

**TEXAS STATE AFFORDABLE
HOUSING CORPORATION**

**SINGLE FAMILY MORTGAGE REVENUE BONDS
SERIES 2007D**

INVITATION TO LENDERS TO PARTICIPATE

5.00% HOMEBUYER ASSISTANCE PROGRAM

PLEASE RETURN NO LATER THAN OCTOBER 9, 2007

TEXAS STATE AFFORDABLE HOUSING CORPORATION
SINGLE FAMILY MORTGAGE REVENUE BONDS
SERIES 2007D

INVITATION TO LENDERS TO PARTICIPATE

The Texas State Affordable Housing Corporation (the "Corporation") invites you to apply for participation in a new program (the "Program") for single family residential housing to be financed with the proceeds of the Corporation's Single Family Mortgage Revenue Bonds (Home Sweet Texas Loan Program), Series 2007D (the "Bonds"). The Program offers state-wide mortgage loans for eligible persons, as defined by Exhibit B.

The proceeds will be used to acquire mortgage-backed securities guaranteed by GNMA, Freddie Mac or Fannie Mae, backed by pools of single family mortgage loans (the "Mortgage Loans") made to finance newly constructed or existing residences to eligible mortgagors under the Program. The Program Area includes the entire State of Texas.

The Program will be funded by moneys made available from the issuance of Bonds in the total maximum principal amount of approximately \$23,515,000, which are to be issued and secured under a Trust Indenture between the Corporation and the Trustee.

THIS PROGRAM WILL BE SUBJECT TO THE TERMS SET FORTH IN THE ORIGINATION, SALE AND SERVICING AGREEMENT (THE "AGREEMENT"), THE NOTICE OF AVAILABILITY OF FUNDS, AND THE OFFERS TO ORIGINATE AND ASSIGN SERVICING (THE "OFFERS"), WHICH INCORPORATE THE TERMS OF THE AGREEMENT BY REFERENCE.

Pursuant to the Offer and the Agreement, as supplemented by the Notice of Availability of Funds, Mortgage Loans will be originated by lending institutions participating in the Program ("Originating Lender"