRB"). It is important to note that if the Corporation, its issuer's counsel, bond counsel or other authorized party requires additional information from the Developer, its representatives will be required to submit such information in a timely manner.

II. Submission Requirements.

The Reservation Detail Package may be bound in either a three ring binder or brown press board binder (no other color will be accepted). The binder should be clearly labeled with the Developer's name, address, phone, fax and contact person's name. More than one contact person is recommended. The Developer is responsible for purchasing the proper binding materials.

The Developer must also submit one electronic copy of the Reservation Detail Package. The electronic copy must be readable by Adobe Reader™ software and each tab of the package must be bookmarked appropriately. The Reservation Detail Package should be organized using raised tabs and in the following manner:

Tab 1 – Complete the development information form on page three, insert pages 1 through 3 of the Reservation Detail Package, and include all letters of community support or opposition as noted on page 3.

Tab 2 – Insert all necessary copies of the Property Information sheet and site control documentation behind Tab 2.

Tab 3 – Sign and submit the certification page along with the Resolution to Submit Resolution Detail Package behind Tab 3.

No fees are required to be submitted with this Reservation Detail Package. However, pursuant to the Preliminary Award Agreement, within 5 business days after the date of the meeting at which the Development is induced by the Corporation's Board of Directors the Developer shall make an initial non-refundable deposit for expenses related to public hearings and application for private activity bond allocation. Such deposit shall be \$7,500. The Corporation will accept personal, corporate or certified checks for the full amount made out to the Texas State Affordable Housing Corporation.

Completed Reservation Detail Packages and subsequent fees must be sent to:

**Attn: David Danenfelzer
Manager of Multifamily Programs
Texas State Affordable Housing Corporation
1005 Congress Avenue, Suite 500
Austin, Texas 78701**

Developers are encouraged to communicate with staff as they assemble this package. Please contact David Danenfelzer by phone at: 512.477.3555 ext. 403, or by email at: ddanenfelzer@tsahc.org

III. Submission Deadlines.

The complete Reservation Detail Package must be submitted at least 20 calendar days prior to the Corporation's Board of Directors meeting at which a Developer wishes to obtain its inducement resolution for private activity bonds. Applications must be submitted by 5:00pm on the following dates.

Application Submission	Board Meeting Dates*
February 16, 2007	March 9, 2007
March 23, 2007	April 13, 2007
April 20, 2007	May 11, 2007
May 18, 2007	June 8, 2007

** All Board meeting dates are tentative and subject to change. Please check the Corporation's website for schedule changes.*

IV. Tax Credit Submission Requirements

Since all properties will be financed with a combination of Bonds and Housing Tax Credits, the Corporation is attempting to reduce the amount of duplicative information that the Developer must submit. Developers must submit Volumes 1 and 2 of the TDHCA Housing Tax Credit Uniform Multifamily Application completed in accordance with the TDHCA Application Submission Procedures Manual. This includes an electronic copy of the TDHCA application. The Corporation uses the TDHCA application to fulfill most of the technical requirements of financial feasibility review and preparation of the bond inducement resolution. Developers will also submit Volume 3 of the TDHCA application to the Corporation at the time of application to TDHCA for tax credits. Applicants are encouraged to contact TDHCA staff in preparing the Uniform Multifamily Application.

The TDHCA application materials and manual are located at:

<http://www.tdhca.state.tx.us/multifamily/bond/index.htm>

V. Developer Information.

Name of Developer:

Developer Address:

City:

State:

Zip:

Contact Name:

Contact Phone:

Contact Email:

Contact Fax:

Signatory Name:

Signatory Phone:

Signatory Title:

Signatory Email:

VI. Community Support and Opposition Letters.

Pursuant to the Corporation's PAB Guidelines, Developer's must submit evidence of local need and community support for affordable housing developments. Evidence of local need and community support would include, but is not limited to, one or more of the following:

- A. a letter of support for the development by the Mayor, the City Manager, or the City Administrator;
- B. a resolution of support from the City Council or County Commissioner's Court;
- C. a letter from an affected neighborhood association;
- D. evidence that a local government entity is providing funding for the development; and/or
- E. a letter of support from the State Representative or Senator representing the district where the development is or will be located.

Developers are also required to submit any letters of opposition received and provide them in the Reservation Detail Package. Developers shall submit all of the community support or opposition documentation behind Tab 1.

Tab 2

VII. Property Information.

The information below is to be used for completing the TBRB application for private activity bond reservation. Developers proposing to develop more than one property location must submit the information separately for each property site. An itemized list of each property including Name, Region, City and # of Units must be included as the first page of this Tab.

Property _____ of _____

Name: _____

Address: _____

Region: _____

County: _____

City: _____

Zip: _____

Census Tract: _____

QCT Designation (check one): Yes or No

Metro:

Non-Metro:

AMFI of Census Tract: _____

Number of Units: _____

Number of Buildings: _____

Project Type: Rehabilitation
 New construction
 Senior Housing

Current Owner of Project: _____

Owner Address, City, State, Zip: _____

Owner Phone: _____

Owner Fax: _____

Owner Email: _____

Legal Description of Project Location: _____

Option on Land (Earnest Money Contract)

Note: A copy of the site control documentation shall be submitted behind this page for each property.

Date of Option Expiration* (provide page and section): _____

Can Extend Until* (provide page and section): _____

** Options on Land, Earnest Money Contracts, or similar site control documentation must be active for at least 90 days after the date of submission of this package, unless otherwise agreed to by the Corporation. Additionally, contracts must be extendable through the complete 150 day reservation period.*

Tab 3

VIII. Certifications.

A. The Developer and Developer's principal(s) shall be held to all representations made in the response to the RFP and Reservation Detail Package.

B. Developer and Developer's principal(s) agree that after the reservation of volume cap has been obtained, the Corporation will hold a public hearing (the "TEFRA") with the participation of the Developer and Developer's principal(s). Before the closing on the bonds, staff will prepare final evaluations and recommendations to the Corporation's Board of Directors, which will include any public comments received at the TEFRA. Based on those recommendations, the Corporation's Board of Directors may choose to consider and adopt a Bond Resolution and to make a final decision on allocating the bonds for that development(s).

C. Developer and Developer's principal(s) agree that the Corporation must approve the initial selection of a management company and all subsequent changes in management agent during the term while the bonds are outstanding.

D. Developer and Developer's principal(s) certify to the best of their knowledge that all previously owned and/or developed affordable housing properties are compliant with all applicable bond, tax credit, HOME, or other federal, state, or local affordable housing program(s) from which the properties received funding.

E. Developer and Developer's principal(s) certify that all previously developed affordable housing properties for which the Developer and/or the Developer's principal(s) or related entities were involved or were requested to be financed and which were financed with affordable housing program assistance have not been and are not currently involved in litigation regarding the development and/or financing of any of the properties, are not the subject of any IRS actions and are current with all local property taxes.

F. Developer and Developer's principal(s) certify that all affordable housing properties developed as a result of this preliminary award of private activity bonds will meet all federal, state and local development standards. This includes all minimum property and development standards detailed in the 2007 State of Texas Qualified Allocation Plan (2007 QAP) [Chapter 10 Texas Administrative Code [TAC] §49], Section 504 of the 1973 Rehabilitation Act, Federal Fair Housing Accessibility Standards, and, if applicable, the Texas Minimum Construction Standards and State Accessibility Standards at §2306.514 of the Texas Government Code. These requirements do not supersede any additional federal, state or local housing standards that may be required by local development codes, or additional federal, state or local financing.

G. Developer and Developer's principal(s) certify that all affordable housing properties developed as a result of this preliminary award of private activity bonds will meet or exceed, as represented in their response to the RFP, the statewide energy code adopted by the State Energy Conservation Office.

H. Developer and Developer's principal(s) certify that they have not violated any standard of conduct or conflict of interest statute, including §2306.6733, Texas Government Code, or a section of Chapter 572, Texas Government Code.

I. Developer and Developer's principal(s) certify, to the best of their knowledge, that no issues of environmental safety or negative impacts are present at the proposed development(s) locations to be funded under this agreement. The Developer will contract and have completed a Phase I Environmental Site Assessment (ESA) at its own expense and submit it with the Reservation Detail Package. If the Phase I ESA identifies environmental risks the Developer will contract and have completed prior to bond closing a Phase II ESA. The Developer at its own cost shall meet all other federal, state or local environmental regulations required of them.

J. Developer and Developer's principal(s) certify that all properties will comply with the Texas Department of Housing and Community Affairs (TDHCA) Qualified Allocation Plan (QAP) and Rules pertaining to the Low Income Housing Tax Credit Program in effect at the time of the response to the RFP in order to apply for 4% tax credits.

K. Developer and Developer's principal(s) certify that (1) a minimum of twenty percent (20%) of the units in a Qualified Residential Rental Project (as defined by the TBRB and also referred to herein as a "Project") must have gross rents that are restricted to households with incomes no greater than fifty percent (50%) of the area median income ("AMI"), adjusted for family size, or at least forty percent (40%) of the units in the Project(s) must be affordable to persons and families with incomes at or below sixty percent (60%) of the AMI, adjusted for family size; (2) Gross monthly rent charged on an income restricted unit will not exceed 30% of the applicable AMI; and (3) Income and rent restrictions must be maintained for a qualified project period to be determined in accordance with federal and state law.

L. Developer and Developer's principal(s) certify that it will be responsible for all fees and expenses in connection with all bonds issued on its behalf. Such expenses, where eligible under the Internal Revenue Code (the "Code"), may be financed through bond proceeds and will be considered part of the obligations authorized for issuance by the Corporation. All fees required by the Corporation are noted in Appendix C of the Corporation's Request for Proposals.

M. Developer and Developer's principal(s) agree that the preliminary award may be terminated by the Corporation or the Developer by written notice at any time. The Developer is encouraged to act in good faith and fair dealing to terminate this agreement if it becomes aware of any reason that the proposed developments will not move forward or if it has found alternative financial resources so that the Corporation may allocate its private activity bond allocation to other qualified applicants.

N. Developer and Developer's principal(s) agree that any preliminary official action of the Corporation should not be construed as an indication as to the marketability of obligations or as the final approval of the Development by the Corporation, its financial advisor or bond counsel. Rather, it is an indication that the Corporation will attempt to issue its obligation to provide financing to a portion of the proposed Developments subject to, (I) a readiness to proceed by the Developer with financing structure approval by an acceptable bond purchaser or underwriter, (II)

Texas State Affordable Housing Corporation

the Developer's continuing compliance with these regulations and cooperation in providing any and all requested information to the Corporation, (III) approval by the Texas Bond Review Board (the "TBRB") of the sale of obligations, (IV) market conditions and terms acceptable to the Corporation and to its staff and consultants, and (V) approval by the Texas Attorney General of the issuance of the obligations.

By: (print name of authorized
representative)

Signature:

Date:

IX. Resolution to Submit Reservation Detail Package

Developer's are required to submit a resolution, signed by the Developer's governing corporate board authorizing the submission of this Reservation Detail Package and identifying the person(s) authorized to sign agreements, contracts and other documents on behalf of the Developer and Developer's principal(s). The resolution should be submitted behind this tab.



Texas State Affordable Housing Corporation

Multifamily Direct Lending Program Guidelines

Texas State Affordable Housing Corporation (the “Corporation”) is a non-profit corporation with the mission to promote equal access to safe, decent, and affordable housing with an emphasis on serving rural and under-served markets. Our Multifamily Direct Lending Program provides long-term financing to nonprofit and for profit developers for the purpose of increasing and preserving the stock of affordable multifamily housing units throughout the State of Texas.

To ensure that the housing produced is built and maintained to provide safe and decent housing the Corporation has applies strict development standards and long-term compliance monitoring. In addition, we ensure that multifamily apartments maintain their affordability through land use restrictions and loan terms that keep the cost of housing low for both owners and tenants.

The Corporation utilizes secondary financial resources through delegated lender and bank partnerships to fund loans at rates that are typically lower than commercial lenders. All loans originated by the Corporation must comply with underwriting guidelines in effect at the time a loan is made. All loans may also be subject to final approval and additional terms or conditions from our financial partners.

Eligible Borrowers: Any reputable and experienced entities engaged in affordable housing development, including non-profit or for-profit developers, partnerships, limited liability companies, municipalities, housing authorities, or other business entities as approved by the Board.

Experience: All Applicants will be required to submit proof of past residential construction and subdivision development experience. The Corporation will determine on a case by case basis the level of appropriate experience needed by Applicants and their partners.

Term of Loan: The standard length of loan agreements, (the “Term”) is 18 years. The maximum term and amortization shall be 30 years.

Interest Rate: Interest rates for the Program shall be set at a fixed rate of interest based on the cost of funds available to the Corporation. The standard interest rate is 2% above the 10-year long-term treasury rate published the week the commitment is granted. The minimum interest rate is 4.75%.

Loan to Value Ratio (LTV): Generally, the maximum LTV for all loans is 90%. The Corporation may consider other loan-to-value limits based on financial strength and amount of guarantees provided by the Applicant.

Qualified Expenses: No funds may be used for administrative or general operating costs of the Applicant. Not more than \$50,000 or 15% of the loan value, which ever is greater, may be used for approved predevelopment expenses.

TEXAS STATE AFFORDABLE HOUSING CORPORATION
GENERAL INFORMATION, PROCEDURES, AND REQUIREMENTS
FOR SUBMITTING AN APPLICATION FOR FINANCING

The following is a partial list of the information and documents that must be submitted to the Corporation with the Application. Additional information will be required, as set forth in the Application and in the Regulations for Receiving and Approving Applications for Financing Multifamily Residential Rental Developments (the “Regulations”), and as may be required by the Corporation’s Board of Directors, Bond Counsel, or the Financial Advisor to finance the multifamily residential housing developments (the “Developments”). Please submit the Application and the following list of documents in the following order:

1. Title page.
2. A brief summary of the proposed Transaction (as that term is defined in the Regulations).
3. A location map showing the location and approximate outline of the tracts involved.
4. A zoning map showing the existing zoning of the property and surrounding areas.
5. If the Applicant (as that term is defined in the Regulations) is requesting a bond issue for a single asset or several separate assets all of which are located in the same jurisdiction, a letter from an applicable local housing finance corporation or its representative explaining why such corporation is not financing such transaction must be provided with the minutes (if any) of the housing finance corporation meeting(s) attached that reflect its reasons for denying the application for financing. If there are additional local housing finance corporations with jurisdiction over the location of the Development, a written explanation from the Applicant of the reasoning for not pursuing financing from such other local housing finance corporation must also be provided.
6. Evidence that the Applicant either (i) owns the site for the proposed Development (as that term is defined in the Regulations), or (ii) has a contract or an option to purchase the proposed Development site.
7. Financial statements for the Applicant satisfactory to the Corporation.
8. For Transactions involving rehabilitation or new construction, a proposed estimated schedule of construction or rehabilitation, including physical needs assessment reports for each of the Development(s).
9. Photographs of the site of the proposed Development.
10. With respect to construction of new Developments, a market study showing the need in the area for additional affordable housing.

11. An appraisal which complies with the Regulations and is acceptable to the Corporation and Bond Counsel. Such appraisal should be supplied to the Corporation no later than 30 days prior to the Corporation's final approval of the Transaction. Such appraisal must be performed by an independent, third party appraiser (MAI) acceptable to the Corporation. The appraisal must indicate that the value of the Development, including all improvements and rehabilitation (if any), is at least equal to the amount of the requested financing for the Development(s). Such appraisal shall include two values – a standard market value, without taking into account the tax-exempt or other special financing terms or the tax abatement/exemption from local ad valorem taxes applicable to the Transaction and another value taking into account the tax-exempt or other special financing terms applicable to the Transaction. Each appraisal shall be reviewed for the Corporation's benefit by a second MAI appraiser (the "review appraisal") selected by the Corporation. If the review appraisal raises significant concerns regarding the initial appraisal (including, without limitation, the value determined or the methodology used by the initial appraiser), the Corporation may require a second full appraisal of the Development, which appraisal shall be conducted by an MAI appraiser selected by the Corporation. The costs of all appraisals and review appraisals shall be paid by the Applicant. All appraisals and review appraisals shall be addressed to the Corporation, which will have full authority to release the appraisals to any third party, including other governmental entities.
12. Evidence of a need for affordable housing in the demographic area in which the Development is or will be located.
13. A benefit analysis for each Development, including (a) the total benefits resulting from the ownership by the Applicant of each Development and the total portfolio of Developments to be financed by the proposed Transaction, and (b) the total of all anticipated tax abatements/exemptions, if any, for each Development expected as a result of ownership by the Applicant. Attached as Exhibit C hereto is the form of benefit analysis required by the Corporation.
14. A projected sources and uses schedule which identifies by name all companies or individuals that will receive payments from bond proceeds (other than the Corporation and its professional consultants), including, but not limited to, developer's fees, real estate commissions, underwriting fees, operating working capital and borrower's working capital.
15. A description of the members of the board of directors or other governing body of the Applicant, including their names, employers, background and an explanation of the process of appointing or electing these members to the board. The description must indicate which board members represent the low-income community.
16. A copy of the Applicant's Certificate of Incorporation, Articles of Incorporation, Bylaws (or other constituent documents), Certificate of Good Standing with the State of Texas and a letter issued by the Internal Revenue Service stating that the Applicant is an organization exempt from federal income taxation under Section

501(c)(3) of the Internal Revenue Code (the “Code”). If the Applicant has not yet been incorporated, the Applicant must provide an explanation regarding when incorporation is expected. If the Applicant will receive its exempt status from a parent corporation, please also provide the documents described above with respect to the parent corporation.

17. An executed copy of the resolution of the Applicant’s Board authorizing a request to the Corporation to induce the Applicant’s multifamily housing transaction.
18. A certificate, in the form set forth on Exhibit D to the Regulations, executed by the Applicant stating the nature of any relationship, business or otherwise, (for example, common or related board members) between or among the following:
 - (a) the Applicant;
 - (b) the developer of the Development;
 - (c) the proposed management company of the Development after acquisition by the Applicant;
 - (d) the seller(s) of the Development;
 - (e) the underwriter or placement agent for the Transaction; and
 - (f) any other party related to a transaction related to the bond issuance.
19. Certificates executed by the Applicant and any underwriter or placement agent for the bonds stating that they have read and understand the Corporation’s Procedures and Regulations and acknowledging (a) that all exceptions to the Procedures and Regulations must be requested in writing by the Applicant with an explanation of the need for the exception, (b) that all exceptions to the Procedures and Regulations are subject to the review and/or approval by the Board of Directors of the Corporation, (c) that complying with the Procedures and Regulations does not guarantee approval of the transaction by either the Corporation’s Board of Directors or the Texas Bond Review Board, and (d) that the Applicant authorizes the release of the Appraisals to any third party, including other governmental entities. See Exhibit E to the Regulations for the prescribed form of the certificate.
20. One of the Corporation’s primary purposes is to provide affordable housing to families of low income, and in this regard, the Corporation believes it to be very important that persons of low income are provided an avenue to voice their concerns and opinions regarding the housing being provided to them.
 - (a) Specifically, the Applicant (or a related entity to the Applicant) which will own the proposed Development(s) that are the subject of the Application must reserve at least one-third of the positions on its board of directors for low-income residents of the proposed Development(s).
 - (b) If the Applicant (or a related entity to the Applicant which will own the Development(s)) is controlled by another non-profit corporation (a “member corporation”), such member corporation must reserve at least

one-third of the positions on its board of directors for persons who represent the low-income community as a whole and/or low-income residents of the multifamily developments owned by such member corporation (or by the non-profit corporations or pass-through entities that it controls). For this purpose, “community” means a neighborhood or neighborhoods, town, village, county or multi-county area (but not the entire state), as provided in 24 CFR Subtitle A § 92.2. In addition, the member corporation must have representatives of the Texas low-income community as follows:

- (1) If the member corporation (or entity controlled by the member corporation) directly owns affordable multifamily residential development(s) in Texas, the member corporation must reserve one-third of the positions on its board of directors for persons who represent the low-income Texas communities where it currently owns affordable multifamily residential developments.
 - (2) If the member corporation (or entity controlled by the member corporation) does not currently own affordable multifamily housing development(s) in Texas, the Corporation prefers that the member corporation (or entity controlled by the member corporation) reserve one-third of the positions on its board of directors for persons who represent the low-income Texas communities where the proposed Development(s) that are the subject of this application are located.
- (c) In addition, the owner of the proposed Development(s) must establish an advisory committee for each Development. At least one-third of the members of such advisory committee must be low-income residents of the Development, and the remainder of the members of the committee must represent other interested members of the community in which the Development is located. The owner of the Development will conduct meetings of the advisory committee at least 4 times annually and minutes of such meetings must be forwarded to the owner’s board of directors or to the member corporation’s board of directors, and, if requested, to the Corporation.

The board of directors or other governing body of the Applicant (or other entity which owns or will own the Development) and any controlling entities of the Applicant must comply with these requirements prior to the date on which the Corporation considers a resolution to induce the Transaction. The Corporation may, in its discretion, grant an exception to the timing of this requirement, provided that the requirements of this paragraph 20 must be met prior to the date on which the Corporation considers a resolution granting final approval of the Transaction.

21. The Corporation does not require an Applicant (or other entity which will own the Development(s)) to be certified as a Community Housing Development Organization (“CHDO”), as defined under federal or Texas law. However, if the Applicant (or other entity which will own the Development(s)) has received (or receives after the Application is filed) for any reason an abatement/exemption from local property taxes in connection with the Developments, the Applicant (or other entity which will own the Development(s)) must notify the Corporation immediately and provide it with a description as to the use of such tax abatement/exemption, and enter into a mutually agreeable plan with the Corporation as to the use of the moneys representing the tax abatement/exemption, including the payments in lieu of taxes described below. In addition, if at any time after the date the bonds are issued by the Corporation to finance the Developments, the Applicant (or other entity which will own the Development(s)) receives one or more abatements/exemptions of property taxes with respect to the Developments, the Applicant (or other entity which will own the Development(s)) must immediately notify the Corporation of such abatement/exemption and must execute an agreement with the Corporation whereby the Applicant (or other entity which will own the Development(s)) agrees to remit 25% of such tax abatement/exemption to the local taxing authorities in which the Developments are located, and the Corporation may require additional amounts be paid to certain taxing authorities (up to 100% of the total amount of the exemption received from such taxing authorities), including municipal utility districts, rural fire departments and emergency medical services departments. Such payment shall be based on the market value of the Development for each year as determined by the appropriate appraisal district(s). If the subject of the application for TSAHC financing is a single asset transaction (or a transaction consisting of two or more Developments located in a single jurisdiction) and is located in a local participating jurisdiction, the Corporation prefers that CHDO status be sought and certified by the local participating jurisdiction. For this purpose the term “participating jurisdiction” has the meaning used for such term in 24 CFR Subtitle A, § 92.2.

**TEXAS STATE AFFORDABLE
HOUSING CORPORATION**

**Regulations for Receiving and Approving Applications
for Financing Multifamily Residential Rental Developments**

I. GENERAL PURPOSE AND SCOPE OF REGULATIONS.

A. The **TEXAS STATE AFFORDABLE HOUSING CORPORATION** (the “Corporation”) is a nonprofit corporation and a public instrumentality created by the State of Texas (the “State”). The Corporation’s powers are authorized in the Texas Administrative Code §2306.555. The Corporation has adopted these Regulations to set forth general requirements and procedures applicable to the issuance of obligations by the Corporation to provide financing for residential multifamily developments. The issuance of tax-exempt obligations, the proceeds of which will be loaned to an Applicant to acquire, rehabilitate or construct multifamily residential developments for affordable housing is referred to herein as the “Transaction.”

B. The Corporation shall not issue obligations to provide financing for any residential rental development (referred to herein as the “Development” or “Developments”, if more than one) unless the applicant (the “Applicant”) has satisfied each of the requirements set forth herein. The Corporation reserves the right to impose additional specific requirements with respect to any Development. Any exceptions or waivers of the requirements set forth herein must be requested in writing by the Applicant with a detailed explanation of the need for such exception or waiver and are subject to review and/or approval by the Board of Directors of the Corporation. Specific provisions of these Regulations may be waived by the Corporation.

C. The Corporation is not a bank, savings bank, savings and loan association or other form of financial institution or a zoning approval entity. Obligations issued by the Corporation must be investment grade rated which may be achieved through “credit enhancement,” or the obligations must be placed with accredited investors, as more fully described in these guidelines. The successful issuance of obligations is closely related to the creditworthiness of the Applicant. The ability of the Corporation to issue obligations, the interest on which is excludable from federal income taxes, is subject to the Applicant’s status as a non-profit corporation exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (the “Code”), and approval of the sale of obligations by the Texas Bond Review Board and the Texas Attorney General.

II. APPLICATION AND APPROVAL PROCEDURES.

A. Application Filing Requirements.

A non-profit corporation or other entity desiring that the Corporation participate in the financing of one or more Developments shall complete and file with the Corporation the

following items: (i) one (1) original and one (1) copy of the Application for Financing in the form attached hereto as Exhibit A, including the Development Financing Questionnaire and any other required attachments; and (ii) the non-refundable processing and review fees required by these Regulations and set forth in Section IV.A. herein.

The Application (original and one copy) and the Corporation's non-refundable processing fee shall be filed with the Corporation by mailing or delivering the same to the following address:

Mr. Daniel C. Owen
Texas State Affordable Housing Corporation
1715 W. 35th Street
Austin, Texas 78703
(512) 377-3555
(512) 377-3553 (Fax)

Unless otherwise agreed to by the Corporation, one copy of the Application and the nonrefundable review fees should be provided to the Corporation's Financial Advisor, Bond Counsel and Issuer's Counsel at least forty-five (45) days prior to the date of any meeting of the Corporation at which the Application is scheduled to be considered. Additionally, representatives of the Applicant must be available to provide to the Corporation an on-site inspection of the proposed Developments if such an inspection is requested by the Corporation, and should be present during the meeting of the Corporation at which the Transaction is considered for inducement. The Corporation's Financial Advisor, Bond Counsel and Issuer's Counsel are listed below:

Financial Advisor: Mr. Robin Miller
First Southwest Company
1700 Pacific Avenue, Suite 500
Dallas, Texas 75201
(214) 953-4174
(214) 953-8799 (Fax)

Bond Counsel: Ms. Kathryn V. Garner
Andrews & Kurth L.L.P.
600 Travis, Suite 4200
Houston, Texas 77002
(713) 220-3948
(713) 238-7298 (Fax)

Issuer's Counsel: Mr. Kent Smith
Jackson & Walker L.L.P.
100 Congress, Suite 1100
Austin, Texas 78201
(512) 236-2353
(512) 236-2280

B. Preliminary Official Action.

1. Upon compliance with the filing requirements set forth in Section II.A., the Corporation will conduct a preliminary review of the Application. If all of the application requirements are met and the proposed Transaction meets the Corporation's purposes and guidelines, preliminary official action will be scheduled, if possible, for the next regular meeting of the Corporation.

2. In order for the Corporation to take preliminary official action, the preliminary review of the Application must demonstrate with reasonable certainty that:

(a) the Application, the obligations, and the Transaction will qualify for final approval by the Corporation in accordance with these Regulations; and

(b) all governmental approvals with respect to the obligations and the Transaction will be obtained.

3. If the Corporation grants preliminary approval of the Application, the Corporation will adopt an inducement resolution evidencing the Corporation's intent to issue obligations with respect to the Transaction, if all the requirements set forth herein are met.

If the Corporation does not grant preliminary approval of the Application, the Corporation will so advise the Applicant.

4. Any preliminary official action of the Corporation should not be construed as an indication as to the marketability of obligations, or as to the final approval of the Transaction by the Corporation, its Financial Advisor or Bond Counsel. Rather, it is an indication that the Corporation will attempt to issue its obligations for the Transaction subject to, (i) a readiness to proceed by the Applicant with the financing structure approval process, (ii) the Applicant's continuing compliance with these Regulations and cooperation in providing any and all requested information to the Corporation, (iii) approval by the Texas Bond Review Board of the sale of obligations, (iv) market conditions and terms acceptable to the Corporation and to its staff and consultants, and (v) acceptable evidence of local support for the Development.

AFTER THE CORPORATION'S ADOPTION OF THE INDUCEMENT RESOLUTION, IT IS THE APPLICANT'S RESPONSIBILITY TO PROCEED WITH REASONABLE DISPATCH TO COMPLETE THE BOND FINANCING PROCESS IN A TIMELY MANNER, INCLUDING, BUT NOT LIMITED TO, THE PAYMENT OF ANY ADDITIONAL FEES AND THE PROVISION OF REQUIRED INFORMATION, DOCUMENTS, ETC. NECESSARY TO PROCEED.

C. Subsequent Filing Requirements, Public Hearings and Document Preparation.

1. Subsequent Filing Requirements. Prior to review of the Application for final approval by the Corporation, the Applicant may file such additional documents or statements in support thereof as the Applicant shall consider relevant and appropriate and shall file the following:

(a) such additional information as is requested by the Corporation, the Financial Advisor, or Bond Counsel;

(b) a pro forma copy of any official statement, prospectus, or other offering memoranda, through the use of which the proposed obligations are to be offered, sold, or placed with any lender, purchaser, or investor, which offering, sale, or placement material shall contain prominent disclosure substantially to the effect that:

(i) neither the Corporation nor the State has undertaken to review or has assumed any responsibility for the matters contained therein except solely as to matters relating to the Corporation and to a description of the obligations being offered thereby;

(ii) all findings and determinations by the Corporation and the State, respectively, are and have been made by each for its own internal uses and purposes in performing its duties under the legislation enabling the Corporation and these Regulations;

(iii) notwithstanding its approval of the obligations and the Transaction, neither the State nor the Corporation endorses or in any manner, directly or indirectly, guarantees or promises to pay such obligations from any source of funds of either or guarantees, warrants, or endorses the creditworthiness or credit standing of the Applicant or of any guarantor of such obligations, or in any manner guarantees, warrants, or endorses the investment quality or value of such obligations; and

(iv) such obligations are payable solely from funds and secured solely by property furnished and to be furnished and provided by the Applicant and any guarantor and are not in any manner payable wholly or partially from any funds or properties otherwise belonging to the Corporation or the State.

2. Public Hearings and Meetings. The Corporation is required to hold certain public hearings and meetings prior to Bond Review Board approval. With respect to the public hearing required by the Tax Equity and Fiscal Responsibility Act (“TEFRA”) required by federal tax law (the “TEFRA Hearing”), the Corporation is required to hold such hearing in the jurisdiction in which each Development is located. To the extent the Transaction involves the financing of two or more Developments located in different jurisdictions, TEFRA hearings will be held in each jurisdiction in

which the Developments are located. With respect to the TEFRA hearing(s), the Corporation must publish notice in the *Texas Register* and the local newspapers of general circulation in the participating jurisdictions at least seven (7) days and twenty-one (21) days prior to the public hearing. The *Texas Register* is published only on Fridays and such notice must be provided to the *Texas Register* no later than noon on the Wednesday which is 10 days preceding the Friday in which the publication is requested. The *Texas Register* provides no exceptions to this deadline. Accordingly, the Corporation will require the Applicant to provide an appropriate location, date and time for TEFRA hearings as approved by the Corporation and transmit this information to the Corporation at least 7 days prior to the date notice is required to be provided to the *Texas Register*. The TEFRA Hearing may not be held (and the notice of such Hearing may not be published) prior to the date a transaction is induced by the Corporation; provided, however, that such hearings may be scheduled and publication of notice of such hearings may be provided for prior to inducement as long as (a) the Corporation's staff determines that such action is appropriate, (b) the hearing and publication of notice do not actually occur until after inducement by the Corporation and (c) the Borrower provides the deposit to the Corporation set forth in Section IV.A.1.(d) below.

The Corporation must also provide notice of the TEFRA hearing(s) to certain members of the Texas Legislature, local public libraries, homeowners' associations or other recognized neighborhood organizations or groups for neighborhoods within a one mile radius of the Development(s), county and city officials, residents of the Development(s) (for all Transactions that do not involve new construction) and other interested parties designated by the Corporation. The Corporation will not publish notice of a public hearing until it has received from the Applicant:

- (a) the names and addresses of the affected homeowners' associations, and
- (b) the names of the state legislators, the city council members and the county commissioners in whose district or precinct (as applicable) the Development(s) are located.

THE INFORMATION REQUIRED BY THE CORPORATION TO GIVE NOTICE OF THE TEFRA HEARING IS SET FORTH ON THE FORM ATTACHED HERETO AS EXHIBIT B. PLEASE COMPLETE THIS FORM AND RETURN IT TO THE CORPORATION AT LEAST 7 DAYS PRIOR TO THE DATE NOTICE MUST BE PROVIDED TO THE TEXAS REGISTER. FAILURE TO TIMELY PROVIDE THIS INFORMATION TO THE CORPORATION MAY RESULT IN A DELAY IN PUBLIC NOTICE AND ACCORDINGLY, A DELAY IN THE BOND REVIEW BOARD APPROVAL PROCESS AND CLOSING OF THE TRANSACTION.

In addition, for all Transactions that do not involve new construction, the Corporation must give residents of each Development notice of the TEFRA hearing. The Corporation and/or the Applicant must also meet with the residents of each Development at each location prior to the TEFRA Hearing scheduled for such Development. Such

notices for the public hearing and the resident meeting must be posted **at least 7 days** prior to the date of the public hearing and resident hearing, on the door of each unit in the Development and at appropriate locations in the common areas of the Development(s). The Applicant must provide the Corporation with a notarized affidavit certifying that such notice was posted in the manner required by these Regulations.

To the extent the Corporation or the Applicant receives from the public (including residents of the Development(s)) notice of concern or opposition regarding the Transaction, the Applicant must correspond with such members of the public. The Applicant must hold meetings near or at the Development(s) prior to the TEFRA hearing to provide an opportunity for the interested public to ask questions regarding the Transaction and for the concerns of the interested public to be addressed. A representative of the Corporation must be in attendance at such public meetings; thus, the time and place for such meetings must be coordinated in advance with the Corporation.

3. Bond Review Board Application and Approval. Obligations issued by the Corporation must be approved by the Texas Bond Review Board (the “BRB”). The BRB requires that the Corporation give notice of its intent to file an application (the “BRB Application”) and such BRB Application must be filed 3 business days later. The BRB has deadlines for the filing of such notice and application. These deadlines as well as the dates for the monthly planning sessions and the BRB monthly meetings can be found on the BRB’s website (www.brb.state.tx.us).

The Corporation with the assistance of its Bond Counsel will prepare and file the notice of intent and the BRB Application for the Transaction. The Corporation will file the notice of intent and the BRB Application with the BRB only if it has timely received (i) all required information and documentation for the completion of the BRB Application from the Applicant and/or its consultants, (ii) all documentation required by the Application, and (iii) a complete response from the Applicant to the Questionnaire Regarding 501(c)(3) status (provided by Bond Counsel), **AND** the basic financing documents are in final form and have been reviewed by the working group sufficiently to ensure that such documents reflect the structure of the Transaction. **The Applicant is encouraged to call the Corporation’s Bond Counsel promptly after inducement to determine the information and documentation required for the BRB Application.** In addition, representatives of the Applicant are expected to attend the Bond Review Board planning session and the Bond Review Board meeting at which the Transaction will be considered for approval.

4. Document Preparation. Bond Counsel shall have the primary responsibility for the preparation of the legal instruments and documents to be utilized in connection with the financing of any Development by the Corporation. No bonds or other obligations will be sold or delivered unless the legality and validity thereof have been approved by Bond Counsel. The Applicant and its legal counsel shall cooperate fully with Bond Counsel, the Financial Advisor, and the Corporation’s agents in the preparation of such materials.

5. Material Changes to Financing Structure. Any and all material proposed changes to the financing structure, ownership of the Development, or scope or materials of or for the proposed Transaction, from that set forth in the Application must be disclosed to the Corporation immediately in writing and approved by the Corporation. The Applicant should show an expected ability to close, including receipt of all required permits, within 180 days of preliminary inducement. **In the event that the Transaction does not close within the time frame established by the Corporation, the Corporation reserves the right to terminate its participation in the financing. See Section V.B. below.**

D. Final Approval and Closing

1. Final Approval by the Corporation. The Board will consider final action on the Application when requested to do so by the Applicant. If approved, the Board shall adopt a resolution, in such form as is recommended by Bond Counsel, authorizing the issuance of obligations to provide financing for the Development. Final approval will be granted only upon:

(a) receipt by the Board of evidence satisfactory to it that the Applicant has complied in all material respects with these Regulations not otherwise waived by the Board; and

(b) an affirmative determination of the Board that:

(i) all requirements for and prerequisites to final approval under these Regulations have either been satisfied or waived and are in form and substance satisfactory to the Board; and

(ii) the operation of the Development(s) will constitute a lawful activity, is qualified for approval by the State, complies with and promotes the purposes of the Corporation and satisfies the requirements of the Corporation; and

(c) approval of the financing by the Texas Bond Review Board and the Texas Attorney General.

2. Closing of the Transaction. Following the public hearing(s) and final approval by the Corporation and the BRB, the Corporation will proceed to close the financing in accordance with the documents approved by the Corporation and when finally approved by the Texas Attorney General and Bond Counsel in accordance with the terms of the sale or placement.

III. SALE OF BONDS.

A. Structure of the Transaction. There are a variety of bond financing structures and credit enhancements that may be utilized by the Applicant such as letters of credit, mortgage insurance and surety bonds. Prospective Applicants are encouraged to contact the Corporation's Financial Advisor for further information regarding financing structures prior to submission of

an Application. The Applicant is required to execute an agreement awarding the sale of the Corporation's obligations to an underwriter or to an institutional purchaser through a private placement which obligates the Applicant to the payment of the costs of issuing such obligations as more fully described herein.

B. Environmental Review. Prior to the sale of the obligations, the Applicant will be required to conduct a Phase I environmental audit by an engineering firm acceptable to the Corporation. At bond closing, the Applicant will be required to provide an environmental indemnity in the form to be provided by Bond Counsel.

C. Public Sale Requirements.

1. If the obligations are to be publicly sold, whether by competitive bid or negotiated sale, the bond issue must be structured so as to receive an investment grade rating of "BBB-" or higher by a nationally recognized rating agency acceptable to the Corporation and its Financial Advisor. If a credit enhancement is being provided, obligations may be credit-enhanced by an institution that is acceptable to the Corporation and its Financial Advisor. The Application must indicate the type and nature of the proposed credit enhancement or surety, and the name and telephone number of a contact person (if known at time of application) at such institution.

2. Obligations with an investment grade rating of "AA" or higher may be in minimum denominations of \$5,000. For the Corporation to approve transactions that are rated "BBB-" or higher but less than "AA," the obligations must be sold in minimum initial denominations of \$100,000 and \$5,000 thereafter.

D. Limited Offering Requirements. If the obligations do not have an investment grade rating of BBB- or higher, the Corporation will consider such obligations to be non-rated for purposes of this subsection D. The Corporation may require that the obligations be rated or permit, at its sole discretion, the issuance of the obligations without a rating. The Corporation requires that non-rated obligations be privately placed or offered on a limited basis with restrictions. In order for a non-rated transaction to be considered by the Corporation, the placement must comply with the following minimum requirements: (i) the sale must be made to a "qualified institutional buyer" as defined in Rule 144(a) of the Securities Act of 1933 (a "QIB") or an "accredited investor" as defined in Regulation D under such act (an "Accredited Investor") and cannot be an underwriting or purchase with an intent to resell any portion of the obligations, (ii) if they are sold to QIBs, the obligations must be issued in minimum denominations of not less than \$250,000, and if they are sold to Accredited Investors, the obligations must be issued in such higher minimum denomination as the Corporation may require, (iii) at such time as the bond financing is presented to the Corporation for final approval, the Applicant (or placement agent, if applicable) must (a) identify the Purchaser of the obligations and (b) provide a written commitment from the Purchaser in form and content customarily used by real estate lending institutions outlining the terms and conditions of such commitment to purchase the obligations, (c) the Purchaser must represent that it is in the business of originating or acquiring and owning for its account, tax-exempt bonds or mortgage loans on multifamily rental housing properties, (d) there shall be no offering statement of the Corporation, or when a placement agent is involved in the sale of the obligations, there may be a

placement memorandum prepared by the agent for the Purchaser, and (e) the Corporation may require that one physical obligation be issued with a legend stating that the initial and any subsequent purchaser(s) of such bond shall be a QIB or an Accredited Investor, as applicable. In the case of a private placement transaction, the Applicant or placement agent, upon delivery of the obligations, shall provide the Corporation with an executed investment letter from the investor purchasing the obligations substantially to the effect that: (1) it is engaged in the business, among others, of investing in tax-exempt securities and is a QIB or an Accredited Investor, as applicable; (2) it has made an independent investigation into the financial position and business condition of the Applicant and therefore waives any right to receive such information; and (3) it has received copies of the financing documents pursuant to which such obligations are issued. A form of such investment letter will be provided by the Corporation.

Any variation to the requirements set forth above must be requested in writing by the Applicant and must be approved by the Corporation, and be acceptable to the Bond Counsel, Financial Advisor, and Issuer's Counsel.

IV. FEES AND OTHER COSTS.

The Applicant will be responsible for all fees and expenses in connection with each bond issued on its behalf. Such expenses, where eligible under the Code, may be financed through bond proceeds and will be considered part of the obligations authorized for issuance by the Corporation. Federal tax law provides that only two (2%) percent of the proceeds of a tax-exempt bond offering may be used to pay "costs of issuance." The Applicant commits to pay from other sources any costs of issuance not payable from bond proceeds. The following fees are payable at the times and in the amounts as described below. ***ALL FEES ARE NON-REFUNDABLE, EXCEPT AS OTHERWISE PROVIDED HEREIN.***

A. Processing Fees, Closing Fees and Costs.

1. Processing Fees. Concurrently with the filing of an Application:

(a) the Applicant shall pay to the Corporation a nonrefundable processing fee in the amount equal to \$500 per multifamily residential rental development included in the Application, with a minimum nonrefundable processing fee of \$1,000;

(b) the Applicant shall pay to the Corporation's Financial Advisor, First Southwest Company, a non-refundable review fee of \$2,000, and a non-refundable review fee of \$2,000 shall be paid to the Corporation's multifamily Bond Counsel, Andrews & Kurth L.L.P.

(c) the Applicant shall reimburse the Corporation for all costs and expenditures incurred by the Corporation, prior to and (if the Applicant's transaction is induced) after inducement, to analyze the appropriateness and willingness of the Corporation to provide bond financing for the Applicant's transaction, including, but not limited to, the reimbursement of costs and expenditures for (i) on-site visitation of multifamily residential developments to be financed (or the site(s) therefore), (ii) any reports deemed necessary or

appropriate by the Corporation and not otherwise provided by the Applicant, (iii) all costs and expenses (including travel and related expenses) of conducting all public hearings and related meetings (described herein) and (iv) such other activities, inspections and investigations as are deemed necessary or appropriate by the Corporation in connection with its determination of the suitability of the proposed development for financing assistance to be offered by the Corporation. **The Corporation will invoice the Applicant for such costs and expenditures, and the Applicant shall pay such invoices within ten (10) days of receipt. Failure to make prompt payment of such invoices may result in a termination of the participation of the Corporation and its consultants in the Transaction.**

(d) following inducement, the Applicant shall make an initial deposit with the Corporation of the applicable deposit, based on the number of Developments included in the Application, which deposit shall be credited against fees and expenses incurred by Bond Counsel, the Financial Advisor and Issuer's Counsel in connection with the proposed financing. Such deposit shall be (i) with respect to a financing of a single property, \$35,000, which represents a \$20,000 deposit for Bond Counsel fees, a \$10,000 deposit for Financial Advisor's fees, and a \$5,000 deposit for Issuer's Counsel fees, (ii) with respect to a financing of more than one property, \$50,000, which represents a deposit of \$30,000 for Bond Counsel fees, \$10,000 for Financial Advisor's fees and \$10,000 for Issuer's Counsel fees. All fees and expenses incurred by Bond Counsel, the Financial Advisor and Issuer's Counsel in connection with the Applicant's transaction shall be deducted from such deposit whether or not the obligations are issued and the remaining balance, if any, shall be refunded to the Applicant. If the deposit (or any portion thereof with respect to the three consultants) is not sufficient to pay the fees and expenses incurred by Bond Counsel, the Financial Advisor and/or Issuer's Counsel, respectively, in connection with the proposed financing, the Applicant shall pay an additional deposit in the applicable amount for such consultant. Such additional deposit must be paid to the Corporation within ten (10) days after receipt of an invoice therefor. Any deposits so made shall be credited against the fees and expenses of Bond Counsel, the Financial Advisor, and/or Issuer's Counsel, as appropriate, which are due in connection with the proposed financing. **IF SUCH DEPOSITS ARE NOT TIMELY RECEIVED, THE CORPORATION SHALL HAVE NO OBLIGATION TO PROCEED WITH THE FINANCING OF THE APPLICANT'S TRANSACTION. In addition, the Corporation requires the Applicant to provide a guarantee that the Issuer's Fees and any unpaid fees of Bond Counsel, the Financial Advisor or the Issuer's Counsel that remain unpaid (and for which no deposit remains) will be paid in the event the obligations are not issued.**

2. Closing Fees. Concurrently with the closing of the financing, the Applicant shall pay or cause to be paid all fees and expenses in connection with the issuance of the obligations including, but not limited to, the following professional fees and other costs:

(a) all fees and expenses of Bond Counsel (to the extent such fees and expenses have not been covered by the above referenced deposits);

(b) all fees and expenses of the Financial Advisor (to the extent such fees and expenses have not been covered by the above-referenced deposits) or other consultants, for services rendered to the Corporation in connection with the Transaction or the issuance of the obligations;

(c) all fees and expenses of Issuer's Counsel (to the extent not covered by the above-referenced deposits);

(d) the actual amount of any closing or acceptance fees of any trustee for the obligations, any fees and premiums for casualty and title insurance, any security filing costs, any fees for placing the obligations, any fees and expenses of any compliance agent appointed in connection with the review of any property, any out-of-pocket expenses incurred by professionals acting on behalf of the Corporation, and any other costs and expenses, including issuance expenses, relating to the obligations, their security, and the Transaction;

(e) a closing fee to the Corporation of \$1.50 per \$1,000 principal amount of obligations issued, with a minimum closing fee of \$5,000;

3. Financial Advisory Fees. The fee to be paid to the Corporation's Financial Advisor shall be \$10,000 plus \$2.00/\$1,000 of the principal amount of debt issued with a minimum fee of \$20,000 (unless otherwise agreed to by the Corporation's Financial Advisor). In addition, the Corporation's Financial Adviser shall also serve as the bidding agent for an additional fee with respect to all investment contracts to be entered into in connection with the investment of bond proceeds and revenues of the Developments.

4. Bond Counsel Fees. The fee to be paid to Bond Counsel shall be \$6.00/\$1,000 of the principal amount of debt issued for the first \$20,000,000 of the principal amount of debt issued, \$3.00/\$1,000 of the principal amount of debt issued for the next \$20,000,000 of the principal amount of debt issued, and \$0.75/\$1,000 of the principal amount of debt issued thereafter, with a minimum fee of \$75,000 (unless otherwise agreed to by Bond Counsel). In addition to the fees paid to Bond Counsel, the Applicant will reimburse Bond Counsel for all out-of-pocket expenses incurred by Bond Counsel in connection with the Transaction. Such expenses include amounts incurred by Bond Counsel in connection with the TEFRA Hearings and preparation of notice thereof and the preparation and filing of the Bond Review Board Application.

5. Issuer's Counsel Fees. The fee to be paid to Issuer's Counsel shall be \$1.00/\$1,000 of the principal amount of debt issued for the first \$20,000,000, \$0.75/\$1,000 of the principal amount of debt issued for the next \$20,000,000, and \$0.50/\$1,000 of the principal amount of debt issued thereafter, with a minimum fee of \$10,000 (unless otherwise agreed to by Issuer's Counsel.) In addition to the fees paid to

Issuer's Counsel, the Applicant will reimburse Issuer's Counsel for all out-of-pocket expenses incurred by Issuer's Counsel in connection with the Transaction.

6. Administrative Fee. Until the final maturity of the obligations, the Applicant will pay an Administrative Fee, remitted through the respective bond trustee to the Corporation on such basis as designated by the Corporation, in an amount equal to ten (10) basis points annually of the aggregate principal amount of the obligations outstanding, with a minimum annual fee of \$5,000. The Administrative Fee is exclusive of the trustee's fee, compliance agent fee, rebate analysts' fee, asset-oversight management fee (if required), audit fee, independent analyst fee, and any other costs or extraordinary costs as permitted under the respective bond documents. Payment of the Administrative Fee is to be covered by the bond credit enhancement and/or secured under the first mortgage on the property assigned to the bond trustee. The Corporation may require the payment of the Administrative Fee to be guaranteed by the Development owner and/or general partner(s).

7. Trustee's Fees. The Applicant shall select a bond trustee from a list of bond trustees approved by the Corporation to administer the funds and accounts pursuant to the trust indenture between the Corporation and the trustee bank. All trustee fees and expenses, including fees of trustee's counsel, shall be approved by the Corporation, and will be paid by the Applicant.

8. Auditor's Fees. The Corporation may appoint an auditor to review the financial transactions under the bond documents, the compliance agent, and a rebate analyst to perform an analysis of rebate requirements with respect to the issue. Such fees and costs shall be paid by the Applicant.

B. Continuing Costs.

Each Applicant shall pay to the Corporation, in the manner described in the Transaction documents, the following amounts:

1. An annual asset oversight fee equal to \$25 per unit in each multifamily Development (as such fee may be adjusted in accordance with the Asset Oversight Agreement),

2. An annual compliance fee equal to \$20 per unit in each multifamily Development (as such fee may be adjusted in accordance with the Compliance Agreement),

3. Any amounts payable pursuant to any indemnity contract or agreement executed in connection with any financing of the Corporation completed as herein contemplated, and

4. the amount allocable to each Applicant (whose financing has been completed) of costs and expenses incurred by the Corporation in the administration of the indemnity contract or agreement, any program established in connection with the financing of a Development, and any obligations of the Corporation, including an annual

accounting and/or audit of the financial records and affairs of the Corporation. The amount of costs or expenses paid or incurred by the Corporation under this clause shall be divided and allocated equally among all Applicants whose financings have been completed.

C. **Changes in Fees.** The Corporation reserves the right at any time to change, increase or reduce the fees payable under these Regulations. All fees imposed subsequent to closing by the Corporation under these Regulations will be imposed in such amounts as will provide funds, as nearly as may be practical, equal to that amount necessary to pay the administrative costs of conducting the business and affairs of the Corporation, plus reasonable reserves therefor.

D. **Assumption of Outstanding Bonds of the Corporation.** The Corporation will charge an amount equal to a minimum \$1,500 plus reasonable and customary fees and expenses of the Corporation's Bond Counsel, Financial Advisor and Issuer's Counsel in connection with any assumption of an outstanding bond issue for a Development previously financed by the Corporation. All fees of Bond Counsel, the Financial Advisor and Issuer's Counsel shall be paid by either the transferor or transferee and shall be based on the regular hourly rates of Bond Counsel, the Financial Advisor and Issuer's Counsel for the time expended, as well as reimbursement of all out-of-pocket expenses.

E. **Failure to Timely Pay Fees and Costs.** The Corporation will not consider applications for future transactions proposed by Applicants who are delinquent in the payment of any fees described in this Section IV.

V. GENERAL ELIGIBILITY REQUIREMENTS.

A. **Qualifying Corporations.** To participate in the program, the Applicant (or the entity that controls the Applicant) must qualify as an exempt organization under Section 501(c)(3) of the Code, specifically authorized to provide, among other things, housing for low and moderate income persons and families. The provision of affordable housing should be the primary purpose of or an integral part of the non-profit owner's larger mission. The Applicant (or the related entity that is expected to be the non-profit owner of the Development) or its sole member or other controlling entity (as applicable) shall have been in existence for at least one year and should demonstrate financial stability and expertise in developing and operating affordable multifamily housing properties, and have a board of directors that has substantial experience with owning and operating affordable housing.

B. **Termination of Inducement.** The resolution of the Corporation with respect to its intent to issue obligations for a transaction will terminate **twelve (12) months** from the date of its adoption ("Inducement Period").

C. **Extension Of Inducement.** The Corporation may consider extending the Inducement Period upon the submission by the non-profit Applicant of the following:

1. **Status Report.** Status report providing tangible evidence of the progress of the financing of the Development;

2. **Additional Fees.** Payment of additional fees to the Corporation's consultants, including:

a. **Corporation.** Payment of an additional \$1,000.00 (or such other amount as may be required by the Corporation) to the Corporation. Such fee is not refundable and shall not be credited against the final Closing Fee of the Corporation or any other fee otherwise payable to the Corporation in connection with the transaction;

b. **Bond Counsel.** Payment of an additional fee of \$1,000.00 (or such other amount as may be required by Bond Counsel) to Bond Counsel, which fee is not refundable and shall not be credited against the final Bond Counsel fees; and

c. **Financial Advisor.** Payment of an additional fee of \$1,000.00 (or such other amount as may be required by the Financial Advisor) to the Corporation's Financial Advisor, which fee is not refundable and shall not be credited against the final Financial Advisor fees.

d. **Issuer's Counsel.** Payment of an additional fee of \$1,000.00 (or such other amount as may be required by Issuer's Counsel) to Issuer's Counsel, which fee is not refundable and shall not be credited against the final Issuer's Counsel fees.

D. Property Taxes. Any Applicant that is a Community Housing Development Organization ("CHDO") at the time of application or during the time before any obligations are issued by the Corporation must provide the Corporation with a detailed report describing (i) how the Applicant meets the requirements of a CHDO as set forth in 24 C.F.R. §92.2 and (ii) whether or not the Applicant has received or intends to receive an exemption from ad valorem taxation for the Development(s). **If the Applicant receives an exemption from ad valorem taxation, the Applicant must execute an agreement with the Corporation whereby the Applicant agrees to make a contribution to the local taxing authorities in which the Development(s) is located in an amount equal to 25 percent of the total amount of the exemption received. The Corporation may require additional payments in lieu of taxes to certain taxing authorities (up to 100% of the total amount of the exemption received from such taxing authorities), including, but not limited to, municipal utility districts, rural fire departments and emergency medical services departments.**

E. Set-Aside Requirements. At the Applicant's option, designated at application, at least 20% of all completed units must be occupied by person or families whose income does not exceed 50% of the area median income; **OR**, at least 40% of all completed units must be occupied by persons or families whose income does not exceed 60% of the area median income. **With respect to the acquisition of existing multifamily housing developments, this requirement must be met at closing as determined in the sole discretion of the Corporation and its Bond Counsel.** With respect to the construction of new affordable multifamily housing developments, the set-aside requirement must be met beginning on the date on which at least 10 percent of the units are occupied. In addition, at least 75% of all completed units of each

Development must be occupied by person or families whose income does not exceed 80% of the area median income. This requirement must be met within the agreed upon transition period determined by the Corporation and its Bond Counsel, generally a one-year period. The Applicant is encouraged to contact Bond Counsel promptly to determine the guidelines for compliance with the set-aside requirements.

Within fifteen (15) months of closing, the set-aside units must be evenly distributed throughout the Development and among all the different unit types (i.e. one-bedroom units, two-bedroom units and three-bedroom units). In any event, no more than 60% of the set-aside requirement may consist of one unit type and no less than 20% of the set aside requirement may consist of any particular unit type. All area median income calculations must be adjusted for family size. Maximum allowable rents for set-aside units are 30% of applicable income limits. A schedule of maximum allowable rents by county is available from the Corporation. See Section F below.

The Applicant will be required in the closing documents to follow certain procedures for screening potential residents so that the Applicant does not discriminate against individuals and families on the basis of their participation in the housing choice voucher program under Section 8, United States Housing Act of 1937, including the requirement that potential residents who hold vouchers under the housing choice voucher program be qualified as residents based on financial or minimum income standards of no more than 2 ½ times the individual's or family's share of the total monthly rent.

F. Rent Restrictions. The Corporation requires that certain restrictions be placed on the rents charged on the units leased to those residents who meet the set-aside requirements described in paragraph E above. The maximum rent that may be charged for such units may not exceed 30% of the applicable Median Gross Income for the county in which the Development is located, as prescribed by HUD, under Section 8 of the United States Housing Act of 1937, as amended, based on family size assuming 1½ persons per bedroom and without taking into account an allowance for utilities. Such restrictions shall apply to the units meeting the 20/50 or 40/60 set-aside requirements, as well as the units meeting the 75/80 set-aside requirement.

In addition, the Corporation requires that no rents on set-aside units in a Development may be increased by more than the greater of (a) five percent (5%) of the current rent, or (b) the Consumer Price Index unless such increase is approved, in advance, by the Corporation's authorized representative. If the Corporation's authorized representative does not respond within 10 business days of receipt of notice of such proposed increase, the rent increase is deemed approved.

G. Resident Programs. The Applicant must offer a variety of resident programs according to a resident services agreement, which becomes part of the regulatory agreement. Specific programs must be designed to meet the needs of the current resident profile, and must be approved annually by the Corporation with a report to be filed with the Corporation no later than 60 days prior to the anniversary of the closing date of the Transaction.

VI. MISCELLANEOUS.

A. Unauthorized Representations and Bond Marketing Practices.

1. **Required Approvals.** No Applicant, or any representative of any Applicant or the Corporation, shall represent, directly or indirectly, to any lender (interim or otherwise) supplier, contractor, or other person, firm, or entity that the Corporation has agreed or is firmly committed to issue any obligations in relation to any Transaction or Application until the Board has given final approvals for the issuance thereof under these Regulations, and then subject to the governmental approvals required by these Regulations and the approval of the Attorney General of the State of Texas and subject to any requirements imposed by the Corporation's Articles of Incorporation.

2. **Offering Statement.** No Applicant, or any representative of the Applicant or the Corporation, shall ever make any representation, directly or indirectly, express or implied, of any fact contrary to the disclosures required to be made by paragraph II.C.1.(b) of these Regulations (regarding an offering statement, prospectus or other offering memoranda).

3. **Registration.** Neither the Applicant nor any securities firm, underwriter, broker, dealer, salesman, or other person, firm, or entity shall offer, sell, distribute, or place any obligations authorized by the Corporation by any process, method, or technique or in any manner, transaction, or circumstances or to any person or persons, the effect of which would be to require such obligations to be registered or would require filings to be made with regard thereto under the laws of the state or jurisdiction where such offer, sale, distribution, or placement is made without first registering the same or making the filings regarding the same required by such laws.

B. Amendments, Waivers, Effective Date.

1. **Amendments.** The Corporation reserves the right at any time to amend these Regulations. Except as provided on page 17 hereof, the Regulations applicable to any proposed Transaction are those Regulations in effect when the Transaction is induced by the Corporation.

2. **Waivers.** The Corporation reserves the right to waive any portion of these Regulations as to any Applicant, Application, or Transaction. Any waiver may be conditioned (and probably will be conditioned) on receipt by the Corporation of a written request from the Applicant seeking the waiver and stating the reasons therefore. Any request for a waiver is also subject to review and/or approval by the Corporation's Board of Directors.

3. **Effective Date.** These Regulations are and shall be effective from and after their adoption by the Board and shall continue in effect until and unless amended, modified, or repealed. The Regulations that apply to a particular Transaction will be the Regulations in effect at the time the Corporation adopts the inducement resolution relating to the Transaction (including any Regulations adopted by the Corporation at the same meeting at which the inducement resolution is adopted. If the Board of Directors of

the Corporation approves a revised or modified inducement resolution for a Transaction, (e.g., due to changes in the parties involved, the financial structure, or other changes to the Transaction), the Regulations in effect at the time the revised/modified inducement resolution is adopted by the Corporation will apply to the Transaction.

C. Transfers of Property.

1. Consent of the Corporation. No ownership or other majority interest in any Development (or related property) financed pursuant to these Regulations may be subsequently sold or otherwise transferred to any entity without the prior and express written consent of the Corporation and the payment of the fees and expenses referenced in section III. D. above. The Applicant will be solely responsible for paying the fees of the Corporation's Bond Counsel, Financial Advisor and Issuer's Counsel in connection with any sale or transfer and the approving opinion of Bond Counsel and a report by the Financial Advisor will be a prerequisite to the approval of any sale or transfer by the Applicant or any successor thereto.

2. Intent of Applicant. It is the policy of the Corporation not to induce a Transaction or provide for the issuance of any obligations requested to finance a Development or any portion thereof where the Applicant has the intention of selling a Development or any portion thereof and/or the financing package associated with the Transaction at, or within a reasonable time after, the sale of any obligations issued to finance the Transaction.

D. Failure to Comply with these Regulations. The Corporation will not consider applications from Applicants for a potential Transaction if the Applicant is a borrower (or a related party thereto) in connection with obligations previously issued by the Corporation and such borrower (or related party) is not in compliance with the requirements set forth in these Regulations or is delinquent in the payment of any fees or costs set forth in these Regulations with respect to such prior issued obligations of the Corporation.

E. OTHER REQUIREMENTS. THE CORPORATION MAY IMPOSE ADDITIONAL OR DIFFERENT REQUIREMENTS ON AN APPLICANT THAN THOSE PROVIDED IN THESE REGULATIONS IN THE EVENT THAT THESE ADDITIONAL OR DIFFERENT REQUIREMENTS BECOME NECESSARY TO PROVIDE THE BEST OPPORTUNITY FOR APPROVAL BY THE CORPORATION'S BOARD OF DIRECTORS AND THE TEXAS BOND REVIEW BOARD.

EXHIBIT A

FORM OF APPLICATION FOR FINANCING

EXHIBIT B

TEXAS STATE AFFORDABLE HOUSING CORPORATION

PUBLIC HEARING INFORMATION

The Corporation is required by federal and state law to hold a public hearing (the “TEFRA Hearing”) in order to allow public comment on each issuance of its multifamily mortgage revenue bonds. The hearing must be held in the community in which each proposed Development is located. In order for the Texas State Affordable Housing Corporation (“TSAHC”) to provide the required public notice for this hearing, please provide the following information with respect to each proposed Development that is the subject of the Application:

CONTACT PERSON

Person who will represent the Applicant and who will receive all correspondence concerning TEFRA Hearings

NAME: _____
ADDRESS: _____
CITY/STATE/ZIP: _____
TELEPHONE: _____

PHYSICAL ADDRESS OF THE PROPOSED HOUSING DEVELOPMENT

LEGAL DESCRIPTION OF THE PROPERTY

(Include crossroads directions suitable to locate the property.)

NUMBER OF UNITS: _____

TOTAL SQUARE FEET: _____

MANAGEMENT COMPANY OF THE PROPOSED HOUSING DEVELOPMENT

NAME: _____
CONTACT PERSON: _____
ADDRESS: _____
CITY/STATE/ZIP: _____
TELEPHONE: _____

U.S. REPRESENTATIVE: (DISTRICT OFFICE)

NAME: _____
ADDRESS: _____
CITY/STATE/ZIP: _____
TELEPHONE: _____

STATE SENATOR: (DISTRICT OFFICE)

NAME: _____
ADDRESS: _____
CITY/STATE/ZIP: _____
TELEPHONE: _____

STATE REPRESENTATIVE: (DISTRICT OFFICE)

NAME: _____
ADDRESS: _____
CITY/STATE/ZIP: _____
TELEPHONE: _____

MAYOR (or City Manager, if applicable):

NAME: _____
ADDRESS: _____
CITY/STATE/ZIP: _____
TELEPHONE: _____

CITY COUNCIL: Attach on a separate sheet of paper the information set forth below for each member of the City Council (or other governing body) of the city in which the proposed Development is located. Also, you must indicate whether each member is a “member-at-large” or represents the district in which the proposed Development is located.

NAME: _____
ADDRESS: _____
CITY/STATE/ZIP: _____
TELEPHONE: _____

PRESIDING OFFICER OF COUNTY COMMISSIONERS COURT (COUNTY JUDGE):

NAME: _____
ADDRESS: _____
CITY/STATE/ZIP: _____
TELEPHONE: _____

COUNTY COMMISSIONERS: Attach on a separate sheet of paper the information set forth below for each member of the County Commissioners Court (or other governing body) of the county in which the proposed Development is located. Also, you must indicate whether each member is a “member-at-large” or represents the precinct in which the proposed Development is located.

NAME: _____
ADDRESS: _____
CITY/STATE/ZIP: _____
TELEPHONE: _____

SUPERINTENDENT OF THE SCHOOL DISTRICT:

NAME: _____
ADDRESS: _____
CITY/STATE/ZIP: _____
TELEPHONE: _____

LOCAL NEWSPAPER (general circulation)

NAME OF PAPER: _____
CONTACT (legal section): _____
PHONE NUMBER: _____
FAX NUMBER: _____

LOCAL PUBLIC LIBRARY

NAME: _____
CONTACT: _____
ADDRESS: _____
CITY/STATE/ZIP: _____
PHONE: _____
FAX: _____

AFFECTED PROPERTY OWNERS ASSOCIATIONS (including homeowners' associations, neighborhood associations or other property-related associations):

NAME: _____
CONTRACT: _____
ADDRESS: _____
CITY/STATE/ZIP: _____
PHONE: _____

LOCATION OF A MEETING PLACE FOR THE TEFRA HEARING *:The location should be a public building or facility located near the Development, if possible, in the city (if located within the city limits of a city) and county in which the proposed Development is located, should be accessible to the public and to persons with disabilities, and should be reasonably accessible by public transportation, if available.

PLACE: _____
ADDRESS: _____
CITY/STATE/ZIP: _____
ROOM # / NAME: _____
CONTACT NAME: _____
TELEPHONE: _____
TIME: _____
DATE: _____

(*) Coordinate with Hearings Officer of TSAHC

I certify that the above information is correct and acknowledge that the Applicant is responsible for all costs and expenses associated with publication of notice of the hearing as well as any cost of the hearing itself.

Signature: _____

NOTE: On the date of the TEFRA Hearing and other public meeting, the Applicant is responsible for ensuring that the hearing room is appropriately arranged for a hearing (including a podium, microphone and sufficient seating for the anticipated number of attendees) and that the location of the meeting is well marked with posted signs either identifying the specific room or marking a clear path to the room.

Notice of Public Hearings

In addition to meeting the requirements of various federal and state laws regarding the provision of notice for public hearings, the Corporation requests that an Applicant for bond financing place various signs and notices on the subject property notifying the community of the proposed transaction and the hearing which will be held with respect to the proposed housing development.

With respect to new Developments to be constructed, signs should be posted no later than two weeks prior to the date of the TEFRA hearing and should contain substantially the same information given by the notices published for the same property in the *Texas Register* and the local newspapers. Some Applicants have used the sign as an opportunity to provide artwork or architectural renderings depicting the proposed project. At a minimum, the sign should:

- announce that a public hearing will be held in order to receive public comment on the project and the issuance of bonds;
- give the date, time, and location of the hearing;
- describe the property to be built, rehabilitated, or acquired;
- provide the name, address, telephone number, and contact name of the developer or project owner; and
- provide the address of TSAHC, and the name and telephone number of the Vice President for Multifamily Housing.

For new Developments proposed to be constructed, in order to inform the local community of the change in land use, a sufficient number of signs should be posted as to be visible from each side of the property commonly seen by the public, and the size of the signs and lettering should be large enough to be seen from adjacent streets or walkways.

For rehabilitation or acquisition of existing properties, in order to inform the residents of the proposed transaction, a sufficient number of notices should be posted in common areas on the property, and individual notices should be delivered to the residents of the property.

Depending on the unique circumstances of individual properties, it may be necessary for the Applicant to undertake additional measures to notify the public of the proposed transaction or public hearings with respect to the transaction. For any notices that the Applicant posts on the property with respect to the public hearing, the Applicant should also provide the Corporation with documentation as to the placement of such notices – such as photographs of the signs, installers' invoices, etc.

EXHIBIT C

TSAHC's Form – Public Benefit Analysis

**Public Benefit Analysis
As of Date**

Property Total Units Set Aside Units	<u>Property #1 Name</u>	<u>Property #2 Name</u>	<u>Total</u>
Real Estate Taxes	\$ ¹	\$ ¹	\$
MUD, Rural Fire, and EMS Payments¹	_____	_____	_____
Total Taxes	\$		
Benefits			
Rent Reductions	\$ ²	\$ ²	\$
PILOT ²			
Residential Services			
Rehabilitation			
Issuer Asset Oversight Fee			
Replacement Reserves			
Total Benefits	\$	\$	\$
Positive Public Benefit	\$		

¹List the names of each district to receive payments included in this line item.

²List the names of each local taxing authority which will receive payments in lieu of taxes included in this line item.

EXHIBIT D

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Multi-Family Housing Revenue Bonds
(_____ Portfolio), Series 2002

Financial and Business Relationships, Arrangements and Practices Questionnaire

In Release No. 33-7049 released on March 10, 1994 (the "Release"), the Securities and Exchange Commission stated that financial and business relationships, arrangements or practices between any parties ("Participants") involved in the issuance of municipal securities may be material to an evaluation of the offering. Participants include the issuer and any advisor, expert, counsel or underwriter. The financial and business relationships, arrangements or practices to be described in offering material include political contributions, undisclosed payments to obtain underwriting assignments and undisclosed agreements or arrangements, including fee splitting between any financial advisor and any underwriter, which are material within the meaning of the Release. This Questionnaire is intended to elicit information that may require disclosure in the Preliminary Official Statement and the Official Statement with respect to the above-noted issuance.

1. Describe below any financial or business relationships, arrangements or practices between you and any Participant involved in the above-noted issuance which could potentially be considered material within the meaning of the Release.

2. Describe below any material deviation from any standards or procedures established by you or any governing authorities to which you are subject to safeguard the integrity of the current offering.

The undersigned confirms that, to the best of his/her knowledge and belief, the responses provided in this Questionnaire are true and complete.

Name Of Participant

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT E

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Multi-Family Housing Revenue Bonds
(_____ Portfolio), Series 2002

CERTIFICATE REGARDING REGULATIONS AND PROCEDURES

The undersigned certifies that he/she has read and understands the General Information, Procedures and Requirements for Submitting An Application for Financing (the “Procedures”) and the Regulations for Receiving and Approving Applications for Financing Multifamily Residential Rental Developments (the “Regulations”) of the Texas State Affordable Housing Corporation (the “Corporation”). The undersigned acknowledges that:

- (a) all exceptions to the Procedures and Regulations must be timely requested in writing by the Applicant with an explanation of the need for the exception;
- (b) all exceptions to the Procedures and Regulations are subject to review and/or approval by the Board of Directors of the Corporation;
- (c) complying with the Procedures and Regulations does not guarantee approval of the transaction by either the Corporation’s Board of Directors or the Texas Bond Review Board; and
- (d) the Applicant authorizes the release of the Appraisals (described in the Procedures and Regulations) to any third party, including other governmental entities.

ACKNOWLEDGED AND EXECUTED this ___ day of _____, 200__.

Name of Participant

By: _____

Name: _____

Title: _____

Date: _____

Texas State Affordable Housing Corporation

“Bringing Affordable Housing Closer to Home”

<u>Property Name</u>			
Address			
city, state, zip			
Owner:	Bond ID:	Date Built:	
INSPECTION DATE/ TIME:			
Inspector’s Name: Pat Corser			
Number of Units:	Occupancy at Time of Report:	%	Average Occupancy Over Last 12 Months: %
Number of One Bedrooms:	Number of Two Bedrooms:	Number of Three Bedrooms:	

PHYSICAL INSPECTION	YES	NO	N/A
1) Are grounds and landscaping in acceptable condition?			
2) Is the exterior paint, siding, wood and trim free from cracking, scaling, chipping, peeling or loose paint?			
3) Is parking lot clean and in good repair?			
4) Are all signs clean and in good repair with EHO logos?			
5) Are recreational/common areas clean, maintained and accessible?			
6) Are laundry facilities clean, maintained and accessible?			
7) Are hallways clean and maintained?			
8) Are storage/maintenance areas clean, maintained and organized?			
9) Are all sidewalks clean and in good repair?			
10) Do the roofs on all of the buildings appear to be in good condition?			
11) Do all balconies and upper level walkways appear to be in good condition?			
12) Have repairs or corrections recommended or required from the last physical inspection been satisfactorily completed?			
13) Are there any improvements/renovations since the last inspections?			
14) Are there any improvements/renovations budgeted for this year?			
15) Are there any other health, fire or safety concerns that need to be addressed?			
COMMENTS:			

SECURITY PROGRAM	YES	NO	N/A
1) Is the property suffering from:			
- Break-ins?			
- Auto Theft?			
- Vandalism?			
-Personal Assault?			
-Drug Activity?			
- Gunfire?			
-Other?			
2) Is the type and level of security appropriate for this community?			
3) Did the review of the police reports address the following:			
- Violent Crime?			
- Drug Activity?			
-Family Violence?			
- Other?			
4) Are criminal background checks being conducted on all residents over 18 years of age?			
5) Is the property suffering from the effects of criminal activity?			
6) List all security services being used.			
COMMENTS:			

Texas State Affordable Housing Corporation
 “Bringing Affordable Housing Closer to Home”

OFFICE	YES	NO	N/A
1) Is the office neat, the desk uncluttered?			
2) Are accurate office hours posted?			
3) Are emergency phone numbers posted?			
4) Are the following displayed in full view:			
Fair Housing Poster?			
Occupancy Qualifications?			
5) Are property licenses and permits on file and renewed on a timely basis?			
6) Are insurance binders maintained on vendors?			
7) Are proper procedures in place to ensure compliance with the set aside requirements and rent requirements?			
COMMENTS:			

KEY CONTROL	YES	NO	N/A
1) Are all property keys properly coded?			
2) Is key box locked and secured?			
3) Is the key code list kept separate from the key box?			
4) Are locks being changed during turnover of vacant units and turnover of staff?			
COMMENTS:			

MAINTENANCE PROGRAM	YES	NO	N/A
1) Is there a schedule for preventive maintenance/servicing? (Please include a copy of the schedule)			
2) Are exterminator services provided regularly?			
3) Are roof gutters and downspouts cleaned periodically?			
4) Is recreational/maintenance equipment serviced/stored as seasonal changes dictate?			
5) Is there a schedule for exterior painting?			
6) Does management have a system for receiving, assigning and completing work orders and following up on completed work orders?			
7) Is there an after hours emergency policy in effect?			
8) Has the need for capital improvements been addressed and have adequate reserves been set aside?			
The following information was reported for the month of			
Number of service requests completed in the past 30 days:			
Number of service requests completed within 24 hours:			
Number of outstanding service requests:			
COMMENTS:			

Texas State Affordable Housing Corporation
 “Bringing Affordable Housing Closer to Home”

MARKETING			
1) Complete the table below with the most recent information available.			
SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth			
Flyers			
Resident Referral			
Other (friend, relative, etc.)			
Housing Authority			
Locator Service			
Apartment Digest/For Rent/ Senior Living			
Greensheet			
Local Newspaper			
Internet			
Preferred Employer			
Other Source (list)			
TOTAL			
(The rental activity reflected in the above table was for the month of .)			
	YES	NO	N/A
2) Is the property doing any bilingual advertising?			
3) Is market survey being updated monthly?			
4) Are competitors being "shopped" regularly?			
COMMENTS:			

LEASE RENEWAL	YES	NO	N/A
1) Is an effective lease renewal program in place? What percentage of residents renew last month, past 6 months and past 12 months?			
2) Is proper notification given to residents regarding lease renewal terms and/or rental increases? (At minimum, 60-90 days written notification.)			
3) Are individual files being reviewed to determine renewal/non-renewal status?			
4) Are renewals being tracked and monitored correctly?			
5) Are rate increases being implemented?			
6) Number of month-to-month leases.			
7) Is a premium being charged for a month-to-month lease?			
COMMENTS:			

Texas State Affordable Housing Corporation

“Bringing Affordable Housing Closer to Home”

VACANT/MAKE READY UNITS			
1) Number of vacant units at time of activity report:			
2) Number of completed made ready units at time of activity report:			
3) Number of completed one bedroom units at time of activity report:			
4) Number of completed two bedroom units at time of activity report:			
5) Number of completed three bedroom units at time of activity report:			
6) Number of uncompleted made ready units at time of activity report:			
7) Number of uncompleted one bedroom units at time of activity report:			
8) Number of uncompleted two bedroom units at time of activity report:			
9) Number of uncompleted three bedroom units at time of activity report:			
Units Walked (minimum of 3 units and all down units)			
Unit #	Brief Description (See Unit Inspection Sheet for details)		
	YES	NO	N/A
10) Does the vacant unit information in the management software program match the make ready board?			
11) Are there any down units?			
12) Are units being turned in a timely manner? If not, specify the reason below.			
a) Lack of funds?			
b) Insufficient supply of parts maintained at development site?			
c) Use of contractor instead of on-site staff, or vice versa?			
13) Does management have a system to monitor timely preparation of vacant units?			
14) Does the property manager walk vacant units after they are made ready?			
COMMENTS:			

BUDGET MANAGEMENT					YES	NO	N/A
1) Is current budget on site and used by staff to monitor and control operating expenses?							
2) Are invoices processed weekly?							
3) Does the owner or agent solicit bids in order to obtain materials, supplies, and services?							
4) Are bills paid in a timely manner to avoid late penalties?							
5) List last year's annual cash flow amount in the first column and this year's YTD in the second.							
6) Explain variance of 10% or greater YTD.							
<u>Expense Items that Varied by 10% or Greater from the Budget for Year to Date Operations Ending</u>							
(Please note that a positive variance is under budget and a negative variance is over budget.)							
EXPENSE ITEM	ACTUAL	BUDGET	VARIANCE	%	EXPLANATION		
Comments:							

Texas State Affordable Housing Corporation
 “Bringing Affordable Housing Closer to Home”

REVENUE			
FOR THE MONTH OF		YEAR TO DATE	
Gross Potential	\$	Gross Potential	\$
Budgeted		Budgeted	
Variance + (-)		Variance + (-)	
Collected to Date		Collected to Date	
Other Revenue		Other Revenue	
Total Collected		Total Collected	
Budgeted		Budgeted	
Variance + (-)		Variance + (-)	
Comments:			

DELINQUENCIES	YES	NO	N/A
1) Is the delinquency report up to date?			
2) Have proper steps been taken to collect outstanding rents?			
3) Has legal action been taken against delinquent accounts in a timely manor?			
4) What is the total dollar amount currently under eviction?			
5) Does housing have any outstanding balances? If yes, how much?			
6) List delinquency information below.			
COMMENTS:	Current:		\$
	30 Days:		\$
	60 Days and Over:		\$
	TOTAL		\$

RETURNED CHECKS	YES	NO	N/A
1) Total number of returned checks in the past 3 months:			
2) Has manager collected and deposited all returned checks?			
3) Is manager following company policy on returned checks?			
COMMENTS:			

PERSONNEL	YES	NO	N/A
1) Does owner/agent have a system/procedure for providing field supervision of on-site personnel?			
2) Does the property appear to be adequately staffed?			
3) Is overtime being controlled?			
4) Were requested pre-audit reports submitted on time?		X	
5) Does it appear that personnel are team oriented?			
6) Do personnel appear to be dressed appropriately?			
7) Are name tags/photo IDs being worn?			
8) Are staff meetings being scheduled weekly, monthly or quarterly?			
9) Have personnel been trained in Fair Housing?			
10) List all training staff has received in the past three years.			
COMMENTS:			

Texas State Affordable Housing Corporation
“Bringing Affordable Housing Closer to Home”

OWNER PARTICIPATION	YES	NO	N/A
1) Is the development owner actively involved in day-to-day affairs of the property?			
2) Does management agent submit reports to owner? If so, what reports are submitted and how often?			
3) Does the agent submit written requests for release of funds when needed?			
4) Does the owner respond to the requests in writing?			
5) Is the owner releasing funds for needed capital improvement items, turning of units, sufficient marketing campaigns, etc?			
COMMENTS:			

SUMMARY OF OBSERVATIONS AND FINDINGS

TSAHC Asset Oversight Portfolio 2006 Annual Report

American Agape Foundation Inc.

Property Name	# of Units	Location	Audit Date	Occup. as of Nov. 14 th	Avg. Occup.	Annual Summary
Ashton Place	172	6904 Lasker Dr. Galveston TX 77551	3/27/06	91%	93%	<p>Findings:</p> <p>The police reports indicate a lot of criminal activity including gunfire. Currently the property does not have any strong measures in place to prevent these types of activities from happening. Management team must create and implement a 12 month action plan to end the crime and vandalism on the property. In response to this review, Property Manager must submit the action plan to TSAHC no later than May 4, 2006. (Action Pending)</p> <p>Unit 45 is a down unit and must be placed online on or before June 5, 2006. In response to this review, the Manager must sign a letter, on company letterhead, stating that this unit has been repaired. In addition, photos of the repaired unit and make ready invoices must be submitted to show that this unit has been repaired and submit to TSAHC on or before June 5, 2006. (Action Pending)</p> <p>The property does not have an effective lease renewal program in place. TSAHC recommends that Property create a renewal policy/action plan and maintain in a renewal binder to track your renewals. The property is just beginning to implement a Leasing Renewal Tracking system for compliance purposes. In response to this review, the Property Manager must submit a 12 month renewal action plan to TSAHC no later than May 4, 2006. (Action Pending)</p> <p>Property has 10 units that have not been made ready. In response to this review, the Property Manager must submit a letter, on company letterhead, a written plan to get vacant units made ready and leased and submit to TSAHC no later than May 4, 2006. (Action Pending)</p> <p>Several lights and light fixtures throughout the property are not working. Replace the missing light fixtures and put in light bulbs in all missing fixtures. This must be corrected within 24 hours because this is a safety issue. In response to this review, the Manager must submit photos and must sign a letter, on company letterhead, stating that this has been corrected and submit to TSAHC no later than April 5, 2006. (Action Pending)</p> <p>During last year's audit it was mentioned that the laundry room had a broken window and was to be addressed by management; however this remains outstanding. This must be corrected within 24 hours because this is a safety issue. In response to this review,</p>

					<p>the Manager must submit a photo and must sign a letter, on company letterhead, stating that this has been corrected and submit to TSAHC no later than April 5, 2006. (Action Pending)</p> <p>No Preventive Maintenance Schedule currently in place. In response to this review, the Manager must submit a copy of the Capitol Preventative Maintenance schedule no later than May 4, 2006. (Action Pending)</p> <p>Delinquency Report has errors. Property staff states that the corporate office has to make the corrections. Update the delinquency report to reflect the correct delinquency. In response to this review, submit a copy of the updated Delinquency Report no later than May 4, 2006. (Action Pending)</p> <p>Observations:</p> <p>The playground has graffiti. Graffiti must be removed immediately. Ensure that the property is free from graffiti. It is important for staff to paint over or power wash graffiti immediately.</p> <p>There is graffiti on the sidewalks. Graffiti must be removed immediately. Ensure that the property is free from graffiti. It is important for staff to paint over or power wash graffiti immediately.</p> <p>Both laundry rooms did not have working smoke detectors; however the maintenance staff did place working smoke detectors in the laundry rooms the day of the site visit. Hole in ceiling in the boiler room was repaired the day of the site visit. Boiler room 2 had exposed electrical wires; on the day of the site visit the maintenance staff did cap the wires to eliminate any problems.</p> <p>The electrical outlet in laundry room 1 did not have a plate cover; the maintenance staff placed a cover on the outlet during the site visit.</p> <p>The fence around the dumpster is down and needs to be completed. Ensure that the fence is put up and completed.</p> <p>The fascia board at the top of building 2 is down and needs to be completed. Ensure that the board is replaced and completed</p> <p>The parking lot is in need of re-stripping.</p> <p>On the day of the site visit the EHO logos were given to staff. Ensure that the EHO logo is placed on the front door of the property.</p> <p>Property does not maintain a work order log. A work order log should be maintained to track work orders.</p> <p>Units are not being turned in a timely manner. Ensure that units are turned in a timely manner.</p>
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						<p>Leasing staff and maintenance staff do not have name tags or photo ID badges. Ensure that either name tags or photo ID's be worn by all property staff and maintenance staff.</p> <p>It is recommended that leasing staff attend Compliance Training and all staff including maintenance attend Fair Housing Training, as well as additional industry related trainings and/or seminars.</p>
Woodstock Apartments	128	2121 Washington Cir. Arlington TX 76011	3/14/06	61%	62%	<p>Findings:</p> <p>The metal sidewalk covering at the entrance of the parking lot across from the office needs to be leveled. This must be corrected within 24 hours because this is a safety issue. In response to this review, the Manager must sign a letter, on company letterhead, stating that this has been corrected and submit, along with photo to TSAHC no later than March 31, 2006. (Action Pending)</p> <p>The rotted landscape timbers near the tennis court need to be replaced. This must be corrected within 24 hours because this is a safety issue. In response to this review, the Manager must sign a letter, on company letterhead, stating that this has been corrected and submit, along with photo to TSAHC no later than March 31, 2006. (Action Pending)</p> <p>The laundry rooms do not have working smoke detectors. Place working smoke detectors in both laundry rooms. This must be corrected within 24 hours because this is a safety issue. In response to this review, the Property Manager must sign a letter, on company letterhead stating that this has been corrected and submit, along with photo to TSAHC no later than March 31, 2006. (Action Pending)</p> <p>The maintenance shop and storage area do not have working smoke detectors. Place working smoke detectors in the maintenance shop and storage area. This must be corrected within 24 hours because this is a safety issue. In response to this review, the Manager must sign a letter, on company letterhead, stating that this has been corrected and submit, along with photo to TSAHC no later than March 31, 2006. (Action Pending)</p> <p>The exposed PVC pipe in the parking lot must be repaired to eliminate safety issues. This must be corrected within 24 hours because this is a safety issue. In response to this review, the Property Manager must sign a letter, on company letterhead, stating that this has been corrected and submit, along with photo to TSAHC no later than March 31, 2006. (Action Pending)</p> <p>The tennis court has broken bottle glass throughout the entire court. Remove all broken bottle glass from the tennis court. This must be corrected within 24 hours because this is a safety issue. In response to this review, the Property Manager must sign a letter, on company letterhead, stating that this has been corrected and submit to TSAHC no later than March 31, 2006. (Action Pending)</p> <p>The parking lot has holes that need to be repaired. Repair the holes in the parking lot. This must be corrected within 24 hours because this is a safety issue. In response to this</p>

					<p>review, the Property Manager must sign a letter, on company letterhead, stating that this has been corrected and submit, along with photo to TSAHC no later than March 31, 2006. (Action Pending)</p> <p>The exposed pipe box near building 2311 needs to be covered. Place a cover on the pipe box and ensure that it is safe. This must be corrected within 24 hours because this is a safety issue. In response to this review, the Property Manager must sign a letter, on company letterhead, stating that this has been corrected and submit along with photo to TSAHC no later than March 31, 2006. (Action Pending)</p> <p>All 47 vacant units must have working smoke detectors placed in them. Place a working smoke detector in all 47 vacant units. This must be corrected within 24 hours because this is a safety issue. In response to this review, the Property Manager must sign a letter, on company letterhead, stating that this has been corrected and submit, to TSAHC no later than March 31, 2006. (Action Pending)</p> <p>The floor tile at the entrance of the laundry rooms are broken and must be repaired. Ensure that all broken tiles are replaced. In response to this review, the Property Manager must sign a letter, on company letterhead, stating that this has been corrected and submit, along with photo to TSAHC no later than April 30, 2006. (Action Pending)</p> <p>The window frame in the 2nd laundry room is broken and needs to be repaired. Ensure that the window frame is repaired. In response to this review, the Property Manager must sign a letter, on company letterhead, stating that this has been corrected and submit, along with photo to TSAHC no later than April 30, 2006. (Action Pending)</p> <p>Police Report not submitted with pre audit reports. In response to this review the Property Manager must submit the Police Report from the Arlington Police Department showing any criminal activity for the property within the last 3 months. This must be submitted on or before April 30, 2006. (Action Pending)</p> <p>Property needs to begin aggressively leasing units to qualified households. In response to this review, Property Manager must sign a letter, on company letterhead, with a 12 month leasing plan of action that will track monthly renewals and rent increases. Also, the plan must show the marketing efforts (outreach) the monthly leasing results (percentage) and the tracking method for determining the monthly leasing percentage and submit to TSAHC no later than April 30, 2006. (Action Pending)</p> <p>The make ready board does not correspond with the Availability Report. Availability Report was a manual system from the manager that does not show all vacant units. Staff is not aware of the status of the vacant and down units. Property staff need to inspect all vacant units to find out the status of these units and update the Availability Report and the make ready board. It is recommended that after the Maintenance staff make ready a unit, Property Manager or Leasing staff walk the unit to confirm that the unit is indeed ready. In response to this review, Property Manager must submit a current Availability Report that reflects the current availability showing vacant and down units with the vacate date of the unit no later than April 30, 2006. (Action Pending)</p>
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					<p>Units 215 and 209 have been vacant over 12 months. Apartments 209 and 215 must be placed online by April 30, 2006. In response to this review, the Property Manager must sign a letter on company letterhead, stating that these units have been repaired. In addition, photos of the units and invoices from the vendors must be submitted to show that the units have been repaired on or before April 30, 2006. (Action Pending)</p> <p>Unit 210 is a burn unit and has been down due to a fire since the last site visit, April 18, 2005. Unit 210 must be placed back online by April 30, 2006. In response to this review, the Property Manager must sign a letter on company letterhead, stating that this unit has been repaired. In addition, photos of the unit and invoices from the vendors must be submitted to show that the units have been repaired on or before April 30, 2006. (Action Pending)</p> <p>Smoke alarm missing in units 215, 209 and 210. An alarm needs to be added in the unit within 24 hours because this is a safety issue. In response to this review, the Property Manager must sign a letter, on company letterhead, stating that this has been corrected and submit, along with photos to TSAHC no later than March 31, 2006. (Action Pending)</p> <p>Living room and bathroom ceiling in unit 220 open and exposed with insulation in apartment. Ensure that the ceilings are closed and the insulation removed from the apartment. In response to this review, the Property Manager must sign a letter, on company letterhead, stating that this has been corrected and submit, along with photo to TSAHC no later than April 30, 2006. (Action Pending)</p> <p>All Variance and Year to Date financials were not submitted to determine expense and variance information. In response to this review, the financials and variance reports must be submitted to TSAHC no later than April 30, 2006. (Action Pending)</p> <p>The delinquency report is not accurate. Update the delinquency report to reflect the correct delinquency. In response to this review, submit a copy of the updated Delinquency Report no later than April 30, 2006. (Action Pending)</p> <p>Observations:</p> <p>There is graffiti on the back dumpster. Graffiti must be removed immediately. Ensure that the property is free from graffiti. It is important for staff to paint over or power wash graffiti immediately.</p> <p>Landscaping includes patches of dry grass throughout the property. The flower beds need mulch and grass needs to be planted. Also, there are several trees that need to be trimmed. It is recommended that the landscaping be improved to enhance the visible appeal of the property.</p> <p>The day of the review, the key box was locked; however the key was in the hole of the box. Property staff removed the key. Ensure that the key box is locked and secured. The key codes are maintained in the key box. It is recommended that the key codes be maintained separate from the box</p>
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						<p>Property provided copies of work orders. These work orders do not have sufficient information to determine if service requests were responded to within 24 hours. Ensure that all work orders are completed in their entirety. It is important to include the date the work order was completed and when staff followed up on the work order. It is strongly recommended that property maintain a work order log that reflects the date the resident submitted the work order request and the date that the work was completed. Although the manager has established a manual system of tracking work orders the report must be able to reflect the follow up and the completion date. A copy of the Preventative Maintenance Schedule was provided the day of the site visit</p> <p>Units are not being turned in a timely manner. Ensure that units are turned in a timely manner.</p> <p>The fence around the dumpster enclosure must be repaired. Ensure that the fence around the dumpster is completed.</p> <p>The property does not have a consistent scheduled staff meeting currently in place. It is strongly recommended that the staff set aside a consistent staff meeting schedule either weekly, monthly or quarterly.</p>
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American Housing Foundation

Property Name	# of Units	Location	Audit Date	Occup. as of Nov. 15th	Avg. Occup.	Annual Summary
Aston Brook Apartments	152	14101 Walters Rd Houston TX 77014	1st Visit 6/6/06 2nd Visit 10/17/06	89%	1st Visit 93% 2nd Visit 92%	<p>First Visit Finding: In response to this review, the property manager must submit a follow-up explanation, on company letterhead, along with the Courtesy Office's report, of the reported sexual assault against children. This must be submitted to TSAHC within 24 hours (June 13, 2006) due to the serious nature of the incident and the safety concern for all residents. (Completed 6/29/06)</p> <p>Observations: The second laundry facility has graffiti on the laundry tables that must be removed immediately. The manager stated that there are gangs in the community, as well as within the city of Houston. The property must be free of graffiti and should be removed immediately.</p> <p>After a review of the resident files due to the number of errors found, it is apparent that proper procedures are not being followed to ensure compliance of the set asides and rent requirements. It is recommended that proper procedures for set asides and rent requirements are strictly enforced to ensure program compliance.</p> <p>In review of the completed work order report, it indicates that work orders are not being completed within a 24 hour time frame. It is recommended that staff ensure work orders are given a priority and addressed immediately as received by residents. All work orders</p>

						<p>for the month of May had been completed, however not in a timely manner.</p> <p>The maintenance shop did not have a working smoke detector however, the day of the site visit the maintenance staff corrected the problem immediately.</p> <p>The holes in the parking lot are in need of repair. It is recommended that the holes in the parking lot be repaired along with the re-stripping for a cleaner curb appeal.</p> <p>Second Visit Finding: There are 3 down units that have been down for over 30 days. These units are listed below, 216, 601 and 611. In response to this review, the property manager must sign a letter, on company letterhead, stating that these units have been repaired. In addition, photos and vendor invoices for the repairs must be submitted to TSAHC on or before November 30, 2006. Additionally, an additional 5% of the units must be brought back on-line for occupancy. (Action Pending)</p>
Bent Creek Apartments	326	9750 Forest Ln Dallas TX 75243	<p>1st Visit 4/18/06</p> <p>2nd Visit 9/25/06</p>	53%	<p>1st Visit 78%</p> <p>2nd Visit 67%</p>	<p>First Visit Findings: The questions in the Security Section could not be answered because the Police Report was not submitted April 5, 2006 as requested in the original audit notice and again requested on April 21, 2006. Submit a copy of the Police Report for the past 3 months to TSAHC no later than May 15, 2006. (Corrected 5/3/06)</p> <p>The owner must create a 12 month Crime Prevention Plan that explains in detail what steps they will take to stop the criminal activity on the property. Along with the plan, the owner must submit to TSAHC on the 10th of every month a detailed report for the previous month explaining what they did and the results until TSAHC gives written notice that they are no longer required to do so. This should include supplemental information, including but not limited to security company reports and police reports. In response to this review, the owner must submit on company letter head the Crime Prevention Plan to TSAHC no later than May 15, 2006. (Corrected 5/3/06)</p> <p>The property has taken the 48 units in building 15 off line due to an anticipated unit conversion, although this has not occurred and has only been in the talking stages. All 48 units will need to be placed back on line for occupancy on or before June 26, 2006, or the owner must submit by that date evidence that the conversion of the units from 1 bedroom to 3 bedroom units has been approved in accordance with Section 3.5 of the Loan Agreement. If the conversion is approved, the owner shall submit a schedule for the conversion and an estimated date for the building to be returned to service. In response to this review, the owner must submit documentation to TSAHC no later than June 26, 2006. (Action Pending)</p> <p>The Availability Report does not reflect the following units as being vacant 111, 508, 815, 1112, 1321, 1424, and 1624. In response to this review, the manager must submit on company letter head, an updated Availability report showing the actual vacant units and the status of each unit to TSAHC no later than June 2, 2006. (Completed 7/31/2006)</p>

					<p>Observations: The key was in the key box the day of the site visit. It was recommended that the key be removed from the box and maintained in a separate location. Also, the recommendation was made for staff to remove the key log near the key box and place in a more secure area.</p> <p>Unable to determine the number of completed work orders because the dates in the computer system were incorrect. Unable to determine whether all service requests are being responded to within 24 hours and whether staff is following up on work orders. Ensure that all work orders are completed and put into the computer system so that an accurate report can be obtained.</p> <p>The property staff does outreach marketing to the local businesses in the area. It is highly recommended that the property staff seek more creative ways to target qualified households and market in target areas. A Preferred Employer Program could be a positive way to create a qualified base for residents.</p> <p>The availability report reflects incorrect make ready dates. Some units are not ready but have a make ready date. Property has the system automatically entering a default date of 7 days. Remove the date from the default system. The make ready date needs to be the date the unit was actually ready for move in.</p> <p>All 48 of the off line units have a battery back up smoke detector in each unit.</p> <p>Second Visit Findings: The police Report (911 Call Sheet) was not submitted. In response to this review the property manager must submit a copy of the police report for the past 3 months to TSAHC on or before October 30, 2006. (Corrected 11/13/06)</p> <p>The property has taken the 48 units in Building 15 off line due to an anticipated unit conversion, although this has not occurred and this has only been in the talking stages; the units have since been vacant. All 48 units will need to be placed back on line for occupancy on or before October 30, 2006, or the owner must submit by that date evidence that the conversion of the units from 1 bedroom to three bedroom units has been approved in accordance with Section 3.5 of the Loan Agreement. If the conversion is approved, the owner shall submit a schedule for the conversion and an estimated date for the building to be returned to service. In response to this review, the owner must submit documentation to TSAHC no later than October 30, 2006. (Action Pending)</p> <p>Observations: In reviewing the Work Order Directory report submitted by staff, it appears that there may be a computer glitch. Several service request completed dates are showing before the call dates. The staff may request that this problem is corrected to prevent any fair housing issues and correct documentation of all work completed.</p> <p>The community has a low lease renewal ratio. It is suggested that the staff capture lease renewals in order to maintain resident retention.</p>
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Cimarron Park Apartments	162	2201 Montgomery Park Blvd. Conroe TX 77304	1st Visit 5/23/06 2nd Visit 10/18/06	90%	1st Visit 93% 2nd Visit 93%	First Visit Findings: The property does not have a key code list and the keys are coded to a recognizable pattern. Vendors and ex-employees have access to the key box and are able to access keys without management knowledge. In response to this review, the manager must create a key code log and submit a letter to TSAHC on or before August 20, 2006 stating that a key code log has been completed and will be maintained in a separate location from the key box. (Completed 8/22/06) The maintenance shop does not have a smoke detector. This must be corrected within 24 hours because this is a safety issue. In response to this review, the manager must sign a letter on company letter head stating that this has been corrected and submit to TSAHC no later then July 21, 2006. (Completed 8/22/06) Observations: Invoices are processed on a weekly basis and submitted to the corporate office; however, late fees are applied on vendor invoices. Due to the number of vendor calls to TSAHC regarding unpaid accounts and the large amount of late fees being applied, an Accounts Payable ledger was obtained and shows a current outstanding balance of \$53,857 for vendor services, and an over 90 day late of \$35,291 for vendor services as of May 22, 2006. It is recommended that the owner pay outstanding invoices to vendors so that services are maintained and property staff will continue to operate efficiently on a day to day basis. The property has a Hispanic population; therefore, it is suggested that the property place a copy of the Spanish version of the Fair Housing Poster in the lobby of the front office along with the English version. Second Visit Observations: The stair railing on the building leading up to unit #206 is loose. It is recommended that staff ensure all stair railings are secured to the building.
Creekwood Village Apartments	362	10928 Audelia Ln Dallas TX 75243	1st Visit 4/17/06 2nd Visit 9/25/06	55%	1st Visit 77% 2nd Visit 80%	First Visit Findings: Property Manager must create a 12 month Crime Prevention Action Plan that addresses activities that aid in crime prevention and vandalism on the property. Along with the plan, a tracking method that will be used to determine the effectiveness and resident participation in the activities must be reported to TSAHC on the 10 th day of each month to determine how well the program is going. In response to this review, the property manager must submit on company letterhead the crime prevention action plan to TSAHC no later than May 26, 2006. (Completed 6/7/06) Unit 624 is a down unit due to a kitchen fire and has been vacant since January 1, 2005. Unit 624 must be placed back on line by May 26, 2006. In response tot his review, the manager must sign a letter, on company letterhead, stating that this unit has been repaired. In addition, photos of the repaired unit and invoices from the vendors must be submitted to show that the unit has been repaired on or before May 26, 2006.

						<p>(Completed 6/7/06)</p> <p>Observations: The smoke detector was placed in both laundry rooms the day of the site visit.</p> <p>HVAC cover on unit at building 10 was put back on the day of the site visit.</p> <p>Laundry room 2 has graffiti on the dryer door. Graffiti must be removed immediately. Ensure that the property is free from graffiti. It is important for staff to paint over or power wash graffiti immediately.</p> <p>The completed dates on the work order directory show some call dates after the completed date. See work order #2207 on the work order directory. The computer software program should be programmed to ensure that information is accurate. Ensure that the computer program is reporting information accurately.</p> <p>Property does not have an effective lease renewal program in place. Due to the high number of MTM leases TSAHC recommends that the property create a renewal policy/action plan that encourages residents to continue living at the property. In addition to creating a renewal policy/action plan that encourages residents to continue living at the property, management should maintain documentation to effectively monitor the lease renewal program.</p> <p>The make ready status board does not correspond with the vacancy report. Update the make ready status board and the vacancy report so that the correct vacancy units are reflected and the ready units show in the ready status.</p> <p>The smoke detectors where placed in the maintenance shop the day of the site visit.</p> <p>Second Visit Finding: The police report (911 Call Sheets) were not submitted. In response to this review the property manager must submit a copy of the police report to TSAHC on or before October 30, 2006. (Completed 10/27/06)</p>
Fountaingate Apartments	280	5210 Tower Dr Wichita Falls TX 76310	<p>1st Visit 6/6/06</p> <p>2nd Visit 10/31/06</p>	81%	<p>1st Visit 91%</p> <p>2nd Visit 88%</p>	<p>First Visit Finding: The Detail Budget Comparison report is not accurate. The numbers on the report are not the right number for the property and they do not add up to the totals. It is required that accounting correct Fountaingate's reports to reflect the correct financial status of the property. The corrected reports must be submitted to TSAHC no later then July 21, 2006. (Completed 7/17/06)</p> <p>Observations: The buildings have not been painted since 1994, over 12 years ago, and the buildings are showing their age. It is strongly suggested that the buildings be painted.</p> <p>Second Visit</p>

						<p>Finding: The police reports were provided however the codes were not included. It is required that the codes be submitted to TSAHC no later than December 1, 2006. After the codes are received this section will be completed. (Completed 12/28/06)</p> <p>Unit 1/288 did not having a working smoke detector. It is required that a working smoke detector be placed in the unit within 24 hours. A photo must be submitted by November 2, 2006 to TSAHC showing the newly installed detector. (Completed 11/13/06)</p> <p>Observations: The new leasing agent has not attended Fair Housing training to date. It is highly recommended that the agent attend the December training.</p>
Northwoods Apartments	200	18001 Cypress Trace Houston TX 77090	<p>1st Visit 6/5/06</p> <p>2nd Visit 10/17/06</p>	89%	<p>1st Visit 91%</p> <p>2nd Visit 89%</p>	<p>First Visit Observations: Boiler rooms had stored items inside but the maintenance staff removed all items and placed them inside the maintenance shop. The boiler rooms cannot be used for storage of items.</p> <p>Concrete broken at building 5 in the parking lot was repaired the day of the site visit.</p> <p>There is a water leak on the side of the office building and at building 16 that the maintenance staff are aware of and is troubleshooting to find the problem. It is recommended that the water leak be repaired by maintenance or an outside contractor to avoid water cost and waste. The entire maintenance staff are recent hires having been with the company approximately 2 weeks.</p> <p>In review of the completed work order report, it indicates that work orders are not being completed within a 24 hour time frame. It is recommended that staff ensure work orders are given a priority and addressed immediately as received by residents.</p> <p>The property does have a Hispanic population therefore; a Spanish version of the Fair Housing poster should be displayed in the lobby of the front office.</p> <p>After a review of the resident files due to the number of errors found, it is apparent that proper procedures are not being followed to ensure compliance of the set asides and rent requirements. It is recommended that proper procedures for set asides and rent requirements are strictly enforced to ensure program compliance.</p> <p>Second Visit: Finding: Unit 2208 is a down unit that must be made ready for lease to the general public. This unit has been vacant over 100 days and has mold infestation in the unit. In response to this review, the property manager must submit a letter on company letterhead, stating that the unit has been repaired and made ready for occupancy; in addition a photo of the completed work and a copy of the vendor invoice must be submitted to TSAHC on or before November 30, 2006. (Completed 12/11/06)</p>

						<p>Observations:</p> <p>The boiler room near the office does not have a copy of the boiler permit. It is recommended that the boiler permit be available in the boiler room at all times for inspection.</p> <p>The access gates are not working at this time. The repair for the gates is scheduled in the 2007 budget. It is recommended that the gates are operational at all times.</p> <p>According to the Unit Vacancy report dated 10/17/2006 the resident in 201 moved in 9/28/2006. It is recommended that the report reflect accurate information at all times.</p>
One Willow Chase Apartments	136	8330 Willow Place Dr. South Houston TX 7070	<p>1st Visit 5/8/06</p> <p>2nd Visit 10/16/06</p>	91%	<p>1st Visit 96%</p> <p>2nd Visit 95%</p>	<p>First Visit:</p> <p>Observations:</p> <p>On the day of the site visit the key box was locked; however, the key was in the key hole of the key box. Property staff removed the key.</p> <p>Property unit keys are coded; however, there is an obvious pattern. Property key codes need to be changed to a random pattern. Currently any vendors, past employees, and others would be able to identify the unit number of the keys. This is a major safety concern.</p> <p>Staff was unable to print the Lease renewal report. Staff can track their current renewal but determining the leasing percentage is cumbersome and ineffective. It is recommended that the property maintain a renewal binder that shows on a monthly basis who is due for renewal and who actually renewed to determine the monthly leasing percentage.</p> <p>Second Visit:</p> <p>Finding:</p> <p>According to the police report submitted by the local police department there is criminal activity occurring within the community. In response to this review the owner must create a 12 month Crime Prevention Plan that explains in detail what steps they will take to stop the criminal activity on the property. The owner must submit on company letterhead the Crime Prevention Plan to TSAHC no later than November 30, 2006. (Completed 12/15/06)</p> <p>The key codes are in a pattern that shows the apartment number and the codes so that anyone can locate a key for a specific apartment. Because this a safety concern, it is suggested that management create a random key code so that key codes are not easily recognized. This was also an observation from the May 8, 2006 site visit. In response to this review, the property manager must submit to TSAHC a copy of the revised key codes on or before November 30, 2006. (Completed 12/14/06)</p> <p>Observations:</p> <p>The electrical outlet in the boiler room did not have a cover plate; however the</p>

						<p>maintenance staff did replace the electrical cover the day of the site visit. It is recommended that maintenance ensure that all electrical outlets have face covers at all times.</p> <p>The battery in the smoke detector in the laundry room was beeping; however the maintenance staff did replace the battery in the smoke detector the day of the site visit.</p>
One Willow Park Apartments	178	8450 Willow Place Dr. North Houston TX 77070	<p>1st Visit 5/8/06</p> <p>2nd Visit 10/16/06</p>	90%	<p>1st Visit 92%</p> <p>2nd Visit 93%</p>	<p>First Visit: Finding: Unit 2304 has been down because of a fire. Due to the occupancy of the property, unit 2304 must be brought back on-line to be leased to the general public on or before June 15, 2006. In response to this review, the Manager must sign a letter, on company letterhead, stating that this unit has been repaired. In addition, photos of the repaired unit and vendor repair invoices must be submitted on or before June 15, 2006. (Action Pending)</p> <p>Observations: On the day of the site visit the key was in the key box. It is recommended that the key for the key box be placed in a secure location and removed from the key box.</p> <p>It was noticed that the key codes was in an easy to memorize pattern. It is recommended that the key codes be created in a random system that is not easily memorized.</p> <p>The boiler room has items stored inside. The boiler room should not be used for storage at any time. Ensure that all items are removed from the boiler room and stored in a safe place.</p> <p>The battery in the smoke detector in the shop was not working the day of the visit, however, maintenance personnel did place a working battery in the smoke detector.</p> <p>Due to the diverse population at the property, it is recommended that the Spanish version of the Fair Housing poster, in addition to the English version, be displayed in the front lobby area.</p> <p>Property was unable to print Lease Renewal report. Property can track their current renewal but determining the leasing percentage is cumbersome and ineffective. It is recommended that property maintain a renewal binder that shows a monthly basis who is due for renewal and who actually renewed to determine the monthly leasing percentage.</p> <p>The fitness room did not have a working smoke detector, although the maintenance personnel did place a working smoke detector the day of the site visit.</p> <p>Second Visit Findings: According to the police report submitted by the local police department there is criminal activity occurring within the community. In response to this review the owner must create a 12 month Crime Prevention Plan that explains in detail what steps they will take to stop the criminal activity on the property. The plan should also include addressing</p>

					<p>that lights are operable throughout the property daily. The owner must submit on company letterhead the Crime Prevention Plan to TSAHC no later than November 30, 2006. (Completed 12/15/06)</p> <p>The key codes are in a pattern that shows the apartment number and the code so that anyone can locate a key for a specific apartment. Because this is a safety concern, it is suggested that management create a random key code so that key codes are not easily recognized. This was also an observation from the May 8, 2006 site visit. In response to this review, the property manager must submit to TSAHC a copy of the revised key codes on or before November 30, 2006. (Completed 12/14/06)</p> <p>Unit 2304 is a down unit due to a resident caused fire. In response to this review, the property manager must get the apartment home available for lease to the general public on or before November 30, 2006. A letter stating that all repairs have been completed along with vendor invoice and a photo of the completely repaired apartment home must be submitted to TSAHC on or before November 30, 2006. A copy of a bid obtained on October 10, 2006 from Superior Services was submitted to the auditor the day of the site visit; additionally it was noted that one half of the work must be paid for in advance due to the slow pay history by management. (Action Pending)</p> <p>Observations: On the May 8, 2006 site visit it was noted that the access gate was not operable due to a hit and run and the gate was to have been repaired. On the October 16, 2006 site visit the access gate was still inoperable; however according to management the access gates will be removed from One Willow Chase and One Willow Park by the end of October 2006. It is suggested that the gate either be removed as stated or repaired for resident use.</p> <p>According to the Courtesy Officer light check report dated 8/7/2006 there appears to be several lights out throughout the community that could be a contributing factor to the criminal activity that is occurring within the community. It is critical that management ensure that lights throughout the community are working at all times because this is a safety concern.</p> <p>The balcony railing at building 23 was loose and needing to be bolted to the building. On the day of the site visit the manager did have the maintenance staff to correct the problem. It is recommended that the balconies are checked as stated in the preventative maintenance schedule to ensure that balcony railings are not unsafe.</p> <p>Unit 2304 did not have a working smoke detector; however the maintenance staff did place a working smoke detector in the unit the day of the site visit. Although the unit is a down unit all units must have working smoke detectors at all times. It is recommended that staff verify that all vacant units have working smoke detectors.</p>	
Pine Creek Village Apartments	216	229 I-45 North Conroe TX 77304	1st Visit 5/22/06 2nd Visit 10/18/06	64%	1st Visit 78% 2nd Visit 71%	First Visit Findings: Invoices are processed on a weekly basis and submitted to the corporate office; however, late fees are being applied to vendor invoices. Due to the late fees and the number of vendor calls to TSAHC regarding unpaid accounts, an Accounts Payable ledger was

					<p>obtained and shows a current outstanding balance of \$223,360.30 and an over 90 day late of \$154,966.87 as of May 22, 2006 the date of the report. In response to this review the property manager must send a letter, by July 21, 2006 to TSAHC on company letterhead, indicating the action plan to have vendors paid so that units can be made ready and the property can purchase the necessary supplies to keep the property operating efficiently on a day-to-day basis. Additionally, the property will be placed on a monthly monitoring status requiring submission of the Accounts Payable Ledger at property's monthly reporting close out. (Completed 7/27/06)</p> <p>Units cannot be turned in a timely manner because vendors will not service the property due to outstanding balances owed by the property. In response to this review the property manager must send a letter, by July 21, 2006 to TSAHC on company letterhead, stating that the property is able to purchase the necessary supplies to make ready the units and an updated copy of the Unit Availability Report must be submitted to TSAHC on or before July 21, 2006. (Completed 7/27/06)</p> <p>Second Visit Findings: The keys to the units had apartment numbers on the back of the key ring. The manager must submit a letter on company letterhead stating that the unit numbers have been removed from the back of the key rings on or before November 30, 2006. (Completed 12/15/06)</p> <p>According to the police report submitted by the local police department there is criminal activity occurring within the community. In response to this review, the owner must create a 12 month Crime Prevention Plan that explains in detail what steps they will take to stop the criminal activity on the property. The owner must submit on company letterhead the Crime Prevention Plan to TSAHC no later than November 30, 2006. (Completed 12/15/06)</p>	
Settler's Cove Apartments	182	4045 Treadway Beaumont TX 77706	1st Visit 4/25/06 2nd Visit 10/4/06	92%	1st Visit 95% 2nd Visit 95%	<p>First Visit Observations: Due to the diverse traffic and for current residents it is recommended that the Spanish version of the Fair Housing Poster be displayed in the front office along with the English version.</p> <p>Two checks were accepted for new applicant business however the application was denied/cancelled without replacing the NSF checks. Also, the resident in #2415 was allowed to pay his April 2006 rent although he has 2 NSF checks. Company policy states that after 2 NSF's within the lease term all payments must be money order or cashier's check.</p> <p>Second Visit Observations: The fitness room did not have a working smoke detector; the maintenance technician did place a working smoke detector the day of the site visit. It is recommended that management ensure smoke detectors are working at all times.</p>

						Units 2311 and 2313 did not have working smoke detectors; the maintenance technician did replace the batteries in both units the day of the site visit. It is recommended that management ensure that although units are vacant smoke detectors must be working.
Shadowridge Village Apartments	144	9701 W. Ferris Branch Blvd. Dallas TX 75243	1st Visit 6/5/06 2nd Visit 9/25/06	94%	1st Visit 95% 2nd Visit 65%	<p>First Visit Findings:</p> <p>The carport in front of building #2 has a broken light in car slot #5. The light fixture has exposed wires. It is required that staff fix the light so that it will not pose a danger to residents. This must be correct by July 29, 2006. A photo along with a letter stating what action was taken is due to TSAHC by the above date. (Completed 8/3/06)</p> <p>The police report was not provided. It is required that the police report for the past 3 months be submitted to TSAHC no later then July 29, 2006. (Completed 8/3/06)</p> <p>The property must have locking cabinets for the resident files that must be locked when the office is closed. It is also required that the property have working locks for the offices and for the night drop that remain locked when the office is closed to prevent another thief from gaining access to the files and money. With the help of your legal council, staff needs to notify all residents that their personal information could have been stolen. The above issues must be addressed no later than July 28, 2006. A letter must be sent to TSAHC by that date stating what action was taken along with copies of any invoices. (Completed 8/3/06)</p> <p>The property did not have a Fair Housing poster in the leasing area. During the audit a temporary one was printed off the Internet. It is required that permanent ones are placed in the leasing area. A photo of the hanging posters must be submitted to TSAHC by July 29, 2006. (Completed 8/3/06)</p> <p>The pool and boiler room certificates are not current. The pool certificate expired in Feb. 2006 and the boiler certificates expired in 2003. It is required that the staff obtain current certificates for both the pool and boiler room. Copies of the certificates must be submitted to TSAHC by July 29, 2006. (Completed 8/3/06)</p> <p>Observations:</p> <p>The pool area is closed because of the broken pool pump and the broken stone around the pool. It is strongly suggested that they both be fixed so that residents can use the pool and prospects can look at a clean, functioning pool.</p> <p>In March the work orders were no longer completed in the system. It is strongly recommended that work orders be tracked and monitored appropriately including completing them in the Yardi software.</p> <p>The property has not been consistently tracking renewals. It is suggested that the property keep a renewal binder with the previous 12 months of renewal history.</p> <p>Neither the make ready board nor the unit availability report is correct. The staff does not know the status of any of the vacant units and there is a lot of confusion about the units. It is suggested that the manager work closely with the maintenance staff to</p>

					<p>quickly assess the status of all units and then get the information correctly documented on both reports.</p> <p>The staff had given out the last key to unit 921 to a vendor. The vendor did not return it. It is very strongly suggested that the master key to units not be given out.</p> <p>The property has outstanding balances with vendors. It is suggested that the staff create an action plan to have vendors paid so that units can be made ready and the property can purchase the necessary supplies to keep the property operating efficiently on a day-to-day basis.</p> <p>Second Visit Findings: The security section could not be answered because the police report (911 call sheets) were not submitted with the original request; however the property did send the crime statistics. In response to this review the property manager must submit a copy of the 911 Call Sheet from the local police department to TSAHC on or before October 30, 2006. (Corrected 11/13/06)</p> <p>Policy states \$25.00 NSF fee 1211, 1323 charged 35.00 4/18/2006; 1816 charged 35.00 5/16/2006; 1222 had 2 NSF and was charged 35.00 1/16/2006 and 5/16/2006; 616 charged 35.00 5/23/2006 for NSF; 1321 charged 35.00 5/23/2006; 1711 charged 35.00 8/22/06; 311 charged 35.00 6/20/06; 1621 charged 35.00 7/18/2006 1711 charged 35.008/22 In response to this review the property manager will need to pull the lease agreement for each ledger listed and charge according to the lease agreement and submit a copy of the first page of the lease agreement and a corrected ledger to TSAHC on or before October 30, 2006. (Corrected 11/13/06)</p> <p>Unit 613 has a ceiling leak that needs to be repaired. In response to this review, the property manager must have the ceiling repaired and submit a photo of the repaired ceiling to TSAHC on or before October 30, 2006. (Corrected 11/13/06)</p> <p>Observations: The work order report shows that some of the service request call in dates is after the completed date. It is recommended that staff ensure accurate service request completed dates are input into the system to eliminate any fair housing issues.</p> <p>The make ready log shows units as ready and they actually are not ready. It is suggested that staff verify the status of all units before updating the make ready log. If a unit is not ready for immediate occupancy do not show as a ready unit on the report. Ready suggests that a household is ready for immediate move-in without anything left to be completed in the apartment home.</p> <p>The property has a very low renewal rate. It is recommended that the property staff become more aggressive in the renewal process so that the property does not lose too many residents at one time.</p>	
Stony Creek Apartments	252	231 I-45 North Conroe TX 77304	1 st Visit	77%	1 st Visit	First Visit

			<p>6/22/06</p> <p>2nd Visit 10/18/06</p>		<p>80%</p> <p>2nd Visit 77%</p>	<p>Findings: The ceiling in the maintenance shop is falling down and needs to be repaired for safety reasons. There are items at the top of the ceiling that appear to be falling down and could cause injury to an individual. Repair the ceiling in the maintenance shop. In response to this review the Property Manager must sign a letter, on company letterhead, stating that the ceiling has been repaired and submit photos to TSAHC on or before July 21, 2006 to show the correction has been completed. (Completed 7/27/06)</p> <p>Invoices are processed on a weekly basis and submitted to the corporate office; however, late fees are being applied to vendor invoices. Due to the late fees and the number of vendor calls to TSAHC regarding unpaid accounts, an Accounts Payable ledger was obtained and shows a current outstanding balance of \$223,360.30 and an over 90 day late of \$154,966.87 as of May 22, 2006 the date of the report. In response to this review the property manager must send a letter, by July 21, 2006 to TSAHC on company letterhead, indicating the action plan to have vendors paid so that units can be made ready and the property can purchase the necessary supplies to keep the property operating efficiently on a day-to-day basis. Additionally, the property will be placed on a monthly monitoring status requiring submission of the Accounts Payable Ledger at property monthly close-out. (Completed 7/27/06)</p> <p>Units cannot be turned in a timely manner because vendors will not service the property due to outstanding balances owed by the property. In response to this review the property manager must send a letter, by July 21, 2006 on company letterhead, stating that the property is able to purchase necessary supplies to make ready the units and an updated copy of the Unit Availability Report must be submitted to TSAHC on or before July 21, 2006. (Completed 7/27/06)</p> <p>Observations:</p> <p>The laundry room at building 11 had a cracked window that the maintenance staff repaired the day of the site visit.</p> <p>The electrical box in the laundry room at building 16 was cracked but was repaired by the maintenance staff the day of the review.</p> <p>The laundry room at building 16 has graffiti on the window and on the fire extinguisher box. Graffiti must be removed immediately. Ensure that the property is free of graffiti. It is important to paint over or power wash the graffiti immediately.</p> <p>The maintenance shops did not have smoke detectors but the staff did place working smoke detectors in the shop the day of the review.</p> <p>Second Visit Findings: According to the police report submitted by the local police department there is criminal activity occurring within the community. In response to this review, the owner must create a 12 month Crime Prevention Plan that explains in detail what steps they will take to stop the criminal activity on the property. The owner must submit on company</p>
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						<p>letterhead the Crime Prevention Plan to TSAHC no later than November 30, 2006. (Completed 12/15/06)</p> <p>A copy of the Accounts Payable was requested by the auditor the day of the site visit but was not received. In response to this review the property manager must submit a copy of the current Accounts Payable Report to TSAHC on or before November 30, 2006. (Completed 12/15/06)</p> <p>Observations: Property has a large amount of month to month leases. In fact, 8% of units are month-to-month leases. This means in 30 days the occupancy could drop to 67% or lower.</p>
Woodedge Apartments	126	10802 Green Creek Dr. Houston TX 77070	<p>1st Visit 6/9/06</p> <p>2nd Visit 10/16/06</p>	91%	<p>1st Visit 92%</p> <p>2nd Visit 93%</p>	<p>First Visit Findings: The fire in unit 101 was resident caused and has been down for six (6) months. Due to the occupancy of the property, unit 101 must be brought back online for lease to the general public on or before August 31, 2006. In response to this review, the Property Manager must sign a letter, on company letterhead, stating that this unit has been repaired. In addition, photos of the repaired unit and vendor invoices for the repairs must be submitted to TSAHC on or before August 31, 2006. (Action Pending)</p> <p>The availability report reflects incorrect make ready dates. Some units are not ready but have a make ready date. The make ready date needs to be the date the unit was/is actually ready and not the property's proposed move in date. In response to this review the property manager must submit a copy of the updated Availability Report showing the current status of each vacant unit and the accurate make ready dates to TSAHC on or before July 21, 2006. (Action Pending)</p> <p>This section of the report could not be answered because the Police Report was not submitted. In response to this review the property manager must submit a copy of the Police Report to TSAHC on or before July 21, 2006. (Action Pending)</p> <p>Observations: The day of the review the key box was not locked; however there was not a key in the key hole. This is a major safety concern; therefore the key box must be locked at all times.</p> <p>The key codes to the units are in an obvious pattern. Property key codes need to be changed to a random pattern. Currently any vendors, past employees and others would be able to identify the unit number of the keys. This too is a major safety concern.</p> <p>The boiler room has items stored inside that must be removed. Ensure that the boiler room is not used for storage at any time.</p> <p>The maintenance shop had a smoke detector but the battery did not work. The maintenance personnel did place a battery in the smoke detector the day of the site visit.</p>

						<p>The staff does have name tags, although the day of the site visit they were not being worn. It is recommended that the staff wear name tags so that they can be readily identified as staff.</p> <p>Second Visit Findings: In the May 9, 2006 site visit it was requested that unit 101 be brought back on-line for lease on or before August 31, 2006. Based upon the report the fire in the unit was resident caused and had been down for six (6) months. This finding still remains outstanding and the unit remains in a down status with no attempt to get the unit back on-line due to its use as a storage area. Additionally, because the occupancy is over 90% all units should be available for lease to the general public and this unit could be an easy lease. In response to this review, the manager must sign a letter on company letterhead, stating that the unit has been repaired. In addition, photos of the repaired unit and vendor invoices must be submitted to TSAHC on or before November 30, 2006. (Action Pending)</p> <p>The Availability Report shows make ready dates for units that are not made ready according to the report. Units 1003 and 409 are shown as not ready on the report. In response to this review, the property manager must submit a corrected copy of the Availability Report showing the current status of each unit to TSAHC on or before November 30, 2006. Additionally, the software program has a glitch in the system because the Availability Report shows the resident in unit 902 as a current resident with a move in date of 6/16/2006. This also must be corrected and reflected as a correction on the submitted report. (Corrected 12/5/06)</p>
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American Opportunity for Housing						
Property Name	# of Units	Location	Audit Date	Occup. as of Nov. 14th	Avg. Occup.	Annual Summary
Briarcrest Apartments	376	25650 I-45 Spring TX 77386	1st Visit 2/22/06 2nd Visit 10/9/06	89%	1st Visit 75% 2nd Visit 89%	<p>First Visit Findings: The electrical outlet at the coke machine area was not secured and open causing a serious safety concern. Ensure that the outlet has been closed within 24 hours because this is a safety issue. In response to this review, the Manager must sign a letter on company letterhead stating that this has been corrected and submit a photograph to TSAHC no later than 3/3/2006. (Completed 5/1/06)</p> <p>The telephone near the laundry room is not operational and has exposed wirings. Ensure that the exposed wiring be secured within 24 hours because this is a safety issue. In response to this review, the Manager must submit a photograph and sign a letter on company letterhead, stating that this has been corrected and submit to TSAHC no later than 3/3/2006. (Completed 5/1/06)</p> <p>The playground slide is broken on the edge. In response to this review, the playground slide must be replaced and the Property Manager must submit a photograph and sign a letter on company letterhead, stating that this has been corrected and submit to TSAHC</p>

						<p>no later than April 2, 2006. (Completed 5/1/06)</p> <p>No Preventive Maintenance schedule is currently in place. In response to this review the Property Manager must submit a copy of the Capitol Preventive Maintenance Schedule no later than April 2, 2006. (Completed 5/1/06)</p> <p>501 has been down for over 3 years. Apartment 501 must be placed online by April 2, 2006. In response to this review, the Manager must sign a letter, on company letterhead, stating that this unit has been repaired. In addition, photos of the unit and invoices from the vendors must be submitted to show that the unit has been repaired on or before April 2, 2006. (Completed 5/1/06)</p> <p>Smoke alarm missing in unit. An alarm needs to be added in the unit with in 24 hours because this is a safety issue. In response to this review, the Manager must sign a letter, on company letterhead, stating that this has been corrected and submit to TSAHC no later than 3/3/2006. (Completed 5/1/06)</p> <p>Observations:</p> <p>It is recommended that the outside maintenance storage area be swept and cleaned placing the doors and any useable materials to the inside of the maintenance shop. Also any screens that are no longer useable should be disposed of immediately; the gutters and roofs are scheduled to be replaced and should be completed by April 2006 according to the Manager.</p> <p>Laundry room #1 has graffiti on the table. Graffiti must be removed immediately. Ensure that the property is free from graffiti. It is important for staff to paint over or power wash graffiti immediately.</p> <p>The playground has graffiti. Graffiti must be removed immediately. Ensure that the property is free from graffiti. It is important for staff to paint over or power wash graffiti immediately.</p> <p>Property provided copies of work orders. These work orders do not have sufficient information to determine if service requests were responded to within 24 hours. Ensure that all work orders are completed in their entirety. It is important to include the date the work order was completed and when staff followed up on the work order. It is strongly recommended that property maintain a work order log that reflects the date the resident submitted the work order request and the date the work order was completed.</p> <p>Property not implementing a renewal policy/action. It is recommended that property create a renewal policy/action plan that encourage residents to continue living at the property. Property is currently not maintaining documentation for lease renewals. In addition to creating a renewal policy/action plan that encourages residents to continue living at the property, property should maintain documentation to effectively monitor the lease renewal program. Lease expiration report does not track which tenants renewed, this only provides a list of tenants whose leases expired for each of the months listed on the report. Property should maintain a lease renewal binder that tracks whose leases were up fro renewal and who renewed their leases. These records</p>
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					<p>must be maintained for a minimum of 12 months.</p> <p>Units are not being turned in a timely manner. Ensure that units are turned in a timely manner.</p> <p>Second Visit</p> <p>Findings:</p> <p>Outside electrical box under meters is uncovered with exposed wires. This is a major safety issue. In response to this review, the property manager must submit to TSAHC on or before October 20, 2006, a letter and a photo on company letterhead indicating that the exposed wires have been safely secured. (Completed 11/21/06)</p> <p>There is an uncovered electrical outlet in the boiler room. In response to this review, the property manager must submit to TSAHC on or before October 20, 2006, a letter and a photo on company letterhead indicating that a cover has been placed on the electrical outlet in the boiler room. (Completed 11/21/06)</p> <p>The light fixture at the laundry facility is hanging with exposed wires and there are no light bulbs at either entrance to the laundry facility. This is a major safety issue. In response to this review the property manager must submit to TSAHC on or before October 20, 2006, a letter and a photo on company letterhead indicating that the exposed wire had been repaired and the light bulbs have been added to the laundry facility area. (Completed 11/21/06)</p> <p>Smoke detector in the laundry facility is missing. In response to this review, the property manager must submit to TSAHC on or before October 20, 2006, a letter and a photo on company letterhead indicating that the smoke detector in the laundry facility has been replaced. (Completed 11/21/06)</p> <p>According to the manager and the maintenance technician the missing light fixture in the mailbox area had a shortage and is in the process of being worked on. In response to this review, the property manager must submit to TSAHC on or before October 20, 2006, a letter and a photo on company letterhead indicating that the light fixture had been repaired or the expected date that the fixture will be repaired providing a licensed electrician will be needed to make the repair. (Completed 11/21/06)</p> <p>The slide on the playground was broken and removed. This is a safety issue and it needs to be replaced. In response to this review, the property manager must submit to TSAHC on or before November 19, 2006, a letter and a photo on company letterhead indicating that the storage area was cleaned up and organized. (Completed 11/21/06)</p> <p>The sidewalk leading to the community laundry facility area broken and in disrepair. This is a safety issue and needs to be repaired. The property manager must submit to TSAHC on or before November 19, 2006, a letter and a photo on company letterhead indicating that the exposed cable wire had been covered or removed. (Completed 11/21/06)</p> <p>There are numerous lights around the property which have been vandalized. There are also broken windows in the laundry room area from vandalism. A crime prevention</p>
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						<p>plan must be created and implemented. A copy of the plan must be turned into TSAHC no later than November 19, 2006. (Completed 11/21/06)</p> <p>During the last audit there was a finding because the property had no preventative maintenance schedule. Management was required to create and implement a preventative schedule. The schedule was submitted to TSAHC by the regional manager. However, it is apparent that the PM schedule was not implemented on the property because the manager and staff were not aware of the PM schedule. In response to this review the PM schedule must be submitted again to TSAHC by November 19, 2006. Another copy of the implemented schedule indicating the progress made must be submitted to TSAHC by December 19, 2006. (Completed 11/21/06)</p> <p>Observations:</p> <p>The trees throughout the community are overgrown and obtrusive creating a safety concern. It is strongly recommended that management correct the leasing summary report to correctly reflect traffic, sources, and number of leases.</p> <p>The smoke detector in unit 1910 needs a new battery and the counter tops were not properly resurfaced. The counter tops were painted instead of being properly resurfaced or replaced. Painting the counter tops is not a sanitary alternative. It is recommended that the counter top is properly resurfaced prior to leasing the unit.</p> <p>There is an extremely high number of vacant unmade ready units. It is suggested that at least 2 units per floor plan be made ready so that leasing staff has a variety of units to show and ones that are ready for immediate move in.</p> <p>The two new members of the maintenance staff need to complete fair housing. It is recommended that they fully complete the Fair Housing training by the end of October.</p>
Clover Hill Apartments	216	903 Road to Six Flags West Arlington TX 76012	<p>1st Visit 2/28/06</p> <p>2nd Visit 8/21/06</p>	82%	<p>1st Visit 78%</p> <p>2nd Visit 92%</p>	<p>First Visit Finding:</p> <p>No preventative Maintenance schedule is currently in place. In response to this review, the property manager must submit a copy of the capital preventative maintenance schedule no later than April 2, 2006. (Completed 4/11/06)</p> <p>Observations:</p> <p>There is graffiti on the tennis court. Graffiti must be removed immediately. Ensure that the property is free from graffiti. It is important for staff to paint over or power wash the graffiti immediately.</p> <p>The parking lot is in need of resurfacing and restriping.</p> <p>A working smoke detector was placed in the maintenance shop and the front floor entrance was secured due to the broken boards in the floor.</p> <p>Units not being turned in a timely manner. Ensure that units are being turned in a timely manner</p>

						<p>Second Visit</p> <p>Findings:</p> <p>There is a water leak in the parking lot. In response to this review the property manager must submit to TSAHC a photo and letter on company letterhead stating that the leak has been repaired on or before September 23, 2006. (Completed 9/19/06)</p> <p>The curb walkway at the back of the property is broken and is a safety concern. This must be corrected within 24 hours. In response to this review the property manager must submit to TSAHC a photo and letter on company letterhead stating that the curb walkway has been repaired on or before August 24, 2006. (Completed 9/19/06)</p> <p>Sewer cap missing on sewer line opening. This must be corrected within 24 hours because this is a safety concern. In response to this review the property manager must submit to TSAHC a photo and letter on company letterhead stating that the sewer cap has been replaced on or before August 24, 2006. (Completed 9/19/06)</p> <p>Observations:</p> <p>The parking lot is in need of resurfacing and restripping. It is strongly recommended that the parking lot be repaired to eliminate any safety issues.</p> <p>The property is in need of sod replacement for landscaping enhancement. It is recommended that landscaping and tree pruning be considered as a capital improvement item to enhance the prolonged existence of the property.</p>
Hillcrest Apartments	310	1960 West Tarrant Rd. Grand Prairie TX 75050	<p>1st Visit 2/27/06</p> <p>2nd Visit 8/21/06</p>	82%	<p>1st Visit 79%</p> <p>2nd Visit 80%</p>	<p>First Visit</p> <p>Findings:</p> <p>Stairs on bldg 4 cracked and not secure causing a safety concern. This must be corrected immediately. In response to this review, submit pictures that reflect that this has been corrected no later than 3/3/2006. (Completed 4/19/06)</p> <p>The stair railings at building 8 are loose causing a safety concern. This must be corrected immediately. In response to this review, submit pictures that this has been corrected no later than 3/3/2006. (Completed 4/19/06)</p> <p>The sidewalk in front of laundry room #2 has a large foundation gap. This must be corrected immediately. In response to this review, submit pictures that this has been corrected no later than 3/3/2006. (Completed 4/19/06)</p> <p>The Police Report for the months of November 2005 thru January 2006 indicates a lot of criminal activity, including gunfire. Currently the property does not have strong measures in place to prevent these types of activities from happening. Management team must create and implement a 12 month action plan to end the crime and vandalism on the property. In response to this review, Property Manager must submit the action plan to TSAHC no later than April 2, 2006. (Completed 4/19/06)</p> <p>Property does not have a current swimming pool permit; property licenses and permits are expired. In response to this review, either provide documentation that the</p>

					<p>property is not required to have a swimming pool permit or provide copies of the current licenses and permits no later than April 2, 2006. (Completed 4/19/06)</p> <p>The ledger for Timothy Jones, Hector Montoya, Benjamin Mawate, Amber Mason, and Lamarcus Hill was not accessible due to the computer being down. In response to this review Property Manager must submit the requested ledgers no later than April 2, 2006. (Completed 4/19/06)</p> <p>Observations:</p> <p>No working smoke detectors in the laundry facilities however during the site visit staff placed working smoke detectors in both laundry facilities and replaced all fire extinguishers with current 2006 extinguishers.</p> <p>Fire Alarm Control near laundry room #2 box open and exposed; however during the site visit staff secured and locked the box.</p> <p>Pool phone jack has open and exposed wires; during the site visit maintenance placed a cover to secure the jack.</p> <p>Property grounds had lots of litter and glass in the parking lot.</p> <p>Laundry facilities not cleaned and lots of mud throughout both laundry rooms.</p> <p>Sweep out maintenance storage near back of property and remove ladder from the front entrance door.</p> <p>Several pot holes in the parking lot and needs to be restriped.</p> <p>The railroad log near laundry room #2 extends out causing a trip hazard and the yellow markings on the sidewalk are in need of repainting for better visibility. It is recommended that the railroad log be leveled with the sidewalk and the steps painted yellow because of safety concerns.</p> <p>The entrance floor of the ladies restroom in the common area is in need of repair. It is recommended that the floor be repaired for the safety of the general public.</p> <p>The office hours posted do not reflect the current office hours, the sign states 8:30 am to 5:30pm and the manager states that the office hours are 9:00 am to 6:00 pm. Monday thru Friday. The week end hours are current. Ensure that accurate office hours are posted for the general public.</p> <p>Key system on key track and numbers for the apartments are on the back of the key; also a separate key box contains keys with apartment numbers that the staff could not input into the key track system. Ensure that all property unit keys are changed to a random pattern so that past employees and vendors cannot readily identify the unit number of the keys. This is a major safety concern.</p> <p>Property did not provide copies of all work orders for the past 30 days. Unable to determine whether all service requests are being responded to within 24 hours and</p>
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					<p>whether staff is following up on work orders. Ensure that all work orders are completed in their entirety, including date of completion and date of follow up. Also, property staff is not completing work orders in their entirety; the forms submitted are missing dates and resident names. Ensure that all work orders are completed in their entirety so that the timeliness of work orders can be tracked.</p> <p>Property does not have an effective lease renewal program in place. TSAHC recommends that Property create a renewal policy/action plan that encourages residents to continue living at the property. Property can track their current renewal but is not tracking their prior renewal. Maintain a renewal binder or log that will track your renewals.</p> <p>Second Visit Findings:</p> <p>The boiler room has chemicals stored inside. All chemicals must be removed from the boiler room and marked and secured in another area. The boiler room should not have anything stored inside. In response to this review the property manager must submit a photo and a letter stating that the chemicals have been removed on or before September 24, 2006. (Action Pending)</p> <p>There was a murder on the property 5/2/2006 in apartment 1809. Girlfriend lived in unit and boyfriend's friends came to visit and started an argument. The argument got overheated and as a result the resident's boyfriend was shot and killed. This case is still under investigation. The resident moved out of the apartment community end of May 2006. As a result of this incident it is incumbent upon the owner to implement a 12 month Crime Prevention Plan that explains in detail what steps they will take to stop the criminal activity on the property. Along with the plan, the owner must submit to TSAHC on the 10th of every month a detailed report for the previous month explaining what was done to prevent crime, and the results, until TSAHC gives written notice that they are no longer required to do so. This should include supplemental information, including but not limited to security company reports and police reports. In response to this review, the owner must submit on company letterhead the Crime Prevention Plan to TSAHC no later than September 24, 2006. (Action Pending)</p> <p>Of the 40 units vacant there are only 4 units made ready. Several units have been vacant for over 200 days and are not considered down units. Units cannot be turned in a timely manner because vendors will not service the property due to outstanding balances owed by the property. In response to this review the property manager must send a letter, by September 24, 2006 to TSAHC on company letterhead, stating that the property is able to purchase the necessary supplies to make ready the units and an updated copy of the Unit Availability Report showing 20% or more make readies have become available for lease must be submitted to TSAHC on or before September 24, 2006. (Action Pending)</p> <p>Invoices are processed on a weekly basis and submitted to the corporate office; however, late fees are being applied to vendor invoices. Due to the inability of units being turned in a timely manner an Accounts Payable ledger was obtained and shows a current outstanding balance of \$141,050.02 and an over 60 day of \$82,104.02 as of August 21, 2006, the date of the report. In response to this review the property manager</p>
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						<p>must send a letter, by September 24, 2006 to TSAHC on company letterhead, indicating the action plan to have vendors paid so that units can be made ready and the property can purchase the necessary supplies to keep the property operating efficiently on a day-to-day basis. (Action Pending)</p> <p>The water line enclosure at the entrance of the property is open and not secure. In response to this review the property manager must submit a photo and a letter on company letterhead stating that this opening has been secured. Because this is a safety concern this must be submitted on or before August 24, 2006.</p> <p>The railroad timbers near laundry room 2 protrude out causing a safety concern. Also, the railroad timbers along the backside of the property protrude out and have a nail coming out of the log. Because this is a safety concern the railroad timbers should be secured to eliminate the possibility of serious injury. The property manager must submit photos and a letter on company letterhead stating that the railroad timbers have been secured on or before September 24, 2006. (Completed 9/22/06)</p> <p>Observations:</p> <p>The service requests were not available for review because the staff does not maintain a work order log, the computer does not generate a report and the request is filed in the resident file when completed. It is strongly recommended that a work order log be maintained for the next review.</p> <p>The company does not have a written NSF policy. It is recommended that a written NSF policy be incorporated into the company policies and distributed to residents as a matter of practice now and in the future. A non written policy is an open door for fair housing complaints.</p> <p>The telephone box at the entrance of the property has graffiti. It is very important that all graffiti be removed immediately. Ensure that the property is free from graffiti.</p>
Mill Creek Apartments	174	16339 Stuebner Airline Rd Spring TX 77379	<p>1st Visit 2/21/06</p> <p>2nd Visit 10/9/06</p>	93%	<p>1st Visit 88%</p> <p>2nd Visit NA</p>	<p>First Visit Findings:</p> <p>Police Report not submitted, Crime Watch Meetings not being held and no Courtesy Patrol at the property. Currently the property does not have any strong measures in place to prevent these types of activities from happening. Management team must create and implement a 12 month action plan to end the crime and vandalism on the property. In response to this review, Property Manager must submit the action plan no later than April 2, 2006. (Completed 5/2/06)</p> <p>Alarm system in maintenance shop has exposed wires from security system. Ensure that wires are secured. In response to this review, the Manager must sign a letter, on company letterhead, stating that this has been corrected and submit photograph to TSAHC no later than 3/3/2006. (Completed 5/2/06)</p> <p>Submit a copy of the Capitol Preventive Maintenance schedule on or before April 2, 2006. (Completed 5/2/06)</p> <p>Gutters on building 9 falling down. Ensure that the gutters have been repaired or replaced. This must be corrected within 24 hours because this is a safety issue. In</p>

					<p>response to this review, the Manager must sign a letter, on company letterhead, stating that this has been corrected and submit to TSAHC no later than 3/3/2006. (Completed 5/2/06)</p> <p>Unit 105 has been down for 2 years, this unit must be made ready on or before May 2, 2006. In response to this review, the Manager must sign a letter on company letterhead and submit a picture stating that this has been repaired and submit to TSAHC no later than May 2, 2006. (Completed 5/2/06)</p> <p>The Property has a rent adjustment of \$-3,980 due to a system glitch-it is recommended that the rent adjustment be corrected in the system. Update the delinquency report to reflect the correct delinquency. In response to this review, submit a copy of the Delinquency report no later than April 2, 2006. (Completed 5/2/06)</p> <p>Observations: Laundry room #1 window broken out and dryer not working needs an OUT OF ORDER sign placed on door and graffiti on dryer removed. Graffiti must be removed immediately. Ensure that the property is free from graffiti. It is important for staff to paint over or power wash graffiti immediately.</p> <p>Access gates not functioning. It is recommended that access gates be put in operation. Last site visit 10/17/2005 showed that Manager was in the process of getting bids to repair the gate and the gates are still not operational.</p> <p>Parking lot has several potholes. It is recommended that parking lot be resurfaced and restripped.</p> <p>Both boiler rooms have exposed ceilings. It is recommended that the ceilings be secured with a door to cover the hole.</p> <p>10/17/2005 site visit showed that fence sections were in need of repair and the fence still has not been repaired. Manager stated that the Owner of the strip mall next door was working with him in getting the fence repaired by supplying the material and Manager supplying the labor. It is recommended that all sections of fence be repaired for safety reasons.</p> <p>Balconies in need of painting.</p> <p>Due to the volume of Hispanic residents it is recommended that the staff have the Fair Housing Poster in Spanish as well as English; it is recommended that staff also send out resident notices in Spanish and English.</p> <p>HVAC Unit does not have a cover leaving it exposed therefore creating a Safety issue-it is recommended that a cover be placed on the HVAC unit.</p> <p>Due to the population of the Hispanic community at the property it is recommended that staff provide bilingual advertising in marketing material.</p>
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						<p>The vacant unit information is not maintained due to the inability of the software programs tracking system. It is recommended that an effective tracking system be implemented in an effort to determine the status of the vacant units</p> <p>IT Department needs to correct the NSF override and the NSF policy must be made clear on all documents such as the rental criteria, the lease and the company policy.</p> <p>Second Visit Findings: The boiler room is being used for storage of appliances, equipment, and various other maintenance supplies this is a major fire/safety issue. The boiler room needs to be cleared out immediately, and a photo showing the boiler room cleaned out must be submitted to TSAHC on or before October 16, 2006. (Corrected 12/6/06)</p> <p>Lease renewals were not submitted. A report indicating the renewal percentage for each month in the last year needs to be submitted to TSAHC on or before November 20, 2006. (Completed 12/15/06)</p> <p>During the last Audit there was a finding because the property had no preventative maintenance schedule. Management was required to create and implement a preventative maintenance schedule. This schedule was submitted to TSAHC by the regional manager. However, it is apparent that the PM schedule was not implemented on the property because the manager and staff were not aware of the PM schedule. In response to this review the PM schedule must be submitted again to TSAHC by November 20, 2006. Another copy of the implemented schedule indicating the progress made must be submitted to TSAHC by December 20, 2006. (Completed 12/15/06)</p> <p>Observations: There was no EHO logo visible from the outside of the building. A logo was given to management and promptly placed on the front door.</p> <p>The trees throughout the community are overgrown and obtrusive creating a safety concern. It is strongly recommended that management take a risk assessment of the overgrown trees throughout the community and prune trees as needed.</p> <p>The back road on the property has a problem with people speeding through. This is a major safety concern because of the number of children playing near the road. It is suggested that another speed bump is added on this road to slow down traffic.</p> <p>The access gates are not operational, and were observed during TSAHC's last visit as well as the audit performed in 2005, and they have not been repaired. It is highly recommended that the gates are repaired.</p> <p>The work order system currently used by management does not keep track of when the job was completed. It is highly recommended that they be cleaned out and repaired throughout the property.</p>
One Westfield Lake Apartments	246	2800 Hirschfield Spring TX 77373	1st Visit 3/21/06	88%	1st Visit 68%	First Visit Findings:

			<p>2nd Visit 10/9/06</p>		<p>2nd Visit 91%</p>	<p>There are several pole lights throughout the property that are missing globe light covers and light bulbs. Replace these light fixtures. This must be corrected within 24 hours because this is a safety issue. In response to this review, the Manager must sign a letter, on company letterhead, stating that this has been corrected and submit to TSAHC no later than March 31, 2006. (Completed 5/3/06)</p> <p>The balcony stairwell at buildings 8 and 9 are loose and cracked. This must be corrected within 24 hours because this is a safety issue. In response to this review, the Manager must sign a letter, on company letterhead, stating that this has been corrected and submit to TSAHC no later than March 31, 2006. (Completed 5/3/06)</p> <p>No Preventative Maintenance Schedule currently in place. In response to this review, Property Manager must submit a copy of the Capital Preventative Maintenance Schedule on or before April 30, 2006. (Completed 5/3/06)</p> <p>Smoke detectors are hard wired and do not have battery back-up. This must be corrected within 24 hours because this is a safety issue. Ensure that all vacant units have electricity or that the smoke alarms have a battery back up. In response to this review, the Manager must sign a letter, on company letterhead, stating that this has been corrected and submit to TSAHC no later than March 31, 2006. (Completed 5/3/06)</p> <p>Unit 171 has been down more than one year due to a sub floor problem. The apartment must be placed on line by April 30, 2006. In response to this review, the Manager must sign a letter, on company letterhead stating that this unit has been repaired. In addition, photos of the unit and invoices from the vendors must be submitted to show that this unit has been repaired on or before April 30, 2006. (Completed 5/3/06)</p> <p>Unit 41 has been down since 8/1/2005. The apartment must be placed on line by April 30, 2006. In response to this review, the Manager must sign a letter, on company letterhead stating that this unit has been repaired. In addition, photos of the unit and invoices from the vendors must be submitted to show that this unit has been repaired on or before April 30, 2006. (Completed 5/3/06)</p> <p>Observations: The cracked vinyl siding on the stairwell of Building 9 needs to be repaired. It is recommended that the vinyl is repaired to prevent further damage and problems associated with moisture.</p> <p>It was noted in the last site visit, October 17, 2005, that the parking lot was to be re-stripped on the following week, however, this does not appear to have happened.</p> <p>The day of the site visit there was a water leak from a busted pipe. Ensure that the pipe is repaired.</p> <p>Second Visit Findings: During the site visit on October 17, 2005 property staff stated that the parking lot would be re-stripped the following week. It was noted during the March 1, 2006 site visit that the parking lot had still not been striped. Currently the October 9, 2006 site visit still</p>
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						<p>shows that the parking lot is in need of re-striping. In response to this review, the property manager must submit a letter and a photo on company letterhead stating that the parking lot has been restriped on or before November 19, 2006. (Action Pending)</p> <p>Police report was not submitted. Property manager must submit the police report to TSAHC on or before November 19, 2006. (Corrected 12/22/06)</p> <p>The last site review on 3/21/06 a PM schedule was requested and then submitted by the regional manager. However, it is apparent that the PM schedule was not implemented on the property because the manager and staff were not aware of the PM schedule. In response to this review the PM schedule must be submitted again to TSAHC by November 19, 2006. Another copy of the implemented schedule indicating the progress made must be submitted to TSAHC by December 19, 2006. (Completed 12/11/06)</p> <p>The work order report was not submitted at the time of the audit. In response to this review the work order report must be submitted to TSAHC on or before November 19, 2006. (Completed 12/11/06)</p> <p>Observation: Renewal percentages are unavailable due to the incompleteness of the lease renewal reports submitted by the property. It is highly recommended that the lease renewal reports are completed each month.</p>
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Property Name	# of Units	Location	Audit Date	Occup. as of Nov. 14th	Avg. Occup.	Annual Summary
Ashley Park Townhomes	140	2253 Ashley Park Dr. Plano TX 75074	3/13/06	90%	94%	<p>Findings: The property did not submit the Police Report as requested. In response to this review, the Manager must submit the Police Report to TSAHC no later than April 30, 2006. (Completed 6/29/06)</p> <p>Unit 2239 is a down unit and must be placed back online within 60 days or by May 30, 2006. Make the unit ready for occupancy to the general public. In response to this review, the Manager must submit a photo, copies of invoices and sign a letter on company letterhead stating that this has been corrected and submit to TSAHC no later than May 30, 2006. (Completed 6/29/06)</p> <p>Availability Report is not accurate. Unit 2239 is not shown as a vacant unit on the report. In response to this review, Manager must submit a current Availability Report that reflects the current availability no later than April 30, 2006. (Completed 6/29/06)</p> <p>Unable to determine the percentage of renewals because reports submitted do not determine the percentage of residents renewed per month. In response to this review, the Property Manager must submit the leases that were due to expire per month and the leases that were actually renewed per month for January through December 2005 on company letterhead, to TSAHC no later than April 30, 2006. (Completed 6/29/06)</p>

						<p>Observation: The maintenance shop did not have a working smoke detector but the maintenance staff did place a working smoke detector in the day of the site visit.</p>
Champions Green Apartments	192	14141 Champions Dr. Houston TX 77069	1/27/06	90%	92%	<p>Finding: The marketing report that contains the information regarding how many prospects and leases where generated per marketing type was not included. It is required that this report be submitted no later than 3/13/2006 to TSAHC. (Completed 3/9/06)</p>
Chelsea Court	760	13101 Briar Forest Houston TX 77077	1/23/06	84%	86%	<p>Finding: The police report has not been submitted by the property as of the completion of this report. It is required that the property submit the police report to TSAHC no later than 3/7/06. (Completed 2/7/06)</p> <p>Observations: Unit 4609 had three NSF checks, two months in a row. Units 5114, 6208, and 3104G had two NSF checks within 3 months. Six of the ten ledgers reviewed showed that the residents had multiple NSF checks within a 6 month period. It is suggested that the property follow the company's suggested policy of putting people on a crash account after the first NSF check due to the severity of the issue on the property.</p> <p>The work order report is not being updated properly. All work orders for the past 30 days were closed the day of the audit. It is highly recommended that the staff close out and properly track the work orders using their work order software since they have such a high volume of work orders.</p> <p>Outside of building 23 there was exposed cable wires (see attached photos). It is strongly recommended that the wires be reburied or removed for safety reasons.</p> <p>Side walks and parking lots have lots of damage. Residents have to walk through standing water to get to their apartments because of the sidewalks being submerged in mud and water. It is strongly recommended that as soon as funds are available the sidewalks be repaired and then the parking lots.</p>
Kressington Place	136	7203 Oakwood Glen Blvd. Spring TX 77379	3/20/06	87%	94%	<p>Finding: The ceiling fan in the maintenance shop has exposed wires and must be covered. This must be corrected within 24 hours because this is a safety issue. In response to this review, the Manager must submit a photograph, and must sign a letter, on company letterhead, stating that this has been corrected and submit to TSAHC no later than 3/28/2006. (Completed 4/12/06)</p>
Riverwalk Apartments	176	12920 Audelia Rd. Dallas TX 75243	1/9/06	94%	91%	<p>Findings: The property manager did not provide the police report for their specific property. It is required that the report be submitted to TSAHC no later than 3/13/2006. The monthly renewal rates for the past 12 months where not provided. The reports are due to TSAHC no later than 3/13/06. (Completed 3/9/06)</p> <p>Observation:</p>

						Make ready status is not being tracked in the computer. It is recommended that the make ready status be reported in the computer.
Timberlodge Apartments	216	11600 Audelia Rd. Dallas TX 75243	1/10/06	89%	94%	<p>Findings:</p> <p>The laundry room has a broken window. The window needs to be fixed or replaced for safety reasons. This should be corrected and photos be submitted to TSAHC no later than 3/10/06. (Completed 3/9/06)</p> <p>One of the sidewalks has a large piece of concrete missing. The damaged section should be roped off immediately to prevent an accident. The section should be replaced no later than 3/10/06. Submit to TSAHC a photograph of the correction no later than 3/10/06. (Completed 3/9/06)</p> <p>The property did not provide the required police report. This report must be submitted to TSAHC no later than 3/10/06. (Completed 3/9/06)</p> <p>The property did not submit their renewal rates for the past 12 months. This is due to TSAHC no later than 2/10/2006. (Completed 3/9/06)</p> <p>Observations:</p> <p>The property is not updating the make ready status of the units in their software. It is recommended that the computer match the make ready board so that there is no confusion about the status of the units.</p>
Victoria Place Apartments	144	8740 Westheimer Rd. Houston TX 77063	1/26/06	91%	91%	<p>Finding:</p> <p>The police report was not provided at the time of the review. It is required that the property submit the required police report to TSAHC no later than 3/13/2006. (Completed 8/11/06)</p> <p>Observation:</p> <p>There were several pot holes in the community including the entrance to the property. It is highly suggested that the property go through with their plan to repair the parking lots and entry this fiscal year.</p>
South Texas Affordable Properties						
Property Name	# of Units	Location	Audit Date	Occup. as of Nov. 14th	Avg. Occup.	Annual Summary
Remington Apartments	158	1570 Thousand Oaks Dr. San Antonio TX 78232	1st Visit 4/17/06 2nd Visit 9/11/06	93%	1st Visit 94% 2nd Visit 95%	<p>First Visit</p> <p>Observation:</p> <p>The police report shows a lot of noise complaints. Because of noise the property should have crime watch meetings on the property for their residents.</p> <p>Currently the property does not have a preventative maintenance schedule in place. The property should create a preventative maintenance schedule.</p> <p>The manager's current policy did not sound like it was being implemented</p>

						<p>consistently. The non-renewal policy should be consistent for all residents.</p> <p>The staff accepted a personal check to refund a NSF check. Staff needs to be careful about accepting checks for NSFs.</p> <p>Second Visit Observation: Unit 205 have had 3 NSF checks in the past 12 months. The staff have been entering the checks as Money Orders to override the software program. It is strongly suggested that the staff follow company policy to avoid fair housing issues.</p>
Summer Oaks Apartments	256	1400 Patricia Ln. San Antonio TX 78213	<p>1st Visit 4/17/06</p> <p>2nd Visit 9/11/06</p>	90%	<p>1st Visit 92%</p> <p>2nd Visit 92%</p>	<p>First Visit Finding: The leasing agent started last July but has not been trained in Fair Housing by the management company. Leasing agent needs to be trained in Fair housing no later than May 20, 2006. A letter stating that she has attended must be submitted to TSAHC by the same date. (Completed 8/11/06)</p> <p>Observations: The railings need to be painted because of the paint peeling.</p> <p>The carports need to have the roofs cleaned off because of leaves and trash, power washed including the inside because of the mildew and dust, and painted because they are peeling rusting.</p> <p>The property has a low renewal rate. It is suggested that the manager and leasing staff create a stronger renewal program to recapture more long term residents.</p> <p>Second Visit Observation: The carports are rusted. It is suggested that the carports be painted. The staff stated that they wanted to work on the carports but because of the drought they have not been able to powerwash them.</p>
The Charleston Apartments	312	2800 Dairy Ashford Cranbrook TX 77014	<p>1st Visit 4/24/06</p> <p>2nd Visit 10/10/06</p>	90%	<p>1st Visit 87%</p> <p>2nd Visit 87%</p>	<p>First Visit Findings: No Preventative Maintenance Schedule currently in place. In response to this review, the Property Manager must submit a copy of the Preventative Maintenance Schedule on or before May 28, 2006. (Completed 6/7/06)</p> <p>Unit 1201 is a down unit that must be brought back online for occupancy on or before May 31, 2006. In response to this review, the Property Manager must sign a letter, on company letterhead, stating that the unit has been repaired. In addition, photos of the repaired unit and invoices from the vendors must be submitted to TSAHC no later than May 31, 2006. (Completed 6/7/06)</p> <p>Observations: Laundry room door had graffiti, nonetheless the maintenance staff painted the door the</p>

						<p>day of the visit to rid the graffiti from the property.</p> <p>The maintenance shop did not have a smoke detector however, maintenance staff did place a working smoke detector the day of the site visit.</p> <p>Unit 1201 did not have a smoke detector but the maintenance staff placed a working smoke detector in the unit the day of the site visit.</p> <p>Second Visit Finding: When the part time leasing consultant has completed the Fair Housing class property manager is to submit the certification to TSAHC on or before November 15, 2006. (Completed 11/21/06)</p> <p>Observation: The back laundry room had a broken smoke detector. Management was notified and it was replaced immediately.</p> <p>A few of the sidewalks have shifted. The old warning paint is wearing off and it is suggested that the sidewalks be repainted or repaired in these problem areas.</p> <p>The service requests could not be answered because the property does not have a method of tracking at this time. They are currently in the process of implementing the One Site Facilities reporting.</p> <p>Unit 1201 is a down unit and has been for several years. It is suggested that this unit be fixed and made-ready again.</p>
The Rafters Apartments	250	11325 I-37 Corpus Christi TX 78410	1st Visit 6/8/06 2nd Visit 9/21/06	90%	1st Visit 91% 2nd Visit 91%	<p>First Visit Findings: The window is missing in the storage room and has plywood over it. It is important to properly secure the maintenance's storage room. The glass should be replaced by June 12th. Photos should be sent to TSAHC to show that it has been completed by that date. (Completed 6/6/06)</p> <p>Observations: The railing paint is peeling. The rails should be painted.</p> <p>The back boiler room is missing the attic access cover. The access should be covered to prevent the heat from rising into the apartments above.</p> <p>The vinyl siding is dirty and should be cleaned or carefully power washed.</p> <p>The retaining through out the property are starting to deteriorate. It is recommended that the retaining walls be fixed on an as needed basis.</p>

						<p>The meter box on building 13 had pulled away from the side of the building. This was corrected during the audit by the maintenance staff.</p> <p>By the back pool there is a metal post that is sticking out of the ground and had a jagged edge. The post was properly removed during the audit.</p> <p>By building 32 there is a hole in the ground which is a safety hazard. The hole was filled and sod put over it during the audit.</p> <p>Currently the property does not have a preventative maintenance schedule in place. The property should create a preventative maintenance schedule.</p> <p>Second Visit Observations: Company policy states that after 2 NSF checks in one year residents are required to pay by money order or cashiers check. Staff continued to accept personal checks from Rodriguez resident #3002 after her second NSF, resulting in a 3rd NSF.</p> <p>Unit 3401 has graffiti around the patio fence and the outside of the unit. It is suggested that the graffiti be removed before the unit is shown.</p>
The Wharf Apartments	250	9320 South Padre Island Dr. Corpus Christi TX 78418	<p>1st Visit 5/9/06</p> <p>2nd Visit 9/21/06</p>	82%	<p>1st Visit 95%</p> <p>2nd Visit 95%</p>	<p>First Visit Observations: Some of the building number plaques have the paint peeling off. It is recommended that they be repainted to make it easier to read and it also gives the property a cleaner look.</p> <p>The property has dead trees and semi dead trees though out. It is suggested that the management contact an Arborist to see what can be done with the trees. Either through making them healthy or by replacing them with a new tree.</p> <p>Unit 3407's patio fencing has pulled away from the building. This was corrected the day of the audit.</p> <p>The fitness center smoke detector did not work, but was replaced right away. The sign's hours were not correct. It is recommended that the property get a new sign that has slots to change the office hours.</p> <p>Management accepted three NSF checks from the resident in unit 503 and 3008 in less than a 12 month period. This violates the management company's policy of cash only accounts after the 2nd NSF in a 12 month period.</p> <p>Second Visit Observations: After 2 NSF checks from Mathis #0406 staff is still accepting personal checks as payment. It is suggested that the staff follow company policy for NSF checks.</p>

Willowick Apartments	250	6947 Everhart Rd. Corpus Christi TX 78413	1st Visit 5/8/06 2nd Visit 9/21/06	93%	1st Visit 93% 2nd Visit 94%	<p>First Visit Observations:</p> <p>The boiler room by the front pool is missing the attic cover. This was corrected during the audit.</p> <p>Unit 2601's patio fencing has pulled away from the building. The fencing was corrected during the audit.</p> <p>The drain hole in the laundry room is missing a cover. The drain hole was fixed during the audit.</p> <p>The sprinkler is not working in some section which is causing large cracks in the soil. It is suggested that the staff water the grass to prevent the foundations from being damaged.</p> <p>The rails have paint peeling. It is suggested that the railings be painted.</p> <p>The buildings exteriors are dirty. It is suggested that the building be power washed.</p> <p>The fence by the open lots is in really bad shape. The kids have also broke out another section of it by the school. It is suggested that the fence section that the kids broke be fixed. It is also recommended that the owner speak to the developer who is building next to the property to see if they would be willing to help with the fence that runs along their property line.</p> <p>The office hours are different during the school year. It is suggested that the office change their sign to one that allows them to change the hours. This confusion leads people to think that they close the office a half hour early and could cause them to lose potential residents and offend residents.</p> <p>Management accepted three NSF checks from the resident in unit 3504 in less then a 12 month period. This violates the management company's policy of cash only accounts after the 2nd NSF in a 12 month period. It is suggested that the staff follow the company policies for NSF checks.</p> <p>Second Visit Findings:</p> <p>The maintenance shop did not have a smoke detector. It is required that one be installed within 24 hours. A photo of it must be submitted to TSAHC by September 23, 2006. (Corrected 10/23/06)</p> <p>The boiler room in building 29 has standing water. It is required that the maintenance staff inspect the room to see if there is any leaks. A letter stating what was found and what action was taken must be submitted to TSAHC by September 25, 2006. (Corrected 10/23/06)</p> <p>The management company does not have a copy of the boiler rooms inspection sheets. It is required that they obtain them from their April inspection by October 22, 2006. A</p>
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						copy must be submitted to TSAHC by October 22, 2006. (Corrected 10/23/06) Observations: Company Policy states that after 2 NSF checks in 12 months residents will not be permitted to pay rent with personal checks. Staff permitted Sanchez & Cargile in unit 3305 to continue to pay with personal checks after 2 NSF, resulting in a 3 rd NSF.
White Rock						
Property Name	# of Units	Location	Audit Date	Occup. as of Nov. 14th	Avg. Occup.	Annual Summary
White Rock Apartments	336	3110 Thousand Oaks San Antonio TX 78247	2/14/06	96%	NA	Observations: The white stripes in the parking areas are barely visible in some areas. It is suggested that the property be restriped this year as it is also built into the budget for 2006. The lease renewal rate is low, but trending upward. It is suggested that the new manager work with all of her staff to formulate a strategy for keeping more long term residents. The property did not have their phone number and EHO logo posted outside the leasing office. The manager was given a EHO logo to post. It is highly recommended that the logo and phone number be posted as soon as possible.
Worthing Oaks						
Property Name	# of Units	Location	Audit Date	Occup. as of Nov. 14th	Avg. Occup.	Annual Summary
Aguila Oaks	346	3270 Nacogdoches San Antonio TX 78217	1st Visit 3/13/06 2nd Visit 10/23/06	89%	1st Visit 90% 2nd Visit 90%	First Visit Findings: The police report was not provided for the property. It is required that the police report for the past three months for the property be submitted to TSAHC no later than May 4, 2006. (Completed 5/4/06) The property currently does not have a preventative maintenance schedule in place. In response to this review, the property manager must submit a 12 month preventative maintenance plan to TSAHC no later than May 4, 2006. (Completed 5/4/06) Currently the property is not tracking their renewals. Since the computer system they use will not track it for them, the property must create a renewal binder that they use to track expirations, leases and notices to vacate. The information included in the binder must be kept for a minimum of 12 months. In response to this finding the property must submit a letter describing what they have done along with a sample sheet of how they will do it no later than May 4, 2006. (Completed 5/4/06) Unit 2-703 is a down unit and must be placed on line by May 4, 2006. In response to this review, the Property Manager must sign a letter, on company letterhead, and submit photos of the made ready unit and invoices showing that the unit has been completed

					<p>and submit to TSAHC no later than May 4, 2006. Glass door on order should be in within the prescribed time frame. (Completed 5/4/06)</p> <p>The Availability Report is not accurate. The computer shows some units as vacant but they are occupied units. This is a major concern. The software program must have all occupied units showing as occupied. Those units need to have the accounting corrected as well. Some of the problems have been an issue since the take over. Property staff, especially the Manager needs to inspect units upon vacancy and make ready to find out the status of these units and update the Availability Report with one centralized copy for all staff persons. In response to this review, the manager must submit a current Availability Report that reflects the current availability no later than May 4, 2006. (Completed 5/4/06)</p> <p>Observations:</p> <p>The dead files are not properly being stored. They need to be in boxes with lids. The storage room they are being kept in was not locked and was accessed from outside the building, not through the office. It is extremely important to keep the files in a secure location so that no one can steal the identities of the former residents. As they would have access to everything from name, birth date, SS number etc.</p> <p>The property has an extremely high level of work orders. Units need to be thoroughly inspected during the turnover process to help prevent such high volumes. Also, the staff needs to follow up on work orders to make sure they are being done correctly the first time.</p> <p>The property is not tracking the traffic and the marketing source. They are only entering traffic if they leased and are not entering the correct traffic source. It is highly recommended that the leasing staff enter their traffic into the computer correctly so that the manager can access what types of marketing is needed for the property.</p> <p>The property has 8% of its units on month to month leases; this is very dangerous since they could all move out at the same time. It is highly recommended that the leasing staff work hard to secure 12 month leases for these units.</p> <p>The units are not being turned in a timely manner.</p> <p>It is strongly recommended for future audits that pre audit report be submitted in a timely manner.</p> <p>Second Visit Findings:</p> <p>The police report was not submitted. In response to this review the manager must submit a copy of the police report for the past 3 months to TSAHC on or before November 30, 2006. (Completed 12/29/06)</p> <p>Unit 904 is unsecured because the sliding glass door is broken. In response to this review, the property manager must have maintenance secure the unit and submit a photo of the secured unit on or before November 30, 2006. (Completed 12/29/06)</p>
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					<p>Unit 1008 is a down unit and has been down for over 200 days. In response to this review, the property manager must get the unit ready and ensure that the stairs are repaired and safe for use. A letter stating that the units have been repaired, in addition to photos of the repaired units must be submitted to TSAHC on or before November 30, 2006. (Completed 12/29/06)</p> <p>Observations:</p> <p>The three (3) laundry facilities and the Community room did not have working smoke detectors; however the maintenance staff did place working smoke detectors in all laundry facilities and the community room the day of the site visit.</p> <p>The stair rail leading to building 10 is very loose and needs to be tightened. It is recommended that the rails be tightened immediately.</p> <p>Based upon the file review that was done compliance procedures are unclear and inconsistent. It is strongly recommended that the staff create and implement clear and consistent procedures to ensure that the program requirements are being maintained and the reporting process is accurate.</p> <p>The numbers shown in the service request section are only for the dates September 22, 2006 thru September 30, 2006 based upon the report submitted by the manager. It is recommended that the staff maintain an accurate service request log that shows the date completed.</p> <p>The day of the site visit the staff was not wearing name tags or photo ID's. It is suggested that staff, especially maintenance, wear name tags or photo ID's.</p> <p>The property has a very low renewal rate. It is recommended that the manager aggressively renew leases in a timely manner to increase the leasing renewal ration.</p>
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January 2007

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Notes:	1	2	3	4	5	6
7	8 Ashley Park (G/J)	9 Timberlodge (G/J) Riverwalk (G/J)	10	11	12	13
14	15 MLK Day Office Closed	16	17	18	19	20
21	22 Chelsa Court (G/J)	23 Victoria Place (G/J) Champions Green (G/J)	24	25	26	27
28	29 Kressington Place (G/J) Briar Crest (G/J)	30 Mill Creek (G/J) One Westfield Lake (G/J)	31	Notes:		

	TSAHC AO/C
	TSAHC AO
	TDHCA

February 2007

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Notes:				1	2	3
4	5	6	7	8	9	10
11	12 Clover Hill (G/J) Hillcrest (G/J) Bristol @ Buckingham (E) Evergreen @ Plano Parkway (E) Plaza @ Chase Oaks (E)	13 Woodstock (G/J) Evergreen @ Mesquite (E)	14 Valentine's Day	15	16	17
18	19 President's Day Office Closed	20	21	22	23	24
25	26 Ashton Place (G/J) Green Pines (E) Timber Point (E) Humble Parkway (E)	27 Charleston (G/J) Montgomery Pines (E) Atascosita Pines (E) Chisholm Trail (E)	28	Notes:		

 TSAHC AO/C
 TSAHC AO
 TDHCA

March 2007

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Notes:				1	2	3
4	5	6	7	8	9	10
11	12 White Rock (G/J) Aguila Oaks (G/J) Pebble Brook (E) Primrose @ Sequoia Park (E)	13 Remington (G/J) Summer Oaks (G/J) Rosemont @ Pecan Creek (E) Tower Ridge (E)	14	15	16	17
18	19	20	21	22	23	24
25	26 One Willow Chase (G/J) One Willow Park (G/J) Mission Del Rio (E) Port Royal Homes (E)	27 Woodedge (G/J) Aston Brook (G/J) Park Meadows (E)	28 Northwoods (G/J) Chelsea Court G/J (file set-up for 100% compliance file audit)	29	30	31

 TSAHC AO/C
 TSAHC AO
 TDHCA

April 2007

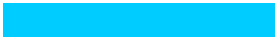
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
8 Easter	9 Rafters (G/J) Willowick (G/J) Creek Point (E) Skyway Villas (E)	10 Wharf (G/J) Park Manor (E) Bella Vista (E)	11	12	13	14
15	16 Stone Ridge (G/J) Pine Creek (G/J)	17 Cimmaron Park (G/J)	18	19	20	21
22	23 Settler's Cove (G/J) Tranquility Bay (E) Peninsula (E)	24 Bristol (E) Champions on the Green (E)	25	26	27	28
29	30	Notes:				

	TSAHC AO/C
	TSAHC AO
	TDHCA

May 2007

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Notes:		1	2	3	4	5
6	7 Bent Creek (G/J) Creekwood (G/J)	8 Shadowridge Village (G/J)	9 Fountaingate (G/J)	10	11	12
13	14 Residence @ Sunset Pointe (E) Creek Hollow (E) Cobb Park (E)	15 Wildwood (E) Meridian (E) Ironwood Crossing (E)	16	17	18	19
20 Chelsea Court 100% file audit the week of May 21st thru 25th (G)	21 Highlands (J) Rosemont @ Ash Creek (J) Honey Creek (J) North Vista (E) Park @ Fallbrook (E) Woodglen Village (E)	22 Delafield Villas (J) St. Augustine Estates (J) Village Park (E) Coral Hills (E)	23	24	25	26
27	28 Memorial Day Office Closed	29	30	31	Notes:	

 TSAHC AO/C
 TSAHC AO

 TDHCA

June 2007

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Notes:					1	2
3	4	5	6	7	8	9
10	11 Greens of Hickory Trail (J) Rosemont @ Hickory Trace (J) Collingham Park (E) Green Crest (E) West Oaks (E)	12 Primrose Oaks (J) Providence at Village Fair (J) Sugar Creek (E) Pinnacle (E)	13 West Virginia (J)	14	15	16
17	18 Murdeaux Villas (J) Pleasant Village (J)	19 Rosemont at Pemberton Hill (J) Churchhill @ Pinnacle Park (J)	20 Residence at the Oaks (J)	21	22	23
24	25	26	27	28 NAA Conference	29 NAA Conference	30 NAA Conference

 TSAHC AO/C
 TSAHC AO
 TDHCA

July 2007

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4 4th of July Office Closed	5 Gracie Dr. Appt.	6	7
8	9 Players Club (J) Rosemont at Oak Hollow (J) Deerwood Pines (P) Highland Meadow Village (P)	10 Williams Run (J) Highlands (J) Reading Road (P) Millstone (P)	11 Rosemont at Bluff Ridge (J) Heritage Square (J)	12	13	14
15	16	17	18	19	20	21
22	23 Red Hill Villas (E) Century Park (E) Harris Branch (E)	24 Volente Villas (E) Woodway Village (E)	25	26	27	28
29	30	31 Josh Vacation	Notes: Josh July 23 - 25th travel rescheduled for August 13 - 15 due to insufficient notice to the sites.			

 TSAHC AO/C
 TSAHC AO
 TDHCA

August 2007

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Notes:			1 Josh Vacation	2 Josh Vacation	3 Josh Vacation	4
5	6 Mayfield Park (E) Hampton Villas (E) Stoneridge (E) Josh Vacation	7 Addison Park (E) Artisan at Rush Creek (E) Rush Creek (Parkview Townhomes) (E) Josh Vacation	8	9	10	11
12	13 Alta Cullen (J) Oakmoor (J) Canal Place (J)	14 Timber Ridge II (J)	15	16	17	18
19	20 Providence at Prairie Oaks (J) Timber Oaks (J)	21 Prairie Ranch (J) Braxton's Mark (J)	22 Post Oaks East (J)	23	24	25
26	27	28	29	30	31 TDHCA Audit Deadline	Notes:

	TSAHC AO/C
	TSAHC AO
	TDHCA

September 2007

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Notes:						1
2	3 Labor Day Office Closed	4	5	6	7	8
9	10 Briar Crest (J) Mill Creek (J) One Westfield Lake (J)	11 Stony Creek (J) Pine Creek (J)	12 Cimarron Park (J)	13	14	15
16	17 Shadowridge (J) Creekwood Village (J) Bent Creek (J)	18 Clover Hill (J) Hillcrest (J)	19 Fountaingate (J)	20	21	22
23	24 Willow Chase (G) Willow Park (G) Woodedge (G)	25 Northwoods (G) Aston Brook (G)	26	27	28	29
30	Notes:					

- TSAHC AO/C
- TSAHC AO
- TDHCA

October 2007

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Notes:	1	2	3	4	5	6
7	8 Aguila Oaks (J) Remington (J) Summer Oaks (J)	9	10 Marshall Meadows	11	12	13
14	15 Charleston (J) Chelsea Court 100% file audit(G)	16 Settler's Cove (J) Chelsea Court (G)	17 Chelsea Court (G)	18 Chelsea Court (G)	19 Chelsea Court (G)	20
21	22 Rafters (J) Willowick (J) Wharf (J)	23	24	25	26	27
28	29	30	31	Notes:		

	TSAHC AO/C
	TSAHC AO
	TDHCA

November 2007

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Notes:				1 Annual Summary Due to TDHCA CD of all audits due to TDHCA	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22 Thanksgiving Office Closed	23 Thanksgiving Office Closed	24
25	26	27	28	29	30	Notes:

December 2007

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Notes:						¹ Annual Tentative Calendar Due to TDHCA
2	3	4	5	6	7	8
9	10	11	12	13	¹⁴ Annual TSAHC report due to Board	15
16	17	18	19	20	21	22
23	24	²⁵ Christmas Day Office Closed	²⁶ Day After Christmas Office Closed	27	28	29
30	31	Notes:				

Texas State Affordable Housing Corporation
Compliance Review Observation Report
 “Bringing Affordable Housing Closer to Home”

Name Address City, State, Zip Owner: Bond ID: INSPECTION DATE:				
Number of Units:	Number of required LI units:	Number of required VLI units:		
COMPLIANCE AUDIT		YES	NO	N/A
1) Are procedures that ensure compliance with the set aside requirements and rent requirements effective?				
2) Is the property accepting Section 8 households?				
3) Is the income to rent ratio for Section 8 households less than 2.5?				
4) Are the rent increases smaller than 5%?				
5) Is there any discriminatory language on the Application for Tenancy or Occupancy Qualifications?				
6) Does the lease or rental agreement inform the resident of Very Low Income/Low Income and Recertification requirements?				
7) Is additional monitoring by TSAHC recommended?				
COMMENTS:				

SET-ASIDES		YES	NO	N/A
1) Do the files reviewed establish that the property is meeting the Low Income residency requirement whereby 75 percent of the units are rented to tenants whose adjusted income is 80 percent or less of the median gross income for the Metropolitan Statistical Area where the property is located?				
2) Do the files reviewed establish that the property is meeting the Very Low Income residency requirement?				
3) Are the set-aside units evenly distributed?				
a) No more than 60% of the set-aside requirements consist of one unit type?				
b) No less than 20% of the set aside requirements consist of any particular unit type?				
4) If either of the set asides have not been met, are any units :				
a) Rented for less than 30 days, not including month-to-month?				
b) Utilized as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home, or trailer court or park?				
c) Leased to a corporation, business or university?				
d) Owned by a cooperative housing corporation?				
e) Not available for rental on a continuous basis to members of the general public?				
COMMENTS:				

RESIDENT SERVICES		YES	NO	N/A
1) Does the programming appear to cater to the resident profile of the property?				
2) Does the programming appear to be effective? Discuss your observations in the comments section below. Provide examples of the program effectiveness or ineffectiveness.				
3) Is there a resident services notebook available to review?				
4) TSAHC provided Technical assistance regarding:				

Texas State Affordable Housing Corporation
Compliance Review Observation Report
 “Bringing Affordable Housing Closer to Home”

a) Resident attendance			
b) Frequency of service provided			
c) Transportation provided for off site services			
d) Notification to residents of services			
e) Number or type of services			
f) Survey of residents			
g) On-line reporting			
5) Does the property comply with the resident services requirement?			
COMMENTS:			

OFFICE	YES	NO	N/A
1) Is the office neat, the desk uncluttered?			
2) Are accurate office hours posted?			
3) Are the following displayed in full view:			
a) Occupancy Qualifications?			
b) Fair Housing Poster?			
COMMENTS:			

RESIDENT FILE REVIEW	YES	NO	N/A
1) Are there any Next Available Unit Rule Violations?			
2) Does the file audit establish that residents are being recertified on an annual basis?			
3) Does the owner maintain all records relating to resident income certifications, together with supporting documentation?			
4) Does the Owner/Agent make an effort to determine that the income certification provided by the resident is accurate?			
5) Does the file audit indicate that staff needs additional training?			

If a new household moves in to any of the units with Findings (listed below), instead of submitting the required Corrective Action documents, submit with your response: the application for tenancy, the verifications, the Income Certification, and the 1st page of the lease for the new household occupying the unit.

Unit	Finding	Issue	Corrective Action Requirement

Texas State Affordable Housing Corporation

Compliance Review Observation Report

“Bringing Affordable Housing Closer to Home”

SUMMARY OF FINDINGS AND OBSERVATIONS

Findings address serious issues that need to be cured immediately. **Findings** will always be followed by **Corrective Action Requirements**. Management must complete the **Corrective Action Requirements** and send certification to TSAHC that they have been resolved as stipulated within each **Corrective Action Requirement**. This certification must be on company letterhead and address each item individually.

The **Findings** identified during the review affected XX units. These findings include:

- **Household income above the limit at move-in**, which affected units XXX, XXX, and XXX;
- **Ineligible student household**, which affected units XXX, XXX, and XXX;
- **Owner failed to Maintain Income Certification and Documentation**, which affected units XXX, XXX, and XXX;
- **Property has failed to meet the required set-aside requirement**, which affected all units.
- **Property is not complying with Resident Services requirement**, which affected all units.
- **Question if household eligible at move-in**, which affected units XXX, XXX, and XXX.
- **Rent over the limit**, which affected XXX, XXX, and XXX;
- **Unit Status Report reflects incorrect information**, which affected units XXX, XXX, and XXX

Observations will address issues that can be improved upon, but do not require immediate action. An **Observation** will always be followed by a **Recommendation**. Management should consider **Recommendations** but there is no written response required.

The **Observations** identified during the review include:

- Supplemental application is mostly blank for units XXX, XXX, and XXX. Ensure that all forms are completed in their entirety.
- Assets have not been handled correctly for units XXX, XXX, and XXX;
 - Assets are listed on the TAA Supplemental Application for unit XXX. Some of the assets listed on the Under \$5000 Asset Certification form are not listed on the Income Certification. Ensure that all disclosed assets are listed on the Income Certification.
 - The resident in unit XXX was recently hired. She has a retirement plan with her employer. Resident provided verification of the balance in her retirement account. Retirement plan was included as income instead of an asset. Ensure that staff is aware that a retirement plan can be either income or assets, depending on the situation.
 - Assets were not calculated correctly on the Income Certification for unit XXX. Assets were imputed that were not over \$5000 and included as income. Assets must be imputed if the total assets exceed \$5000.
 - Under \$5000 Asset Certification was not completed in its entirety for unit XXX. Ensure that all forms are completed in their entirety.
 - Assets over \$5000 were not imputed correctly and not verified for unit XXX. Assets over \$5000 must be imputed and verified.
- Tenant Release and Consent form is missing for units XXX, and XXX. It is strongly recommended that all adult household members sign a Tenant Release and Consent form;
- The lease agreement informing the resident of the Very Low Income/ Low Income and Recertification requirements was missing for units XXX, and XXX. It is strongly recommended that all adult household members sign a lease agreement.
- Employment verification form indicates that resident will receive a raise in pay in 90 days for unit XXX. This was not included in the calculation of household income. In the future, ensure that all anticipated changes are included in the calculation of household income.
- Employment verification has been altered for unit XXX. Telephone documentation needs to be on a separate document and include an explanation. In the future, ensure that no verifications are altered after they are received. If there is a

Texas State Affordable Housing Corporation
Compliance Review Observation Report
“Bringing Affordable Housing Closer to Home”

discrepancy, contact the person who completed the form, document explanation on a separate sheet of paper. Include the date of the conversation, the name and title of the person providing the explanation, the telephone number, the explanation, and the Property staff who obtained the clarification.

- Household income calculation errors include:
 - Unit XXX: Contributions from son were calculated monthly instead of weekly. Statement from son, verifies that contributions are weekly. Ensure that all income is calculated correctly.
 - Unit XXX: Unemployment income was not annualized. Ensure that unemployment income is annualized.
 - Unit XXX: Overtime and raises were not included in calculation of household income. Ensure that all income is included in the calculation of household income.
 - Unit XXX: Net wages were used to calculate income instead of gross wages. Gross wages must always be used to calculate household income.
 - Unit XXX: Clarification of employment was written on employment verification. It is recommends that all clarification be documented on a separate form.
 - Unit XXX: Employment verification form indicates an overtime rate of pay but does not include the number of overtime hours worked and property did not follow up with employer. Property must always follow up with employer when verifications are insufficient to document eligibility.
 - Unit XXX: The overtime for wife listed on the employment verification form has not been included in calculation of household income. Ensure that all sources of income are included in the calculation of household income.


Comments:








Texas State Affordable Housing Corporation Marketing Tactical Plan--2008


Due  Month due or activity date

Status key:  On track

 Minor glitches that need attention but will not delay the deliverable

 Major glitches that need attention and will (or most likely will) delay the deliverable

Professional Educator Home Loan Program													
Task	Owner	Actual Expense	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Status	Comments
Press Release	Janie	\$0											Press Release issued with release of funds
ATPE Conference	Janie/Paige	\$600											Exhibit at Annual State Convention
ATPE News Ad	Janie	975											Will advertise in Spring 2008 issue. Depending on funds availability, may do an ad in Summer 2008 issue.
TCTA Ad	Janie	600											
Posters to Schools	Janie	2,000											Posters will be mailed fall 2007. Grant from Freddie Mac is being used for expense.
TSTA Ad	Janie	500											
Order Giveaways	Janie	1,000											Giveaways for conferences
Federation of Teachers Ad	Janie	500											Will advertise in Spring 2008 issue.
Total Expense:		\$6,175											

Homes For Texas Heroes													
Task	Owner	Expense	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Status	Comments
Posters to fire houses, police stations, county jails, TDCJ	Janie	\$2,000											Paid by Freddie Mac grant



**TEXAS STATE AFFORDABLE HOUSING CORPORATION
FUNDRAISING ACTION PLAN
July 2007**

I. Goals

1) To research fundraising opportunities.

2) To apply for a minimum of six grants/sponsorships a year for the following initiatives:

- Single Family Bond Programs Down Payment Assistance
- Home Buyer Education Program
- HomeWorks Loan Program
- Multi-Family Private Activity Bond Program - targeting rehab, senior, and rural housing
- Direct Lending Program
- Refinance Program

4) To research opportunities for Asset Oversight and Compliance contracts

II. Identifying Appropriate Funding Sources

Key Tasks	Responsibility	Timeline
Create list of top private foundations outside of Texas - giving nationally	Janie Taylor	September 2007
Create list of top private foundations located in	Janie Taylor	September

Texas		2007
Create profile for those foundations that support affordable housing; profile to include: contact info, website, board of trustees, total assets, total giving in 2006, sample list of grants for affordable housing, grant deadlines and schedules	Janie Taylor (fall intern)	November 2007
Create list of major corporations: banks, retailers, telecommunications, utilities, computer, high-tech, textbook publishers, equipment suppliers, home builders	Janie Taylor (fall intern)	November 2007
Prioritize list of corporations by those that have a substantial business in Texas. Include the following factors: headquarters located in TX, large number of employees in TX, does business in TX, has history of corporate philanthropy and community involvement	Janie Taylor (fall intern)	November 2007
Create profile of the corporations on the prioritized list: board of trustees, total giving in 2006, local contact person, headquarters location, grant information	Janie Taylor (fall intern)	November 2007
Research websites for each foundation and corporation	Janie Taylor (fall intern)	November 2007
Research www.grants.gov , www.cfda.gov , www.tpwd.state.tx.us , www.orca.state.tx.us , www.tdhca.state.tx.us and other appropriate sources for public funds for affordable housing	Janie Taylor	July 2007
Develop schedule for contacting all prioritized foundations, corporations and public agencies	Janie Taylor	December 2007
III. Contacting Funding Sources		
Key Tasks	Responsibilities	Timeline

Contact program officer (PO) or contact person for all prioritized foundations, corporations and public agencies (Make a great first impression by 1) not wasting PO's time, 2) asking knowledgeable questions, 3) inquiring about their needs, 4) contact them in the specific manner they request - letter, call, email, etc., 5) always be on the lookout for ways that you can make their jobs easier)	Janie Taylor/TSAHC Staff	Varies
Write to thank them for their assistance, on your letterhead	Janie Taylor/TSAHC Staff	Within 5 days after contact
Update profile list with any information gathered from contacting PO	Janie Taylor/TSAHC Staff	Within 5 days after contact
Get a copy of the grant guidelines or application	Janie Taylor	Within 5 days after contact
IV. Submitting Funding Request		
Key Tasks	Responsibilities	Timeline
Contact PO with any application questions	Janie Taylor/TSAHC Staff	Varies
Contact regional marketing or public affairs manager for corporations to discuss sponsorships and cause-related marketing	Janie Taylor/TSAHC Staff	Varies
Program planning (developing the case for support) - including: how the program meets your organization's goals; statement of need with documented evidence; clients and service area; program goals and objectives; methodology to include staff, organizational partners and other collaborations, subcontractors, time line, and client services rendered; program evaluation plan; estimated budget (with cash/in-kind contributions from other resources); future funding; existing or prospective support from external sources such as community leaders/organizations	Janie Taylor/TSAHC Staff	Varies
Proposal development - meeting with program managers to discuss application or grant	Janie Taylor/TSAHC Staff	Varies

requirements; set timeline for grant completion		
Writing proposal	Janie Taylor/TSAHC Staff	Varies
Review and comment (R&C) on draft version of proposal	David Long/Katherine Closmann/Janie Taylor	Varies
Final draft	Janie Taylor	Varies
Preparing the Final Document - final draft, budgets, forms, appendices, transmittal (cover) letter, letters of support, memo of understanding/agreement, putting document in order per funding source instruction package, check format of final document	Janie Taylor/TSAHC Staff	Varies
Final signatures and mailing of proposal	David Long/Janie Taylor	Varies
Preparation of Grant Book - compile all working papers from the proposal development process into a reference notebook (Original funding announcement; correspondence, and notes on telephone contact with the funding source and others; budget and budget notes; written comments received during the R&C of the draft; meeting notes; work plans or proposal development timelines; award letter if received)	Janie Taylor/ (fall intern)	Within 20 days of submission
<i>V. Follow Up</i>		
Key Tasks	Responsibilities	Timeline
Maintain schedule of reporting requirements for each grant received	Janie Taylor/TSAHC Staff	Implement as soon as grant received
Develop and implement stewardship plan for each grantor, including regular communication and updates, invitations to events if/when appropriate	Janie Taylor/TSAHC Staff	Implement as soon as grant received

SENATOR JEFF WENTWORTH
SENATE DISTRICT 25



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**The Senate of
The State of Texas**

September 12, 2000

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RQ-0284-98

The Honorable John Cornyn
Attorney General of Texas
Attn: Opinion Committee
P.O. Box 12548
Austin, Texas 78711-2548

RECEIVED
SEP 13 2000
OPINION COMM.

FILE # ML-41628-00
I.D. # 41628

Re: Whether the board of directors of the Texas State Affordable Housing Corporation are state officers whose appointments must be made with the advice and consent of the Texas Senate.

Dear General Cornyn:

The purpose of this letter is to request an opinion on whether the board of directors of the Texas State Affordable Housing Corporation are state officers whose appointments must be made with the advice and consent of the Texas Senate.

The Texas State Affordable Housing Corporation is a non-profit corporation created by the legislature in 1995 to serve the housing needs of low income residents of Texas. The corporation operated as a division of the Texas Department of Housing and Community Affairs until 1997 when the corporation was separated from the department. An independent administration was appointed in 1998. The board of directors of the corporation consists of five members appointed by the governor. See TEX. GOV. CODE §2306.554(a) (Vernon 1999).



The Honorable John Comyn
September 12, 2000
Page Two

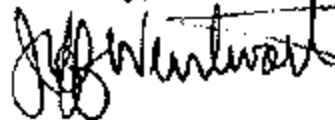
The corporation is required by statute to pay its expenses from any available fund without resort to the general revenue of the state unless state funds are specifically appropriated by the legislature. See TEX. GOV. CODE §2306.555(f).

Article Four, Section 12(a) of the Texas Constitution provides that all vacancies in state offices shall be filled unless otherwise provided by law by appointment of the Governor. Article Four also states that an appointment of the Governor shall be with the advice and consent of the Texas Senate.

It is unclear whether the board of directors of the Texas State Affordable Housing Corporation are state officers whose appointments would require the advice and consent of the Texas Senate.

I respectfully request an opinion on this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Wentworth", with a horizontal line extending to the right from the end of the signature.

Jeff Wentworth

JW/ml



Office of the Attorney General - State of Texas
John Cornyn

February 22, 2001

The Honorable Jeff Wentworth
Chair, Redistricting Committee
Texas State Senate
P.O. Box 12068
Austin, Texas 78711-2068

Opinion No. JC-0345

Re: Whether members of the board of directors of the Texas State Affordable Housing Corporation are state officers whose gubernatorial appointments must be made with the advice and consent of the Texas Senate (RQ-0284-1C)

Dear Senator Wentworth:

You ask whether members of the board of directors of the Texas State Affordable Housing Corporation ("AHC") are state officers whose gubernatorial appointments must be made with the advice and consent of the Texas Senate pursuant to article IV, section 12 of the Texas Constitution. Whether the governor's appointment of members of the AHC board of directors must be made with the advice and consent of the Texas Senate depends upon whether they are "state officers" within the meaning of that provision. We conclude that the AHC board members are "state officers" and that their appointments are therefore subject to senate confirmation.

Article IV, section 12 of the Texas Constitution provides that all vacancies in "State or district offices, except members of the Legislature, shall be filled unless otherwise provided by law by appointment of the Governor." Tex. Const. art. IV, § 12(a). All such appointments made by the governor are made with or confirmed by "the advice and consent of two-thirds of the Senate present." *Id.* § 12(b), (c). When a state or district officer is appointed by the governor, the senate must confirm the nominee in order for the nominee to be entitled to hold office. See *Dentson v. State ex rel. Alfred*, 61 S.W.2d 1017, 1020-21 (Tex. Civ. App.-Austin), *writ ref'd per curiam*, 61 S.W.2d 1022 (1933). As one court has explained, article IV, section 12

clearly contemplates that the Legislature may, should it see fit, provide by law for the filling of offices created by it otherwise than by appointment by the Governor, and that in such event confirmation by the Senate is not essential. . . . But where appointment, or perhaps nomination for appointment would be more accurate, is not 'otherwise provided by law,' that power rests with the Governor. And the clear import, language, and requirement of the Constitution

is that any and every appointment by the Governor to fill a vacancy in a state or district office must be with the advice and consent of two-thirds of the Senate And where such required advice and consent to such nomination by the Governor is refused, the nominee or appointee is not legally entitled to the office.

Id.; see also Tex. Att'y Gen. LO-95-024, at 4 (Tex. Const. art. IV, § 12 "mandates that the senate confirm every gubernatorial appointment to a state or district office in the executive or judicial branch of government. The phrase in article IV, section 12(a), 'unless otherwise provided by law,' permits the legislature to delegate, by statute, the appointing power to an officer other than the governor, but it does not permit the legislature to statutorily bypass the senate confirmation process.").

Chapter 2306 of the Government Code establishes the Texas Department of Housing and Community Affairs and various housing programs. The AHIC is a nonprofit corporation provided for by subchapter Y of chapter 2306 that must dedicate its activities to the public purpose of promoting health, safety and welfare by providing housing to those with low incomes. See Tex. Gov't Code Ann. §§ 2306.552, .553 (Vernon 2000). The board of directors of the corporation consists of five members with expertise in housing or related areas who are appointed by the governor. See *id.* § 2306.554(a). Subchapter Y does not specify whether the board members' appointments must be confirmed by the senate.

It is not clear from the face of subchapter Y whether board members are public officers or merely officers of a nonprofit corporation. Compare *id.* ch. 2306, subch. Y with Tex. Transp. Code Ann. § 431.101(f) (Vernon Supp. 2001) (expressly providing that a member of the board of directors of a local government corporation established under Transportation Code, chapter 431, subchapter D "is not a public official by virtue of that position"). Indeed, the subchapter points in both directions. On the one hand, for example, members of the board are entitled to reimbursement of their travel expenses "as provided by the General Appropriations Act," Tex. Gov't Code Ann. § 2306.554(e) (Vernon 2000). Another provision elsewhere in chapter 2306 provides that both the Texas Department of Housing and Community Affairs and the AHIC are generally subject to the Open Meetings and Open Records Acts. See *id.* § 2306.039. On the other hand, however, the AHIC board members are immune from civil liability not as public officers but rather "to the same extent that a volunteer who serves as an officer, director, or trustee of a charitable organization is immune from civil liability under Chapter 84, Civil Practice and Remedies Code." *Id.* § 2306.561(b).

As AHIC board members are appointed by the governor, the senate must confirm them if they hold state or district offices within the meaning of article IV, section 12. See *Denison*, 61 S.W.2d at 1020-21. Thus, we must determine whether an AHIC board member is a state or district officer within the meaning of that constitutional provision. Over the years this office has construed article IV, section 12 to distinguish between state and district versus local officers, see Tex. Att'y Gen. Op. No. O-5153 (1943) (whether person holds state or district

office as opposed to a county, municipal, or other local office depends primarily on geographical extent of officer's duties); *see also* Tex. Att'y Gen. L.O-95-024, and officers and employees, *see* Tex. Att'y Gen. Op. Nos. JM-58 (1983), WW-190 (1957). As the corporation's duties are not limited to one area of the state, its board members are not "local officers." Nor do the board members appear to be mere employees. Rather we believe that the corporation's board members are either state officers or officers of a nonprofit corporation.

The distinction between state officers and officers of nonprofit corporations appears to be an issue of first impression. However, in deciding whether the AHC board members are state officers, we are guided by the long-established definition of a public office:

Public office is the right, authority, and duty created and conferred by law, by which, for a given period, either fixed by law, or enduring at the pleasure of the creating power, an individual is invested with some portion of the sovereign functions of the government, to be exercised by him for the benefit of the public.

Kimbrough v. Barnett, 55 S.W. 120, 122 (Tex. 1900); *see also Aldine Indep. Sch. Dist. v. Standley*, 280 S.W.2d 578 (Tex. 1955) (status as an officer as opposed to an employee is determined by "whether any sovereign function of the government is conferred upon the individual to be exercised by him for the benefit of the public largely independent of the control of others") (quoting *Dunbar v. Brazoria County*, 224 S.W.2d 738, 740 (Tex. Civ. App.-Galveston 1949, writ *ref'd*)). Applying these criteria, we conclude that service on the AHC board of directors is (1) a "right, authority, and duty created and conferred by law," and that an AHC board member (2) "is invested with some portion of the sovereign functions of the government," (3) "to be exercised by him for the benefit of the public." Although an AHC board member's term is not fixed by law, we do not believe that this is determinative.

First, service on the AHC board of directors is a "right, authority, and duty created and conferred by law." *Kimbrough*, 55 S.W. at 122. Although it must be incorporated in order to exist, the AHC is a creature of statute, subchapter Y of chapter 2306. *See* Tex. Gov't Code Ann. § 2306.552 (Vernon 2000). Its board members are appointed pursuant to law, *see id.* § 2306.554, and the board's and corporation's powers are conferred and limited by law, *see id.* §§ 2306.5545 (requiring board to develop policies relating to employee conflicts of interest), .555 (corporation's powers), .5555 (requiring board to develop and implement public access policies), .557 (governing distribution of corporation's earnings), .559 (requiring corporation to report financial activity to certain state officials on an annual basis), .560 (requiring corporation to undergo yearly audit and to file copy of audit with certain state officials).

Second, the AHC board of directors is "invested with some portion of the sovereign functions of the government." *Kimbrough*, 55 S.W. at 122. Although the AHC is charged with engaging in many activities traditionally associated with the private sector such as "mortgage banking activities and lending

transactions and acquiring, holding, selling, or leasing real or personal property," Tex. Gov't Code Ann. § 2306.553(a) (Vernon 2000), the corporation has the "powers provided for the Texas Department of Housing and Community Affairs] under [chapter 2306]," *id.* § 2306.555(a). The department's powers under chapter 2306 include, for example, the authority to "act for and on behalf of this state" and to "adopt and enforce bylaws and rules." *Id.* § 2306.053(b). Given that the legislature has provided that the AHC has powers coextensive with a state agency, we conclude that its board members are "invested with some portion of the sovereign functions of the government." *Kimbrough*, 55 S.W. at 122.

Third, the AHC board members exert their authority "for the benefit of the public." *Id.* The corporation's charter must specifically dedicate the corporation's activities "to the public purpose authorized by [subchapter Y]." Tex. Gov't Code Ann. § 2306.552(b) (Vernon 2000). The corporation's purpose is "to promote the public health, safety, and welfare through the provision of adequate, safe, and sanitary housing" for those with low incomes. *Id.* § 2306.553(a).

The indicia of an office also include tenure "for a given period, either fixed by law, or enduring at the pleasure of the creating power." *Kimbrough*, 55 S.W. at 122. Subchapter Y expressly provides that the AHC is subject to the Texas Sunset Act, Tex. Gov't Code Ann. ch. 325 (Vernon 1998 & Supp. 2001), and, unless continued in existence as provided by that Act, is "abolished and [subchapter Y] expires September 1, 2001." *Id.* § 2306.5521 (Vernon 2000). But subchapter Y is silent with respect to the duration of the board members' terms and does not provide for the board members' removal.

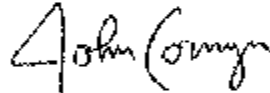
A fixed term is an indicium of an office because it helps protect an officer's independence from the control of others. We do not believe, however, that the complete absence in subchapter Y of any provision regarding the duration of board members' terms or their removal from office is significant. It could be merely the result of legislative oversight, or the legislature may have intended for the board members' terms to be governed by the constitution. See Tex. Const. art. XVI, § 30 (providing that duration of offices not fixed by the constitution shall not exceed two years); see also *id.* §§ 30a, 30b (authorizing legislature to establish terms exceeding two years for certain offices by statute). Furthermore, although subchapter Y provides that the AHC must file reports with state officials and entities, see Tex. Gov't Code Ann. §§ 2306.559, .560 (Vernon 2000), and is subject to audit by the state auditor, see *id.* § 2306.560, we are not aware of any statute that vests the governor, the Texas Department of Housing and Community Affairs, or any other officer or body with the authority to exercise direct control over the AHC or its board of directors. Thus, we do not find AHC board members' lack of a legislatively fixed term dispositive.

In sum, we conclude that the members of the board of directors of the AHC hold state offices within the meaning of article IV, section 12 of the Texas Constitution and that their gubernatorial appointments are therefore subject to senate confirmation.

SUMMARY

Members of the board of directors of the Texas Affordable Housing Corporation hold state offices within the meaning of article IV, section 12 of the Texas Constitution. Therefore, their gubernatorial appointments are subject to confirmation by the Texas Senate.

Yours very truly,



JOHN CORNYN
Attorney General

ANDY TAYLOR
Assistant Attorney General

CLARK KENT ERVIN
Deputy Attorney General - General Counsel

SUSAN D. GUSKY
Chair, Opinion Committee

Mary R. Crouter
Assistant Attorney General - Opinion Committee

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80th Texas Legislative Session Bill Tracking - Summary and Analysis

Senate Bill 1185

Author: Senator Jane Nelson

Sponsor: Representative Kevin Bailey

Summary:

Bond volume cap percentages are assigned to all issuers of qualified mortgage revenue bonds along with new dates to make reservations and apply for additional volume cap.

The Nursing Faculty Home Loan Program is repealed. Those formerly eligible under the Nursing Faculty Program are now eligible under the Professional Educators Home Loan Program, along with allied health program faculty members.

The income requirements for the Professional Educator Home Loan Program were amended to allow the maximum limits allowed by the Internal Revenue Code.

Details:

- 10% of the State's ceiling that is available exclusively for reservations by issuers of qualified mortgage bonds is given to the Corporation.
 - 54.5% of the 10% available to the Corporation shall be allotted to the Professional Educators Home Loan Program.
 - 45.5% of the 10% available to the Corporation shall be allotted to the Fire Fighter, Law Enforcement Officer, and Security Officer Home Loan Program.
- 56.66% of the State's ceiling that is available exclusively for reservations by issuers of qualified mortgage bonds is given to housing finance corporations.
- 33.34% of the State's ceiling that is available exclusively for reservations by issuers of qualified mortgage bonds is given to the Texas Department of Housing & Community Affairs.
- All issuers have until August 7th, (formerly the 1st for the Corporation and housing finance corporations and the 15th for the Department) of each year to reserve those funds made exclusively to that particular issuer.
- Provides for a single family bonds collapse and exclusive use by those issuers between the dates of August 8th and August 15th.
- The Corporation has the ability to approach the Bond Review Board before August 15th, formerly September 1st, for additional volume cap.
 - Additionally, the Corporation can now ask for a reservation exceeding \$25 million for one program (project).
- Section 2306.5622 establishing the Nursing Faculty Home Loan Program is repealed. Those professionals formerly eligible under the Nursing Faculty Home Loan Program are now included as Educators under the Professional Educators Home Loan Program.

- A new professional group was added to the Professional Educators Home Loan Program, allied health program faculty members.
- Allied health and nursing program faculty members are defined.
- The maximum income of eligible borrowers was clarified to state the greater of 115% area median family income, adjusted for family size, or the maximum amount permitted by Section 143(f) of the Internal Revenue Code.
- Language was added stating the Corporation shall aggressively pursue funding for the Program.

Effective September 1, 2007.

Senate Bill 1332

Author: Senator Royce West

Sponsor: Representative Norma Chavez

Summary:

Senate Bill 1332, supporting recommendations from the Legislative Budget Board (LBB), expands the duties of the Bond Review Board (BRB) by requiring issuers to submit Request for Proposals (RFP) when choosing service providers, prohibits some state issuers from entering into an interest rate swap agreement unless approved or exempted by the BRB, requires the BRB to annually prepare a Debt Affordability Study, and requires issuers to submit all issuance cost to the BRB for prior approval. The bill also adds language giving priority to the Texas Economic Development Bank in the category of "all other issuers," and gives Texas Enterprise Fund allocations Priority 1 carry-forward classification. The bill contains several amendments added during Conference Committee including the addition of some language of HB 3282 regarding Section 1371, Government Code, and responsibilities of Advisors, Financial/Investment Advisors and related requirements.

Details:

Language from HB 1332 provides for the following changes to Statute:

Section 1201, Government Code:

- Adds Subsection (d) requiring an issuer of a state security that contacts with a third party to provide services shall, upon request from the BRB, submit to the BRB copies of the RFP's for such services, RFP proposal received and a copy of the executed contact for services.

Section 1231, Government Code:

- Incorporates the definition of "Interest Rate Management Agreement."
- Creates and defines an annual "Debt Affordability Study" to be prepared by the BRB in consultation with the LBB and establishes December 1st as the deadline for submission.

- Identifies which offices are to receive the Debt Affordability Study.

Section 1232, Government Code:

- Establishes a preference for contracting with entities that have offices in Texas and/or historically underutilized businesses.

Section 1371, Government Code:

- Establishes definitions for specific services and the requirements for professionals providing those services for the issuance of public securities; includes (but not limited to) advisers and municipal financial professionals.
- Establishes exemptions from this requirement.
- Establishes requirements on the level of gifts provided by an advisor that is conducting and/or providing services for an issuer (maximum of \$100 total cumulative value).

Section 1372, Government Code:

- Creates a new subsection (b) under 1372.031 establishing a priority for reservations of the state's bond authority under sub-ceiling six to the Texas Economic Development Bank for projects that meet criteria for funding from the Texas Enterprise Fund. Such priority funding is limited to one-sixth until August 1 of each program year.
- Amends the priority 1 carry forward classification to include the projects under the Texas Enterprise Fund

Additional Comments: The Municipal Advisory Council was not in favor of this legislation.

Effective September 1, 2007 (Sections 1371.154 and 1371.155, Government Code, take effect January 1, 2008).

Senate Bill 1908

Author: Senator Rodney Ellis

Sponsor: Representative Jose Menendez

Summary:

SB 1908 is an amalgam of many different separate bills related to housing and the administration of programs by TDHCA. The Corporation is directly affected only by allowing the Corporation to redact from public information requests personal financial information, including social security numbers, taxpayer identification numbers, or bank account numbers received related to a loan, grant, or other housing assistance program.

Details:

- The bill exempts from the Comptroller's property tax study the appraised value of property in a Tax Increment Reinvestment Zone created on or before December 31, 2008 in a city of less than 18,000 that rehabilitates a National Register structure.
- Creates the Texas First-time Homebuyer Program at TDHCA (incorporates HB 1637) and specifies that the program may include down payment and closing cost assistance. Eligibility for a mortgage loan under this program includes first-time homebuyers with an income of not more than 115 percent of area median family income or 140 percent of area median family income in targeted areas. Eligibility for down payment and closing cost assistance from the department includes first-time homebuyers who have an income of not more than 80 percent of area median family income (currently the limit is 60 percent). Takes effect January 1, 2008.
- Changes the Regional Allocation Formula to mandate 95 percent of funds to non-participating jurisdictions and 5% to persons with disabilities in any area of the state; breaks out at-risk set aside of tax credits before applying the Regional Allocation Formula; exempts from the Regional Allocation Formula funds for persons with disabilities and the Housing Trust Fund; mandates 5% of tax credit allocation to be reserved for USDA rural housing, but does not include Section 538 properties in this set-aside; mandates rural areas receive a minimum of 20% of the total tax credits and a minimum of \$500,000 in each region
- Changes Scoring Criteria for tax credit applications to award points for either a letter from a State Senator or a State Representative (rather than any state elected official as current law states), awards points for disaster areas declared within the previous two years, and awards points for developments that provide free notary public services.
- Adds Definitions to the TDHCA statute for Development Funding, Grant, Housing Sponsor (now allows LLCs to apply, and does not permit individuals to apply), Neighborhood Organization; New Construction, Rehabilitation, Rural Area, Rural Development, Urban Area.
- Requires the TDHCA Board to post transcripts to its website; requires that all materials provided to board, relevant to a discussion item, be posted to website at least 3 days in advance of meeting.
- Allows TDHCA and the Texas State Affordable Housing Corporation to redact personal financial information, including social security numbers, taxpayer identification numbers, or bank account numbers received related to a loan, grant, or other housing assistance program.
- Allows TDHCA board to have executive sessions with internal auditor, fraud prevention or ethics advisors; requires TDHCA staff to participate in legislative hearings; creates an administrative penalty procedure; requires TDHCA to prepare a report detailing the fees received, on a cash basis, for each activity administered by TDHCA for the last three years.
- Requires TDHCA to treat the annual low income housing report as a rule and requires it to follow rulemaking procedures. Deleted the requirements for the public hearings for development of the low income housing report; changes Alternative Dispute Resolution procedures; changes ex parte restrictions (allows board to participate in social events at which a person with whom

communications are prohibited may or will be present, provided that application not discussed); Requires title policies for each loan made under the HOME program;

- Requires that if awarded state or federal funds, the development must have a breaker box that is not higher than 48 inches above the floor, so long as not conflicted with local code (allows for accessibility).
- Incorporates SB 1733; creates an email notification service.
- Allows cities to file in district court for code violations on commercial property and appoint a nonprofit as a receiver for rehabilitation of the property with a receivership fee of 10% of the sale of the property to go to the nonprofit.
- Adjusts the Urban Land Bank Program.

Effective September 1, 2007.

House Bill 280

Author: Representative Jerry Madden

Sponsor: Senator Mario Gallegos

Summary & Details:

- The definition of "corrections officer" is amended to include a juvenile correctional officer employed by the Texas Youth Commission.

Effective September 1, 2007

House Bill 618

Author: Representative Dennis Bonnen

Sponsor: Senator Mike Jackson

Summary & Details:

- Emergency medical services personnel are added to the Fire Fighter and Law Enforcement or Security Officer Home Loan Program. The new name for the program is the Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program.
- Emergency medical services personnel are defined, as under Section 773.003 of the Health and Safety Code.
- The Corporation may use any proceeds received from the sale of bonds, notes, or other obligations issued under the Program regardless of any amendments to eligibility standards for loans or regardless of when the Corporation received the proceeds.

Effective September 1, 2007.

House Bill 3552

Author: Representative Robert Orr

Sponsor: Senator Eddie Lucio, Jr.

Summary:

House Bill 3552 allows for multi sites under one multi-family bond application; shortens the local regional set aside timeframe; removes the Austin region from the rural set-aside; allows rural set aside to be used for rehabilitation or new construction; allows up to 20% market rate units under Priority 2; authorizes the Bond Review Board to give an immediate reservation to next application if issuer has carry forward available; amends the definition for the local issuer utilization percentage from loans closed/pooled to loans originated.

Senate amended HB 3552 to include language from SB 729 (filed by Senator West) which provides for set percentages of among the three single family issuers, TDHCA, TSAHC and Local Issuers. This language is included in SB 1185.

Details:

HB 3552 provides for the following changes to Section 2306, Government Code:

Single Family Impact

- See Review of Senate Bill 1185.

Multi-Family Impact

- Allows for rehabilitation in or out of MSA's.
- Moves the June 1 collapse to May 1.
- Relaxes priority two application standards to allow for applications with at least 80% affordable units, instead of 100% as previously required. This provision could allow for more mixed income properties to be submitted for consideration next year.
- Includes a carry forward allocation which would allow a project already in line to move up and use a carry forward.

Language added from SB 729 provides for the following changes to Section 1372, Government Code:

Single Family Impact

- See Review Senate Bill 1185.

Multi-Family Impact

- Provides for pooled transactions to submit one application for reservation at the Texas bond review board. This provision has a significant cost savings for pooled transactions.
- moves the May 15 collapse to March 1, removes Austin from the pre-March 1 reservation period

Effective September 1, 2007.

Review of Multifamily Program Bills

Summary:

The overall picture of new legislation on the multifamily program is positive. Though there may be some impacts to the programs that are not yet fully understood, generally a number of pieces of legislation were passed that will have a positive affect. The most important piece of legislation was probably HB 3552. This bill opens the door for the developers to save tens, if not hundreds of thousands of dollars on application fees to the Texas bond review board. Other important legislation improves timelines for access to additional multifamily cap during the collapse, and improves the security of property tax exemptions for nonprofit owners. The following is a more succinct analysis of each bill.

Senate Bill 1733

Author: Senator Mario Gallegos

Sponsor: Representative Kevin Bailey

Details:

- Although this bill has no direct impact on the Corporation's programs, it will affect properties that receive tax credit financing. More specifically, the bill requires certain language be added to lease agreements in tax credit properties. These provisions could be added to the Corporation's PAB program to ensure consistency in program requirements for bond and tax credit properties.

Senate Bill 1908

Author: Senator Rodney Ellis

Sponsor: Representative Jose Menendez

Details:

- See review of Senate Bill 1908.

House Bill 3191

Author: Representative Fred Hill

Sponsor: Senator Royce West

Details:

- This bill would allow CHDO owned property, being developed for the purpose of homeownership, to receive a 100% tax exemption during the development period. This provision could significantly reduce the cost of single family subdivisions financed by the Corporation.

House Bill 3552

Author: Representative Robert Orr

Sponsor: Senator Eddie Lucio, Jr.

Details:

- See review of House Bill 3552.

Katherine Clossmann

From: Katherine Clossmann
Sent: Thursday, May 11, 2006 7:33 PM
To: osmimi@arml.net; rstudor@worldnet.att.net; nymcdallas@sbcglobal.net; lhmama1@yahoo.com; 2rtrammell@sbcglobal.net; Robln_Raskin@noimanmarcus.com; txhusker@sbcglobal.net; sfans@dishdirect.com; wynneman1@yahoo.com; Sharon.Simpson@richardson.k12.tx.us; shw129@hotmail.com; skjoller@hdonline.com; funadams@hotmail.com; ezmartin@hotmail.com; suzanne@verucchiandassociates.com; tafdame@comcast.net; TalingTerry1@aol.com; taylorfeder@sbcglobal.net; TEXASJULES@aol.com; tterrell@streamrealty.com; mcwhorter2@ont.com; Topcat1778@wmconnect.com; trissie@swbell.net; vwvurtz@sbcglobal.net; splkwod@airmail.net; weslla@sbcglobal.net; bjmartin@sbcglobal.net; webe@flash.net; HZachry@jenkens.com
Cc: Katherine Clossmann
Subject: Creekwood and Bent Creek Apartments

Dear Lake Highlands Area Improvement Association Members,

I have received over 100 emails and over 20 phone calls from members of your organization regarding the Bent Creek and Creekwood apartments in your neighborhood. I wanted to take this opportunity to address some of your concerns. The informal complaints have primarily focused on the perceived high crime at these apartment complexes and the fact that the properties pay no property taxes but use many public services, such as police and fire protection. Many of the complaints have asked the Corporation to revoke the financing of the properties or to revoke their property tax exemption. Neither as conduit issuer of multifamily bonds or as Asset Oversight Agent does the Corporation have the power to do either of these things.

We did not grant the property tax exemption, but rather the state law at the time afforded the property tax exemption (Property Tax Code 11.182). The Corporation did require, in exchange for acting as a conduit issuer of the multifamily bond financing, that the properties must pay 25 percent of what would have been owed in property taxes to the taxing entities through a payment in lieu of taxes agreement. Further, we have no legal authority to revoke the financing on these transactions because bondholders (unrelated to the Corporation) own bonds secured by these properties.

In our capacity as Asset Oversight Agent, the Corporation does review the condition of the properties per a contractual obligation, and such review does include the security measures taken by the properties. It just so happened that the Corporation already had Asset Oversight visits scheduled for April 17 and 18 for these properties. Our review found that the properties had suffered from criminal activities in the past, but American Housing Foundation had recently stepped up security measures on the properties, including Security patrol guard 24 hours at the entrances to the property to monitor incoming traffic, foot patrol between 8pm and 4am 7 days a week, a zero tolerance policy, removal of carpets, tree trimming, removal of multiple entrances, enhanced lighting, use of parking permits, and crime watch meetings every other week.

The Corporation has decided that given your emails and the criminal activity on the properties in the past, the Corporation will monitor the security measures and their effectiveness over the course of the year in our capacity as Asset Oversight Agent. The Corporation has required that American Housing Foundation draft a formal Crime Prevention Plan for the properties and report to the Corporation on a monthly basis for one year regarding any criminal activity on the properties.

Thank you for relaying your comments and concerns to us regarding these properties.

8/1/2007

Sincerely,

Katherine Closmann
Executive Vice President
Texas State Affordable Housing Corporation

8/1/2007

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

10:30 a.m.
Friday,
October 13, 2006

Suite B-10 Conference Room
1005 Congress Avenue
Austin, Texas

BOARD MEMBERS:

JERRY ROMERO, Chairman
THOMAS LEEPER
JO VAN HOVEL

P R O C E E D I N G S

MR. ROMERO: Let's go ahead and get this Board meeting started for the Texas State Affordable Housing Corporation. Today is October 13, 2006. It is now currently 10:37. Roll call. Jerry Romero present.

Thomas Leeper.

MR. LEEPER: Present.

MR. ROMERO: Jess Coffee.

(No response.)

MR. ROMERO: Charles Rencher.

(No response.)

MR. ROMERO: Jo Van Hovel.

MS. VAN HOVEL: Here.

MR. ROMERO: We have three present. Two are out. We do have a quorum. Thank you all. I understand we're going to have some public comment. Do we have some witness affirmation forms as yet? How many people will be giving public comment?

MR. VANDIVORT: This is Bill Blayds, city councilman. We alerted the media that he was going to be here. The other fellow is Steve Wakefield.

MR. ROMERO: In the interest time what I'd like to go ahead and institute is a five-minute, per-person time rule on the public comment.

Any one of you gentlemen prefer to go first?

Mr. Wakefield, if you can come on up and identify yourself.

MR. WAKEFIELD: I have some materials that I wanted to provide to the Board. There are several sets here. I'll probably skim through what I want to say. My name's Steve Wakefield. I'm the president of the Lake Highlands Area Improvement Association.

That's a group of homeowner associations and crime watch groups in Dallas, Texas, primarily in the Lake Highlands area. In Dallas we represent about 35 of those groups, several thousand homeowners. The reason I'm here today -- and I don't know if you know Dallas, but's northeast Dallas.

It's kind of the LBJ/Central/Northwest Highway area, northeast area of Dallas. It encompasses areas both south and north of LBJ Freeway. The purpose of my comment today is one, to address some comments that a gentleman by the way of Mr. Steve Sterquell, Sr., made here to this Board in May.

I have a copy of those comments that were made on May 12, 2006, at one of these meetings. And also to request that this Board take some action as it relates to a couple apartment complexes. I know you've already done certain things in connection with those complexes.

I'm talking specifically about Bent Creek

Apartments, 9750 Forest Lane, and Creekwood Apartments, 10928 Odelia in Dallas. I brought up a map that shows where these things are located. Where I live, in an area called Woodbridge, is within gunshot distance of Bent Creek.

I drive past it every morning going to work. Creekwood, which is around the corner from where our neighborhood association called Woodbridge is, is about probably within a mile. Both of these complexes have been problematic, very problematic in our area.

I think Mr. Sterquell's comments to this Board tried to make it sound like those problems were de minimis. His comments begin on about page 34 of the May 12 transcript. But essentially what he said about crime is there's a crime problem.

And then he goes on and talks about how his organization has been abused by the Lake Highlands Area Improvement Association, by the Dallas police and the City of Dallas.

As a matter of fact they have a lawsuit against the City of Dallas right now, claiming that the city is responsible for the low occupancy of those apartments, which I would suspect and I would suggest to you -- if you can look at that packet of materials -- it's probably based on the fact that they've had seven murders there in

a period of two years.

When I moved to this area about six years ago -- I'd lived in Lake Highlands for 25 years. I moved within Lake Highlands six years ago, moved nearby to Bent Creek Apartments right down the street. I started hearing things about Bent Creek.

I started hearing things from merchants about people in those apartments shoplifting. I started reading in the paper these accounts that you'll see in the packet, murders, rapes. We have crime statistics out the kazoo, and reports that you would not believe about these two properties.

They represent in my opinion what is the worst part of affordable housing. Mr. Sterquell tried to give you the impression that we, the improvement association, and the City of Dallas oppose affordable housing. As a matter of fact we support affordable housing.

But we support it only if it properly owned and managed. And I would submit to you that the American Housing Foundation has not been acting responsibly in connection with their ownership and management of those properties.

It's been absolutely ridiculous what we had to go through to get these people to do the right thing in these two complexes. You heard Mr. Sterquell in May talk

about the crime plan that they've adopted, and they've submitted.

I've looked at some of these very thick documents that address what they're trying to do about crime in these complexes, which involved primarily having somebody at the front gate of the property checking people coming in, making it one entry, checking everybody that comes in.

Even when they did that they still had a couple of murders after that occurred. But let me submit to you that the only reason that they did that was because of pressure and complaints and begging and screaming on the part of not only our organization but other people in Lake Highlands who were absolutely fed up with the crime and the reports of crime and the disrepute that this brought to our area.

You tell people that you live near Forest/Odelia. They say, Oh, my God. That's the war zone up there. They have led the city in murders at this complex. The City of Dallas police department in December 2004, January 2005 instituted an operation called Operation Kitchen Sink after they had three murders in a period of about six months at Bent Creek.

There went in there with police, with code. The whole purpose was to clean the place up. Within three

or four months after that operation was completed we had three more murders there, three more. And I and many people in my neighborhood patrol that area on what we call VIP, Volunteers in Patrol process.

After Operation Kitchen Sink, after they had the benefit of police, code, fire, everybody being there for a month, I would drive that complex at different times of the day. At two o'clock in the morning, at four o'clock in the afternoon they had people coming in and out of there.

They had no security. They didn't have a manager that was willing to spend the night there, because they were afraid. They had holes in their fences that were there for months. We saw people climbing in and out of their fences at all times.

As I said after that occurred, another three murders. I submit to you again that the only reason they did one dadgum thing with this property was because of the pressure. We wrote letters. We had a meeting with Mr. Sterquell, Sr., in Dallas in December '05.

He attributed the problems to the fact they had so many one-bedroom units in these apartments, that they had a lot of males that were out looking for trouble, and that he was going to convert these apartments into two and three-bedroom units, and he was going to come back to us

within three months in February '06.

In February '06 he was going to come back to us and give us his plan of how he was going to address that.

Well, guess what? We had to call him. We never got any updates from his organization.

And that's one of the reasons we had to be here is because they have made all kinds of representations to us and to the police department about what they were going to do, and they haven't followed through on it. They made all kinds of representations to the police about curfews and things they were going to enforce in these apartments.

They didn't do a dadgum thing. They admitted it when we met with them in March 2006, when we met with them again. We asked them, what did they have to put on the table. And they said, nothing, nothing to put on the table.

And right after that is when they instituted this 24-hour security at the front gate. But again I submit to you if we hadn't been there, and Councilman Blayds hadn't been there, other people in the neighborhood had not been there and been pushing for something to be done, there'd still be people, as we sit here today, getting raped, murdered, shot, assaulted and everything else in this complex, which is exactly what was happening up until the time that they undertook this security

measure.

One other thing I want to point out is that there's an article in the Dallas Morning News that mentions the fact that somebody came to downtown Dallas -- I'll locate the article before I leave -- and they said, Where can I find drugs?

And they said, You need to go out to Bent Creek Apartments up on Forest Lane. They had a region-wide reputation as a haven for criminals. And they said, Don't go to the front gate. That's where they have the security. So go around to the back.

So the guy goes around to the back to buy drugs, and he gets held up in the back. There's a little hole or two in their security plan, because apparently they check people at the front gate, but they don't check people coming in the back gate.

And if you want to talk to some neighbors of theirs, people that have apartments nearby, they'll give you the scoop, too, about the fact that they get break-ins from people climbing over their fences. We want this organization, one, to hold their feet to the fire.

I understand that this security plan expires in December. They for years have created a problem for our area of town -- for years. The fact that they've instituted a plan for a few months I don't think is

enough.

And I would like to request that before they're allowed to make any changes in their security program, before they're allowed to reduce any of their security, that we at least be allowed as an organization to address that and to give you further public comment.

We would also request this Board try to figure out a way, since they're in default of their bonds, they're in default on their pilot payments -- they seem to be in default on this whole bond program -- that there be some way that we can affirmatively address problems with problematic landlords and owners like this.

We have to have some way. I keep hearing, Okay, we can create these bond packages, but there's not a whole lot we can do when they go south.

And I would like to -- if it means coordinating with you, trying to get together with some ideas, we're happy to try to work with you to develop regulations, legislation, some kind of an action plan, because -- the point I want to make is, it should not be necessary for somebody like me or Mr. Blayds or Mr. Vandivort to have to do this.

I've got a job. I'm supposed to be at work today. I had to take off from work. I paid my own way to fly down here. I didn't get on the American Housing

Foundation Company plane and fly down here. They've had all these experts, paying all this money.

They've got \$50 million in the bank in cash, if you look at their financial statements. We shouldn't have to work this hard to get them to do the right thing.

MR. ROMERO: Mr. Wakefield, I have to cut you off here. I've given more than five minutes. I appreciate your comments. Thank you very much for coming.

Is it Bill Blayds? If you could identify yourself for the record.

MR. BLAYDS: Good morning, ladies and gentlemen. My name is Bill Blayds. I'm a city councilman for District 10, City of Dallas, where both of these apartment complexes happen to be located. There were some statements made by Mr. Sterquell regarding crime statistics in his apartment complexes in that area that I'm here to tell you are absolutely incorrect.

Coming straight from the Dallas police department data records in 2005, Bent Creek Apartments, 143 arrests, 130 crimes, 497 call responses by the Dallas police department to Bent Creek. In Creekwood 16 arrests, 175 crimes, 613 responses to Creekwood during 2005, at an average cost of \$75 per two-man police unit.

That adds up, folks. That adds up real quick for somebody who is not paying taxes to the City of Dallas

even. Bent Creek breakout: 31 assaults, 13 burglaries, one murder, four robberies. On the calls: nine drug house. Six of those, drugs were found, 19 gunfire, 12 drug complaints, five narcotics.

I could go on down the line. Payment in lieu of taxes, the pilot program -- March 25, 2002, was the date of your contract -- due December 31 of each year. 2002 were paid; 2003, '04, '05, all past due. 2006 due now, soon to be past due.

Estimated amount of taxes to the city and the school district and the County of Dallas, just over \$2 million. That's 25 percent of the ad valorem tax of what otherwise normally would be imposed on the project.

The point that we're trying to make -- when I took office and was elected; I'm in my second term -- you look at District 10, they're 85,000 people in the district. And I represent every one of them. White, black, brown -- it doesn't make any difference.

There are over 28,000 apartment units in District 10, second largest number of physical units in the City of Dallas, all built primarily prior to 1987, where they were adult only.

The federal law changes where you brought families into adult-only apartments that were not designed for such, you created a mass of humanity that overloaded

the schools, overloaded the services that were available, and made life fairly unbearable for a lot of folks, because it was not designed to handle those folks.

When the changes were made you didn't require them to put in playgrounds. You didn't require them to not put more than three people in a single-bedroom unit or six people in a two-bedroom unit, or so on up the scale, two to three bedrooms.

So you've got eight, ten, 12, 15 people living in a one-bedroom. Those are major problems to a city that's not being paid taxes, because it's this kind of crime because of overcrowding. And it does make a difference on quality of life for everybody concerned.

It's not just the single-family homeowner out there, it's the people that have to live around that mess or in that mess. And Sterquell can sit here all day long and say, We didn't do it. We didn't know what was going on. We're going to make these changes. And then they do nothing.

MR. ROMERO: You have one minute.

MR. BLAYDS: What we are attempting to do here is to come to you as you make your decisions on funding of housing of this type, that you take things into consideration, what's going on around it, changing those rules so that you're not creating that overcrowding, that

you're causing changes to be made within the units that make it livable for families.

What we have now are a tremendous amount of don't-haves trying to live in the middle of an upper middle-income area. What it has done is create -- from a retail standpoint when companies look at redoing old shopping centers or bringing back or building new stuff, it has lowered the income data to a point that they don't come into that area anymore, which means that our shopping centers are dying. If you don't believe it, come look, just physically take a look. They are there, and they are no longer full.

And they have no longer the shops that the majority we're used to. So yes, we are battling. We are battling owners like Sterquell, who don't take care of their property until they are absolutely forced to by the laws of the city being enacted.

They refuse to look at the codes. They refuse to take care of the criminal elements within their projects, which causes dramatic effects on everybody who lives in them and around them. That's why we're here in response to the comments he made in May. I thank you very much for your time.

MR. ROMERO: Thank you, Councilman.

Bill Vandivort.

MR. VANDIVORT: My name's Bill Vandivort. I also live in the Lake Highlands area of Dallas. Three years ago when Bill was elected to the city council in a very, very weak moment he asked if I would be willing to serve as the representative for the entire City of Dallas on the Dallas County appraisal district board.

Like I say, at a very weak moment I said I would do that. I've been the chairman of that board now for two years. So what I'm going to talk to you about is economic impact and what is happening in our part of town. Let me first describe our part of town.

If you're familiar with White Rock Lake, which is a beautiful, inland lake. It's a recreation point, and really a jewel in the City of Dallas park department's operation. Just north of that lake is a major park, Flag Pole Hill.

For many years the Dallas Symphony came to Flag Pole Hill, did outside concerts. We had major 4th of July celebrations. Our part of town is rolling hills and spectacular trees. I live on about a 10,000-square-foot lot. My house is about 2,000 square feet.

In my backyard are 90-foot pecan trees. And in my front yard are about 75, 80-foot oak trees. So we live in a beautiful part of town, and we're proud of it. I've lived there almost 30 years. Bill's probably been there

25 years, and Steve's the newcomer.

But let me tell you what the economic impact is from just these two apartments. And remember that Sterquell owns six in Dallas. There was a time when I moved to Lake Highlands, 25-30 years ago, my daughter went to kindergarten through high school in the Richardson School District, and so did three of his.

There was no such thing as a dollar store in our neighborhood. There wasn't one. Last count that I have is we have nine. And we have a new one that's called Fred's that's a super dollar store on the way. This is part of the shopping center that Bill was talking about.

Up close to Steve's house and directly across the street from Bent Creek at one time was a very prosperous shopping center, with the anchor of that shopping center being an Albertson's grocery store. Today that Albertson's is vacant.

Why? Because there was so much shoplifting and so much crime in their parking lot, that they just shut it down. And today that location is empty. Across the street from Creekwood is another very nice shopping center.

And in that shopping center is a Tom Thumb. And that Tom Thumb for at least the first 15-20 years that we lived in Lake Highlands was the place that every woman

who shopped for her family went to shop. Today practically none of them go there to shop, because they're afraid.

Tom Thumb has responded. They now have guards with bullets driving through the parking lot. But the damage is already done. Let me give you some statistics.

Where Steve lives, he lives as the bird flies no more than 500 yards from Bent Creek.

His residential neighborhood should be selling at least \$130 per square foot and probably higher. And they can't sell homes in Steve's neighborhood for \$95 a square foot. There's been homes in that neighborhood that have sat and sat and sat with for sale signs.

And we're talking about beautiful homes. Steve owns a double lot. I'm not real sure, but I would guess Steve owns close to an acre. Beautiful tennis court, custom-made fort that he built for the kids. Steve doesn't want to sell, but it's a good thing.

He's had neighbors that are across the street from him that puts them contiguous to Bent Creek. Bent Creek is on a creek. So you cross the creek and cross the street, and now you're at Bent Creek. Homes on that side of the street have been on the active Dallas market for over two years, and they won't sell.

You've always heard, price is the answer. You

drop the price low enough, and somebody will buy. They won't. Bill was talking about the taxes. And I'm going to close. We have three of Sterquell's properties in Lake Highlands.

Two of them are the ones that are giving us real trouble. They're six of them total in the City of Dallas. Collectively those six owe the City of Dallas, Dallas County -- and Dallas County represents Parkland Hospital, represents our junior college district, Richardson high school, the Richardson Independent School District and the Dallas Independent School District.

Those are the folks that are spending the money to support hospitals and the cities and the police departments and the fire departments and the court system and educate the kids. And those six complexes owe the jurisdictions in Dallas an estimated \$14 million.

When our police department gets a call and the address is Bent Creek, they do not look to see if the taxes have been paid. They go. That's their job. They go. But yet the first assistant police chief in Dallas -- his name's David Brown -- has become a good friend to us.

When he's looking for somebody, looking for a bad guy, he always looks at Bent Creek. Thank you.

MR. ROMERO: Thank you, sir.

Mark Flint.

MR. FLINT: Thank you. My name is Mark Flint. I'm the vice president of Asset Management with Behringer Harvard Funds in Dallas. I do not live in Lake Highlands. However, one of the properties that I have responsibility for that's owned by our company and our investors is one of the very shopping centers that these gentlemen have been talking about, across the street from the Creekwood Apartments.

And I'm here today to testify how the crime statistics and the behavior of the people that live in the Creekwood Apartments have impacted not only the shopping center, but the tenants in the shopping center and the people who come to shop in that shopping center.

The current occupancy of our shopping center is about 80 percent. We have an extremely difficult problem with our tenancy being able to pay their rent. In fact probably 70 percent of the tenants in our complex are either delinquent in their rent or delinquent in their common area maintenance charges.

The reason that they have those problems is because they don't have the clientele anymore to be able to generate the business to be able to pay their rent and pay their common area charges.

I've got at least three tenants that I could give you the names of that have vacated the property

within the last 12 to 15 months -- one specifically citing that they will no longer occupy a space in the center because of the crime statistics.

But basically everyone over there, this is the number one issue that they face on a day-to-day basis. I've got a major restaurant in that center right now that has contacted us and delivered us a letter stating that they have to have a rent reduction for them to be able to keep the restaurant open.

We are in the midst of trying to work something out with them. The rent reduction that they have asked for will literally impact the investors of our company, will cost them about \$700,000 in the value of that shopping center, that one tenant alone.

Now, ladies and gentlemen, we've owned the shopping center for about two and a half years. And we had no idea that the crime was this bad in the area. In fact two and a half, three years it wasn't quite this bad. It's gotten progressively worse.

What these gentlemen have testified to is absolutely 100 percent correct. And we attribute a lot of the problems in this area to the people that live in that apartment complex. We've got people in our -- tenants that have been vandalized.

We've had tenants that have literally been held

up at gunpoint. A lot of their customers literally at night do not want to come back and visit the center, because it's too dangerous. So I plead with you to follow what these gentlemen have asked you to do. And that is to hold these people accountable, to set laws, regulations, guidelines, whatever it takes.

When you're contemplating putting forth programs for affordable housing, please incorporate these things into your programs, because it's vital to the health of everyone involved, not only the people that own the affordable housing units, but also the people that have to live and work around them, to support them and provide them the services that they need.

They can't live without us. But I'm here to tell you we can darn sure live without them. Thank you.

MR. ROMERO: Thank you very much.

Gentlemen, thank you for coming down. We appreciate your public comment.

Moving on to our reports. We'll start with the Audit Committee report.

Thomas.

MR. LEEPER: The Audit Committee met this morning and heard from Mr. Mikeska who is with our auditing firm. He gave a rundown on the audit process for this year with as proposed schedule. He hopes to have a

draft of the audit report available by November 20 and a final by December 20.

And we should make the appropriate deadlines. I guess that's all I have at this time.

MR. ROMERO: What's the time line as far as completion more or less?

MS. SMITH: The draft by November 20. We have to have one to turn into the comptroller, and then the final audit is due December 20.

MR. ROMERO: Thomas, thank you very much.

Moving on to the president's report. David?

MR. LONG: Thank you, Mr. Chairman, members. I just wanted to kind of go over a couple of things. I'm going to let everybody kind of give their own reports, so I don't duplicate stuff. I will give you a couple of updates on some things that either we have in front of us or some things that I was able to participate in.

Specifically I would like to just let you know that Katherine and I were able to attend a training event for a rural guarantee loan program that was out there. We went to Temple, Texas, and attended the training. It's not really a program that we have insight on in terms of using it.

But it could be something that we would work with in our programs if they so elected to do so. Each

one gets information on it. Also everybody's been attending public hearings. As you know we had the statewide consolidated public hearings that we have our draft annual action plan out for public comment on.

Rather than everybody saying who they went and where they went, as far as I know everybody's been going to these public hearings. The ones that I attended were specifically not very well attended, to be honest with you.

Some of them had nobody show up. The one in Dallas was relatively well attended. And the one in Austin was lightly attended. But again we're completing those over the next couple of weeks. And we may actually be done.

I think that we're completely done. The public comment period will end here shortly. And then we'll be able to bring back to the Board for our November meeting, our annual action plan for your formal approval.

MR. ROMERO: We had an exciting time in El Paso.

MR. LONG: Okay. And I will say this. Any of the Board members that did attend, we appreciate your attendance for those that did attend. I know that Mr. Coffee joined me in Dallas, and I appreciate his attendance there.

A couple of other real quick things. Was able to attend with Paige the economic development summit that's put on by the TACDC group, the Texas Association of CDCs. It was over at the Thompson Center. Again they just kind of overviewed different ideas and issues relating to affordable housing across the state and get feedback on doing that.

The other thing I would mention to you is that I did go ahead and attend a meeting in Washington, D.C., recently. I had Robin Miller join me. We met with Freddie Mac and Fannie Mae, specifically on trying to find ideas and ways that we can enhance and improve the affordable home ownership program we have with Ameriquest.

Staffers from Ameriquest flew up and met me out there and joined us in the meeting. Hopefully we'll be able to improve that program and move it further along. As you know we continue to have limited benefit from the program, because the borrower base that we have is going through one lender that we started off with a pilot and we've not been able to add new lenders.

So we're looking to expand that scope by working with Freddie Mac, who expressed an interest in the program early on. We just need to talk with them a little bit more. Hope we get a report from them, a write-up that they had said they would provide us based on that

meeting and then take that through with Ameriquest and see can come up with some other things.

The last thing I'd mention to you is that on Monday I had an opportunity to meet with the new Intergovernmental Relations Committee, if you recall we had been participating. That's our oversight on the Senate side.

On the House side it's the Urban Affairs Committee. Katherine in communications with the staff and inviting them on some other stuff had talked with the staff who worked with that committee. And we've been invited to speak at their hearing they're having on Charge 8.

And we'll be making a presentation on that. Royce West is the new chairman of that committee. And we're looking forward to the opportunity to give input on what the Corporation is doing for affordable housing across the state.

MR. ROMERO: Anything else, David?

MR. LONG: That'll do it.

MR. ROMERO: Thank you very much. Moving on to the next report. Katherine?

MS. CLOSMANN: Thank you, Mr. Chairman and members. I wanted to first start with date on the American Housing Foundation and American Opportunity for

Housing restructuring. The first distribution cycle was September 1.

There was some money from the distribution on the restructuring. On American Housing Foundation there was a little over \$367,000. And on American Opportunity for Housing there was over \$151,000. On American Opportunity for Housing, that \$151,000 we were paid \$25,000 in overdue assets oversight and compliance fees.

On American Housing Foundation as you know there wasn't actually money in the waterfall from this distribution account to come to the Corporation for fees.

But they did guarantee our fees. So we're supposed to pay one-third of our past-due fees.

So our accounting has given them notice. We have exercised the guarantee and given them notice on that. The \$63,000 of the guarantee on the asset oversight and compliance fees is due October 15. The \$69,000 that was one-third of the past-due fees was due, and we have not received that yet.

But we have been communicating with them and hope to receive both of those soon. So I wanted to give you an update on that. In addition -- and of course I forgot these, but Laura went up to get them. So she will give you a copy of this.

But it's a default notice, notice of nonpayment

of principal and interest from holders of the Series B, C and D bonds. And this is for the NHT GTEX project portfolio. This portfolio has also had significant trouble over many years. So this is not something new. They're continuing to have problems. This is a default notice as I said.

Did you find them?

MS. ROSS: I did.

MS. CLOSMANN: Perfect timing. Thank you.

MR. ROMERO: We've talked about these defaults before in the past. And I know a lot of it was economically driven, you know the economy and so forth. Based on some of the comments that were made earlier, do we need to do something to improve that program if we ever got back into it?

I mean, is there anything that we could do as an organization to strengthen our guidelines or something along those lines?

MS. CLOSMANN: Well, as you know the 501(c)(3) program has been inactive for some time. One of the issues is that it is harder -- because there are not any tax credits on those transactions it is harder to make them financially feasible.

And these deals were pretty tight. And I think that they were underwritten for a good economy and a good

market for the multifamily. And that's not what happened.

Because there was no other equity in the deal it really made it difficult.

I think that's now why we're seeing problems on all of these. These were all 100 percent property tax-exempt at the time. I know you heard comments about that.

Property Tax Code 11.182 made that possible. This wasn't our decision to make these property tax-exempt.

It was the state decision to encourage affordable housing that made these 501(c)(3) deals that were owned by CHDOs, Community Housing Development Organization. That's what made them 100 percent tax-exempt.

Even if we had not financed it -- let's say they got conventional financing -- they still, if they were a CHDO, would have been eligible to have those be 100 percent tax-exempt.

In fact we wanted to see that -- if these were doing well, then we wanted to see the school district, et cetera, share in that as well as provide affordable housing, which is why we instituted the pilot payment process.

Unfortunately they have not been doing well. So the pilot payments have been difficult for these properties to do. In terms of improvements the law has

already been changed on the tax-exemption issue. As a conduit issuer of bonds it's hard to say what we should change.

I know that Emily's group on the asset oversight, we do everything that we can in terms of giving them suggestions, and we're not the owner or the manager.

As the issuer of the bonds, once the bondholder has the bond they're sort of the lender in a sense.

So the bondholder does have powers under the bond documents. That's probably the way that that should stay, because they're the ones that have the financial risk.

Now, in our documents on the private activity bond program I think it would be a good thing for us going forward in the RFP, and when we start looking at this new program, if there are ways to strengthen that program possibly and make sure that there are ways that we know we're going to get safe, decent affordable housing.

And I would encourage us to do that, for sure.

MR. ROMERO: If I could ask Emily a question.

When's the last time you did a site visit on these two complexes?

MS. LAH: We were actually just out there September 25, so just a couple of weeks ago.

MR. ROMERO: And in your opinion based on what

you've seen in the past, is there improvement?

MS. LAH: Yes. There's improvement. Just to clarify a comment that was made about the crime prevention plan expiring in December, it does not expire in December. I just wanted to make sure that was clear. For starters it was to go a full 12 months, which went to expiring until March.

And during this audit we reiterated again that we actually want to continue this through that March deadline. We don't want it to end. We just reiterated that. And I had a phone call with Sterk. We talked about that and discussed that.

He asked if that was going to keep continuing in the future. And I said that it depends on what we see when we go out for the March audit.

MS. CLOSMANN: And Sterk, to clarify, is Steve Sterquell, Jr.

MS. LAH: He goes by Sterk. It's on his card and everything.

MR. ROMERO: So the comment that was made that they'd spoken to Senior, how involved is that person with the projects?

MS. LAH: Our communication is with Sterk, the son. He handles all that. He's the one who's out there at the audit. He actually runs the management company and

takes care of the management contracts.

MR. ROMERO: And again for the record, we're doing everything possible that we're allowed to do under the contract.

MS. LAH: Yes, we are. And if any of you want to see a copy of the recent report, you can. You can see the long list of improvements that they've made to the property and what they've done.

MR. ROMERO: If you can get that out to us, that'd be good.

MS. LAH: I'd also like our general counsel to comment on my question if we're doing everything that we can do.

MR. DUBBELDE: Rob Dubbelde, general counsel to the Corporation. I have addressed the Board with this before. But just to make it clear and especially get it into the record, since we've had all the public comment today, is that there is very limited things that the Board can do.

I mean you are a conduit issuer of these bonds. You're not the party in interest. The party in interest on these deals would be either the credit enhancer or the bondholders. They're the ones that actually have power and can really go in and force things.

The two things that you have is a regulatory

agreement and an asset oversight agreement. Asset oversight agreement, Emily's doing a very good job of pushing that as far as we can. There's only so much that can be done with that.

On the regulatory agreement that's much more about affordability set-asides and things like that than it is actual crime prevention and property upkeep. So really I don't think there's much more that you could do.

If you wanted to get involved we could look at the regulatory agreement and see, because in there what you do have is you have the right of specific performance.

With specific performance you could actually go in and get a court order and declaration to say that they have to follow what the regulatory agreement states.

And I'm going to look at it to see if there's anything in there that would help in this situation. My guess there's not going to really be, because like I said, that's much more about affordability set-asides than it is anything else.

It's for tax purposes that it's there. And as long as they're keeping up with that -- which I think they are, right -- then there's little that we could do beyond that. But like I said we'll give it a shot. I think we should at least explore all the possibilities. But that's

really it.

MR. ROMERO: Well, I just want to be sure the Corporation is being viewed as an organization doing what they can. But by the same token we don't want to take some steps that are going to put us in a liability position that we shouldn't be.

MR. DUBBELDE: The liability position -- there's also market situations, too. If you become a problem issuer, then there will be no chance of the multifamily program. At the same time there's definitely some responsibility that does exist.

So like I said, I'll look at the regulatory agreement. And the asset oversight agreement Emily really is doing a great job of pushing that as far as we can. So I'll look at the regulatory agreement and see if there's anything we can do there.

MR. ROMERO: Rob, thank you.

MS. LAH: There was one other thing I wanted to clarify. One them mentioned that the occupancy, that there were 12 people living in one bedrooms, things like that. And that's not true. We checked that.

We require that they have what's called occupancy requirement guidelines that residents sign off on, where they spell out how many people are allowed to live in the units based on the size of the units. We

verify that when we do our audits, and they are following their guidelines. I just wanted to clarify that also.

MR. ROMERO: I appreciate that.

MS. CLOSMANN: Just to finish up on my report, I did want to let you know that on the pilot program compliance process, as you might recall the Board passed that in August, I believe. And I sent out the letters to all of the borrowers saying, Okay, send me this worksheet with all the compliance, with the pilot payments.

Tell me what you've paid and what you haven't paid, so we can start really keeping track of that for all the properties. I have not received anything to date. After this Board meeting, I'm going to send out another email reminding everyone that that's due by November 1.

I have been receiving lots of letters from taxing entities -- and I did want to make you aware of that -- requesting that the pilot payments be paid. I think there was so much confusion in the past, that they were sending back payments.

Now they are starting to really understand, okay, this is a contractual obligation between the Corporation and the borrower, and they're not doing it. So they're starting to send letters. So I will be communicating them once we figure out in November where we stand on the pilot payments.

Then I will be communicating with those taxing districts as well who've written to let them know what the situation is. And it's difficult, because as I've said of course we wanted -- if these were doing well, even though they were 100 percent legally property tax-exempt, we wanted to share that with the taxing entities and with the citizens in those areas.

Unfortunately they're not doing well. So I'm afraid that come November 1 my message to some of the taxing entities is going to have to be, I'm sorry. There's not any money in the pilot payment account. So I will keep you up to date on that situation.

But that's going to be keeping us busy, I think, here for the next month trying to account for that.

MR. ROMERO: And again for the record we instituted this step ourselves to try to improve the process.

MS. CLOSMANN: Absolutely. We thought of course at the time that they would be doing very well monetarily and that we wanted them to give back to the community as well as provide the affordable housing. The other thing is that we have posted for a manager of multifamily programs.

We're very excited about that. Of course that means that we think this new private activity bond

program -- which you're going to hear more about in the agenda item on the guidelines -- is going to take off, and we're going to need some help with that as well as some other things.

So I did want to let you know about that posting. We're going to be interviewing probably starting as early as next week for that position. In addition I went to the Rural Rental Housing Conference in Corpus Christi.

It was a three-day conference. I got a chance to speak about our private activity bond program in rural pooling and trying to get that going again and talk to many of the top developers in the state for affordable rural housing.

So that was a great conference to go to. I think that's all I have in my report.

MR. ROMERO: All right. Thank you, Katherine.

Moving on to the single family lending report.
Paige.

MS. MCGILLOWAY: We continue to go out and make presentations to interested parties. So I was able to do a presentation -- and Janie also came with me -- to the Austin chapter of the National Association of Mortgage Brokers Women last month.

And that was a very well-received presentation from a group of lenders, brokers, insurance companies here in the Austin area. So I think we got a lot of new interest from entities here in Austin specifically. On the 21st of September we priced our bonds. At last month's meeting RBC gave a presentation of what we were hoping to achieve.

Through pricing those bonds we were able to achieve the rates proposed. Currently the program, the 2006 series, it's going to serve individuals at 80 percent. And at -- below is going out at a 6.25 interest rate on a 30-year fixed mortgage, again providing that 5 percent grant of the loan amount for the down payment and closing costs.

The Corporation was able to put in a little less as a contribution this time of \$93,000. So we were able to get a really good pricing on that day. And we will be closing on that actual transaction Monday and Tuesday of next week in Dallas.

MR. ROMERO: Okay. We're going to fund a portion of it to start with to see how it goes out.

MS. CLOSMANN: Right. Initially we're going out with a little bit, over \$11 million at that 6.25 interest rate. And we're going to see how the rate of that origination, how well that rate does, because given

the fact that we had good pricing, there might be the flexibility of us lowering that rate to paying on the market after this initial \$11 million is originated.

So that's putting the Corporation in a really good spot, given that other issuers are going to be releasing new programs. And so we'll be able to see how well we can market our programs versus theirs. So we do want to be competitive.

And we do want to offer a great rate to our borrowers. Again I'd like to thank Mr. Romero for joining me at the El Paso hearing. It was lively. We had quite a turnout.

MR. ROMERO: It was all done in Spanish.

MS. CLOSMANN: Many Spanish speakers there.

MS. VAN HOVEL: Do you speak Spanish?

MS. CLOSMANN: Un poquito. That's the extent right there.

MR. ROMERO: Luckily the conversation wasn't aimed at Paige. It was for the other group.

MS. CLOSMANN: Last week I attended the Combined Law Enforcement Association of Texas, their annual conference in Corpus Christi. This conference has any type of law enforcement represented there. So we had booth with all of our marketing materials.

So I was able to sing the praises of the

program to any individual that would listen to me. Of course having a big bucket of candy always help to bring people over to your table. And then this morning we actually conducted our lending training regarding our transaction.

We had over 300 lenders signed up to be in that training course. That's a lot for any program. So I think that this new program serving 80 percent and below is going to do extremely, extremely well. And I look forward to next month seeing how that origination takes place.

MR. ROMERO: Is there any way that we can weed out like individuals that would fall into the Homes for Heroes Program?

MS. CLOSMANN: That would fall under the 80 percent category.

MR. ROMERO: Yes. So that we can move them to that program and use up those funds.

MS. CLOSMANN: Yes. We can certainly look at that. Two, we have some pretty good news in that the pipeline for our professional educator program -- at one point we had the waiting list -- I don't know what our largest amount was on the waiting list -- it was in the 50's.

We had over \$5 million in loans waiting to be

originated in the professional educator program. That pipeline is now down to 24 individuals. So we'll have to take a look to see of those individuals who is 80 percent or below, and we can move them into the same program.

So that's going to be a really good bonus and advantage. I think this program is going to be very, very successful.

MR. ROMERO: Back up real quick. There was about 50 in the pipeline; we're down to about 24 -- at some point.

MS. CLOSMANN: At one point I think there was 53 was the max that we got to either 53 or 63 -- I don't know the exact number -- of individuals waiting to receive a loan.

MR. ROMERO: So did we lose the other 20 or so?

MS. CLOSMANN: What happened is is the loans are locked in for a maximum of 60 days or 120 days, depending on if it's a new construction. And after that time those loans are to be canceled if there hasn't been any involvement, because of course we want to serve borrowers.

At their closing next week we want to able to have the funds for them and not have someone stringing out past the 60-day mark or the 120-day mark. So we had to clean up the pipeline in that matter. So given that it

freed up funds.

Those loans that were canceled were loans that were not necessary. People had either gotten into another product or had just moved on and not participated of course in our program. So we were able to fund the bulk of those on the waiting list that were still active and still needed a loan.

You all should have received in the mail last week some time this beautiful invitation for our legislative luncheon.

What this is that given that the new session's going to start, we wanted to take the opportunity to invite all of the key players in our programs, the associations like CLEAT, like the Texas Firefighters Association as well as those legislators or their representatives that had been involved in our programs, come to the table.

We're going to give them a brief update of how all the programs have been doing, trends and whatnot, and then kind of just bounce some idea of how we can continue to make these programs very successful. So that's what this particular luncheon is.

It's not a luncheon for our lenders. It's for those individuals that represent the borrowers that can qualify under these programs. So we hope that that's

successful. We invited over 41 individuals. And at this time we haven't received as many RSVPs that we would like.

But we are continuing to call and get this invitation in front of them, because we would love to have them at the table.

MR. ROMERO: What kind of information packets are you going to give them?

MS. CLOSMANN: We're doing a PowerPoint presentation of all of this. So they'll receive that information. They'll receive all of our marketing materials as well as our contacts here at the Corporation.

We really want to forge or continue to build that open-door policy with these individuals and ourselves, so anything that we can do.

If you have any suggestions along those lines we'd love to put that in the packet. And it is where we're only specifically speaking to our single-family bond programs. So no other Corporation business or even the program that we have with Ameriquest will not be addressed at this luncheon.

And that just moves me right on to the reports.

The programs that are continuing to do well, the report that you have in your book show that we had originated -- we had a little bit over \$9.4 million left in the Homes for Heroes Program.

Since that time frame we've done another \$500,000. So we're down to \$8.9 million as of today, as far as it has not been committed. So they're doing well, nothing out of the ordinary. It's continuing to progress quite well.

And I believe still we'll have this through remainder of this year.

MR. ROMERO: I'm was talking to Mary earlier about this program. The ones that fell out of the program, we know that there's some credit issues in some cases. Is there anything that we can do as an organization to try to kind of direct them into a credit repair program or some kind of financial education program, so that we can try to get them prepared for the next round?

MS. CLOSMANN: That's a really interesting question or comment that you brought up, because we were just speaking with representatives of CitiMortgage, who serve as our master servicer this week. They have the ability to do -- for anyone who hits our website and would like to be referred to a lender, we can track what happens to that borrower potentially.

If they drop out we will know why. At this time we just don't have the data of why a person has moved on, if it is in fact a credit problem or not.

So that is a dialogue that we are going to start and ask from information from City Mortgage on that service that they could potentially offer us, because that would give us some really good insight into either, is it the lender not calling back the borrower and that's why they move on to another product, or is the credit score and so forth.

And we'll a lot more demographic information from that type of service, I believe. We can definitely start those conversations and those discussions.

MR. ROMERO: Okay. Is that it? Any other questions?

(No response.)

MR. ROMERO: Thank you, Paige.

Moving on to the financial report. Melinda.

MS. SMITH: Good morning again. I handed out the budgeted to actual operating activity through August. And you can see that we ended the year in good shape, even though we had trouble with the 501(c)(3), multifamily properties.

We made it up in our asset oversight and investment revenue. So at the end of the year we're in a little bit better shape than we had budgeted. And I put specific explanations on the expenditures. If you have any questions I'd be happy to try and answer them.

MS. VAN HOVEL: I just like the bottom line.

MR. ROMERO: I understand that you and Nick have been looking at the bank fees and really keeping close watch on those.

MS. SMITH: Yes. We're meeting quarterly with our bank representatives to try and come up with any way that we can to reduce those fees. Most recently we cut back on the online viewing of the statements. We had all of our accounts set up, and we didn't them.

That'll save us about \$2,000 annually just in those fees. The other thing we're doing is trying to use ACHs wherever we can instead of wires, because the wires cost us \$10 a wire, whether we're wiring out or whether we're receiving a wire.

The ACHs are a couple of dollars. I think that that will save us a considerable amount of money this coming year. It just is a matter of getting people used to using --

MR. ROMERO: Any other questions?

(No response.)

MR. ROMERO: Anything else?

MS. SMITH: Well, there was one thing that I wanted to bring up. We talked about it extensively during the Audit Committee meeting. And that was to just bring to the Board's attention that the budget-to-actual that

you receive on a monthly basis is on a cash basis, not an accrual basis.

And it does not include the single family program, because we don't have control over that, so we've excluded it from the budgeting process. But what we're seeing at the end of the year is that accounting standards require that we mark the securities to market.

We're experiencing some significant losses when we do that. So I just wanted to make the Board aware of that when you see the final audited financial statements, and you see the single family program added in there, you will see those losses on securities that will be significant this year.

MR. ROMERO: But that's an accounting procedure, not that we've lost \$2 million in our assets.

MS. SMITH: No. It has absolutely nothing to do with cash at all.

MR. LEEPER: As we discussed in the Committee meeting, these aren't things that we can go and sell at a loss. Whenever they mature they're going to be paid at face value.

MS. SMITH: Right. These are not securities that we can go out there and sell on the market. So the valuation is really meaningless to us. And we can already see that the market is turning around now, and we're

starting to see gains in those programs.

Next year I'm expecting that we'll have significant gains on those securities.

MR. ROMERO: It's sort of like a gain-loss item on a portfolio that you take a look at every now and then.

MS. SMITH: Exactly. And the trustee marks the securities to market at the end of the year, and they provide that information to us. And you can see those huge swings. Essentially when we securitized the loans originally, then if you were able to sell it in the market now, what it would sell for.

The other thing that we're having a little bit of a problem with is the grant expense, which is how we recognize on the financial statements the down payment assistance piece. The accounting standards require that we recognize grant expense as the loans are made.

But the bond premium pays for the grant expense. And accounting standards require that we amortize that on the effective interest method over the life of the bonds.

So you're recognizing a whole lot of expense up front in the first few years that you can't match the revenue with it, because we have to amortize that over time, so again in the early years of the bond program makes us like we're having these horrible losses that we

really are not having.

One of the things we talked about entities like TDHCA that have had bond programs for many, many, many years, they level each other out, because they've got really old programs and then they've got really new programs.

So it helps them with marking the securities to market, and it also helps them with recognizing the grant expense and matching that revenue. Kind of evens everything out. We're so new we have 22 bond issues -- or at least that we account for.

I know to you guys it's more like five or six. But we just don't have that many yet to get the evening out.

MR. ROMERO: Okay. Thank you very much.

MS. VAN HOVEL: Thank you for the good job, Melinda.

MS. SMITH: Thank you so much. I appreciate that.

MR. ROMERO: All right. We're done with our reports. Moving into the action items, let's go ahead and stab item 1, the presentation, discussion and possible approval of the minutes of the Board meeting held on September 8, 2006.

Has everybody had an opportunity to review

them? Any corrections or changes?

(No response.)

MR. ROMERO: If there are none, we entertain a motion to approve.

MR. LEEPER: Move to approve the minutes.

MR. ROMERO: We have a motion to approve. Is there a second?

MS. VAN HOVEL: I'll second, Mr. Chairman.

MR. ROMERO: There's a second. Any further discussion?

(No response.)

MR. ROMERO: All in favor say, aye.

(A chorus of ayes.)

MR. ROMERO: Any opposed?

(No response.)

MR. ROMERO: Motion carries. Thank you all very much. Moving on to tab item 2, it's the review and discussion of the proposals received for underwriter services and support of the single family drawdown bond program.

MS. MCGILLOWAY: Thank you, Mr. Chairman. That's exactly what this is. It's for review and discussion of our drawdown RFP. The deadline for submission of our responses was last Friday. It was out for two weeks as we said we would do.

And we were hoping to make a presentation or recommendation at this month's meeting. But given that we got prior proposals of that, we want to ensure that we are giving each proposal its time in evaluating the service that it could potentially provide us for this particular program.

We did receive five proposals. Those being from Morgan Keegan, RBC Capital Markets, Merrill Lynch, George K. Baum and Bank of America. So we were really pleased to get that many responses to this particular RFP.

And we will be coming back to you all in November with a recommendation and hopefully with you all's approval of one of those RFPS.

There is a potential that a select few, if not all of them, will be asked to make presentations to the Board in regard to the services that they can provide for this particular program.

MR. ROMERO: This is the recapture program -- right -- that we talked about?

MR. LONG: Recycling drawdown.

MR. ROMERO: Recycling drawdown. So we got five proposals.

MS. MCGILLOWAY: Yes.

MR. ROMERO: That's great. So you all will do the due diligence on those proposals and then come back to

us with your candidates.

MS. MCGILLOWAY: Correct.

MR. LONG: Make sure -- recall these are also submitted to our financial adviser for their review and comment. We'll work with them directly.

MR. ROMERO: Any questions?

(No response.)

MR. ROMERO: Thank you, Paige.

Moving on to tab item number 3, presentation, discussion and possible approval of publication and comment proposed guidelines and criteria, including the identification of targeted areas of housing need for the 2007 multifamily housing private activity bond program.

Katherine.

MS. CLOSMANN: Thank you, Mr. Chairman and members. As you know -- actually if you'll flip to tab 3, the proposed guidelines are in your Board packet. And I wanted to go through them with you and get any comments that you have now although this is an approval for comment.

MR. ROMERO: Right.

MS. CLOSMANN: So we do have some time still to work on these. As you know we have 10 percent of the multifamily private activity bond cap allocation for the state, still about \$40 million a year. We have done, as

you know, a couple of different ways in terms of trying to find the best multifamily developments that we can do around the state.

We've had some problems in the past making that happen. Making an RFP process for this type of program work is difficult, because the timing on when the developments, when they need to have all the documentation on the developments and the financial feasibility and all of that usually they bring to us.

And we look at it all within a few weeks' period and have to decide yes or no. And I think that's been a difficult process.

So with these news guidelines, as you'll see in the background part, the second paragraph, "The developer or developers chosen through the request for proposal process will have full access to all or a portion of the Corporation's volume cap -- as designated by the Corporation -- with no further competitive process; however each housing development will need to be approved by the Board on an individual basis before receiving a reservation from the Bond Review Board."

So in essence we're using the request for proposal process to find kind of the partner/developer who says, I am going to do the housing that you all have targeted as the most needed in the state.

And you'll see in the program outline, targeted areas of housing need, we have set forth in the guidelines the targeted areas of housing need. And this is something that I'd us to really think about over this month. I'm hoping to get comment on what we've set forth here as the areas of housing need.

What we propose are rehabilitation of multifamily housing; rural housing, new construction or rehabilitation; senior housing, new construction or rehabilitation, and supportive housing, new construction or rehabilitation.

We talk about the ways that we've come to that conclusion. Mostly it's number 4, which is meeting with affordable housing developers in the state and recognized professionals in the industry. All the conferences that we've been to, et cetera, we talk about what are the areas that aren't being served in terms of multifamily housing.

And these are the areas that we believe right now we can really make an impact in, that are underserved.

MR. ROMERO: Katherine. Quick question.

MS. CLOSMANN: Sure.

MR. ROMERO: What definition are you using for rural housing?

MS. CLOSMANN: We need to define that more. In our last RFP for rural housing we had a definition. I

can't remember if it was 20,000 and under population or the USDA term. But we would use that probably from the last RFP that we had on rural.

We'll probably put that in here as the definition of rural. But actually that's something that I probably won't change for this one, but I think maybe I should consider as a comment in terms of --

MR. ROMERO: The final.

MS. CLOSMANN: Yes. The final guidelines, maybe putting that in the guidelines.

MR. ROMERO: Or footnoting that somehow so that people can --

MS. CLOSMANN: Right. Rural definition. And so on page 2, the request for proposals, kind of just outlines that "A request for proposals will be issued to developers who agree to meet one or more of the target housing needs above.

"The evaluation of the proposals will focus on the developer's capabilities and experience, but will also require a sampling of proposed housing developments that the developer expects to complete using the volume cap provided by the Corporation.

"The RFP process will not be a review of a specific housing development. Instead, the proposals will be evaluated according to the following criteria: Meeting

the target housing needs of the state." So for instance if they say, I want to do senior housing in this particular area of the state, as long as it meets one of those targets, that would be on the evaluation.

"The qualifications and experience of the developer in constructing and/or rehabilitating affordable multifamily housing facilities; the proposed construction standards and amenities; the cost per unit for construction of the proposed housing development; the proposed rents for the residents; the proposed low-income set-aside requirements, and the proposed resident services" would all be evaluated in that RFP process.

But the first RFP process will not include an evaluation of the financial feasibility or evidence of local support, although they must certify in their proposal that any development that they bring to the Board to get volume cap for will have local support and will be financially feasible.

And then at a later stage -- so after we've done the RFP process and chosen the developers -- and it might even be that, depending on what they want from the Corporation in terms of what kind of allocation they're going to need for their two senior projects -- I mean if someone else wants a rehab project done, the Board could preliminarily allocate \$20 million to one developer and

\$20 million to another developer to complete their projects.

And once they have the developments completely nailed down, as it were -- they know exactly what they want to do. They have the local support in place. They have their financing structure in place, and it's determined to be financially feasible, then they would come to the Board and say, we would like to get an inducement resolution, and we are ready for the Board to ask for allocation from the Bond Review Board and to get our reservation for allocation at that time.

And at that time they would submit to the Corporation -- 20 days before the Board meeting where they want that to happen they'd submit a package to us with the reservation detail, so that would outline everything about that development that we would need to see before the Board could ask for the reservation from the Bond Review Board.

I think that is the basics of how the program would work. If you'll look on page 3 there is a program time lines, October 2006. Hopefully you all will approve the publication of these guidelines for comment.

In November 2006 I would ask the Board to adopt the guidelines, including the designation of the targeted areas of housing need, and approving the criteria for

scoring and ranking the proposals, and approving the issuance of the RFP.

So in November I will also have a more thorough -- I listed 1 through 7 on the evaluation of the proposals. But we will be getting more into the criteria and the points and that sort of thing to be approved in November as well.

And then November if you all approve those things the Corporation would issue the RFP to the developers. We're anticipating that in January or February those proposals would be evaluated and scored, ranked by the Corporation staff.

The highest-scoring developers would come before the Board, and we would make those preliminary allocations at that time.

MR. ROMERO: What's the time line for getting back any comments?

MS. CLOSMANN: On this?

MR. ROMERO: Yes.

MS. CLOSMANN: Well, really any time before the next Board meeting. That's the goal is they'd be published, they'll be on our website. Anytime before the next Board meeting. Interestingly on the consolidated hearing process, the hearings that I went to plus the Rural Rental Housing Conference, I talked to a number of

developers about this program.

And I'm going to send the guidelines once they're approved today to all of those developers that expressed interest and that we would like them to consider applying to the program, so that they can give me any comment.

So I'm going to do that specifically. And hopefully we'll get comments from those developers that I've talked to. But certainly any time during the month anyone can comment before the next Board meeting.

MR. ROMERO: This is a very significant shift from where we were originally with this program. Katherine has kept the Bond Review Board in step with us the whole way so that we can be ensured that they're okay with what we're trying to do.

The last thing we need is to be told, No, you're doing the wrong thing. But I think everybody's aware. We haven't heard anything contrary. Right?

MS. CLOSMANN: I'm actually meeting with the Bond Review Board next week. I'm glad you brought that up. They're very interested in what we're doing. I'm going to be talking to them, kind of going over exactly what I did today here with you.

I'll be talking to them next week about the Bond Review Board's staff. The statute -- I really also

wanted to thank our professionals, who were fantastic in terms of helping me develop these new guidelines. I got lots of comments.

We tried to make it as clear as possible, kind of what we're trying to do. We want to speak to the developers in the sense of not make it bureaucratic, kind of simplify the process and make it clear what we're trying to do.

And my professionals helped a lot, both Bob Dransfield with Fulbright & Jaworski, Rob Dubbelde with Greenberg, and also Robin Miller with First Southwest. All did a great job helping me out with this. So I'm looking forward to talking to the Bond Review Board about it next week and moving forward with the program.

MR. ROMERO: Any other questions?

(No response.)

MR. ROMERO: If there are no questions, how about I make a motion to approve the guidelines for the Texas State Affordable Housing Corporation's 2007 multifamily housing private activity bond program.

MR. ROMERO: Is there a second?

MR. LEEPER: I'll second.

MR. ROMERO: There's a second. Any further discussion?

(No response.)

MR. ROMERO: All in favor say, aye.

(A chorus of ayes.)

MR. ROMERO: Any opposed?

(No response.)

MR. ROMERO: Motion carries. Thank you very much. I don't believe we have any discussion closed section. So with that I'll entertain a motion to adjourn the meeting.

MR. LONG: Can we confirm the meeting for November, please?

MR. ROMERO: November 10.

MS. VAN HOVEL: Thanks for all your work, Katherine. We appreciate that.

MR. ROMERO: November 10. Is that correct?

MR. LONG: Okay.

MS. CLOSMANN: That sounds right. I think so.

MR. LONG: 10:30. And also we have an Audit Committee meeting that same day.

Mr. Leeper, if you could attend at 9:30 again, we'll keep it on the same schedule that we've had before.

MR. LEEPER: Sure.

MR. LONG: And I'll let Mr. Rencher know that we would be having a 9:30 Audit Committee meeting.

MR. ROMERO: Did we already close?

MS. VAN HOVEL: Mr. Chairman, I will make a motion that we close our meeting.

MR. LEEPER: Second.

MR. ROMERO: Motion and second. All in favor.

Thank you.

(Whereupon, at 12:04 p.m., the meeting was adjourned.)

C E R T I F I C A T E

MEETING OF: TSAHC Board Meeting

LOCATION: Austin, Texas

DATE: October 13, 2006

I do hereby certify that the foregoing pages, numbers 1 through 63, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Carol Oppenheimer before the Texas State Affordable Housing Corporation.

(Transcriber) 10/17/06
(Date)

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Austin, Texas 78731

COMPLAINT PROCEDURE AND PROCESS

The Texas State Affordable Housing Corporation is committed to providing high quality services to the people of the State of Texas and to ensuring that all of its customers are treated fairly, courteously and with respect. As such, the Corporation has adopted a policy and procedure to ensure that complaints from customers are addressed and responded to in a prompt, efficient and fair manner.

Nature of Complaints

Customers of the Corporation have the right to lodge complaints regarding various matters. Examples include the following:

- Ø Complaints in reference to a particular action or behavior of a staff member.
- Ø Complaints in reference to a particular action or behavior of a Board member.
- Ø Complaints with reference to the quality of programs and/or services supplied by the Corporation or its employees.
- Ø Complaints or grievances in reference to decisions made by the various program divisions, committees, directors and/or employees of the Corporation.

If the complainant has instituted litigation against the Corporation, no action will be taken by the Corporation while the matter is under judicial consideration.

Complaints Procedures

The President acts as the coordinator/monitor and, in certain circumstances, acts as the investigator over customer complaints.

It is the President's responsibility to ensure that complaints are addressed and reviewed in a prompt, efficient and fair manner. When necessary, the President will take the necessary steps to ensure that solutions are sought and remedies are implemented to rectify a situation and ensure non-recurrence.

Complaints are considered when made in writing and the complainant is clearly identified. If the complainant prefers, complaints can be given verbally. In such instances, the complainant will be asked to sign a statement that summarizes their complaint.

When the Corporation receives a complaint it should be stamped with the date of receipt and forwarded immediately to the President.

Filing a Complaint

A complaint may be submitted by mail, fax or e-mail at:

Texas State Affordable Housing Corporation
1005 Congress Avenue, Suite 500
P.O. Box 12637
Austin, Texas 78711-2637
Attention: President

Fax (512) 477-3557
E-mail: complaints@tsahc.org

A written complaint or a signed summary should include the following information:

- Ø State the complaint in the clearest possible terms, and outline the desired remedy.
- Ø Provide a clear description of the evidence upon which the complaint is based.
- Ø If the complainant has made previous attempts to resolve the issue the complainant should describe what has been done in this regard.
- Ø Attest that the information contained in the complaint is true to the best of the complainant's knowledge and is not under litigation.
- Ø Acknowledge awareness that the President or delegate may send copies of the complaint to relevant parties through the course of an investigation.
- Ø The complainant must be clearly identified, provide contact information, and sign the complaint (unless e-mailed.) If the complaint is received by e-mail, the complainant will be requested to provide a signed copy.

Upon receipt of a complaint in accordance with the standards outlined above, the President will confirm receipt within five (5) business days and provide the complainant with a copy of the present policy.

The President maintains responsibility to ensure that the complaint is addressed in accordance with the present policy.

All complaints will be reviewed in a confidential manner.

Upon the conclusion of an investigation, the President will disclose the results of the investigation to the complainant and the party subject of the complaint, with the exception of any information whose disclosure is prohibited by law.

The Chairman of the Board of Directors will coordinate the review if the subject of the complaint includes the President of the Corporation.

Reviewing the Complaint

Depending on the nature of the complaint, the President may retain the review directly or refer the complaint to the appropriate department head for review and investigation. The President is responsible to monitor the process. The person assigned to investigate will also provide notice of the complaint and a copy of the present policy to the person or department that is the subject of the complaint, unless such notice would jeopardize the investigation.

The Corporation's General Counsel will be notified of the complaint and kept abreast of the process. If necessary, the General Counsel may be requested to participate in the review.

The persons assigned to investigate will conduct the investigation with ten (10) business days from receipt of the complaint. The person assigned to investigate will prepare a summary of findings, recommendations and a final course of action (hereinafter the "investigation package"), to be submitted to the President. The person subject of the complaint will have an opportunity to respond to the allegations before the conclusion of the investigation.

Within fifteen (15) business days of receipt of the investigation package, the President will respond to the complainant. The President will advise the complainant of the next possible course of action in the event the complainant is not satisfied with the outcome of the complaint. The person subject of the complaint will also be notified of the outcome and any remedies that may be applied. Any disciplinary action will conform to the Corporation's Personnel Policies. A copy of the investigation package will be kept in the personnel or department file of the person subject of the complaint.

In the event the process outlined above cannot be completed within the assigned timeline, the complainant will be notified of such, with an explanation for the delay and a commitment to a new deadline of no longer than ten (10) business days after the expiration of the assigned timeline.

Should the complaint not be addressed by the President to the satisfaction of the complainant, the last course of action is to submit the complaint to the Board of the Corporation within ten (10) business days of receipt of the decision of the President. The Board will review the investigation and the President's decision and will notify the complainant of the decision within fifteen (15) business days. The Board may overturn the decision of the President.

The decision of the Board shall be final and without appeal.

Operation change will be addressed in the case of recurrent complaints from unrelated sources.

Recordkeeping & Guidelines

The Corporation shall maintain a file on each written complaint filed. The file must include:

- Ø The name of the person who filed the complaint.
- Ø The date the complaint was received by the Corporation.
- Ø The subject matter of the complaint.
- Ø The name of each person contacted in relation to the complaint.
- Ø A summary of the results of the review or investigation of the complaint by the party who investigated it.

If the Corporation finds the complaint to be not within the scope of Corporation policies and jurisdiction, the complainant will be so notified. Individual complaints, whether acted upon or not by the Corporation will be retained in Corporation files.

Upon the conclusion of the investigation, the person subject of the complaint will be provided with an opportunity to respond. A written response will be included in the complaint file. The complainant and the person subject of the complaint involved will be notified of the decision. Disciplinary actions taken will conform to the Corporation's Personnel Policies.

The Corporation will keep a record of complaints against employees. If a complaint is found to be valid, the investigation package will be kept in the personnel file of the person subject of the complaint. At the time of an employee's annual evaluation, a summary of all complaints lodged during that year will be provided to the employee's supervisor for consideration.

Once a complaint has been reviewed and a conclusion made, remedies to rectify the situation will be sought and implemented within the Corporation.

Texas State Affordable Housing Corporation
Sunset Self-Evaluation
List of Attachments

- Attachment 1: Copy of the Corporation's Enabling Legislation (Government Code 2306.551-569)
- Attachment 2: Copy of 2004 Annual Report
Copy of 2005 Annual Report
Copy of 2006 Annual Report
- Attachment 3: Copy of Asset Oversight and Compliance Quarterly Newsletters (January 2005 – April 2006)
- Attachment 4: Copy of the Corporation's 2005-2007 Business Plan
Copy of Firefighters, Law Enforcement or Security Officers, and
Emergency Medical Services Personnel Home Loan Program
Brochure
Copy of Professional Educators Home Loan Program Brochure
- Attachment 5: Copy of the 2007 Annual Action Plan
- Attachment 6: N/A
- Attachment 7: Copy of Study of Governance & Organizational Structure conducted on behalf of North Dakota Housing Finance Agency
- Attachment 8: Biographical Information on the Corporation's Board of Directors
- Attachment 9: Copy of the Employee Handbook
Copy of the Corporation's Ethics Policy
Copy of the Conflict of Interest Policy for both staff and the Board of
Directors
- Attachment 10: N/A
- Attachment 11: Copies of FY 2004 – 2006 Annual Financial Reports
- Attachment 12: Copies of the FY 2005 – 2007 Operating Budgets
- Attachment 13: Office Location and Regional Boundary information
- Attachment 14: N/A
- Attachment 15: N/A

Attachment 16: N/A

Attachment 17: N/A

Attachment 18: Copy of comments and response to State Auditor's Report

Attachment 19: Copies of customer surveys with regard to the Single Family Bond Programs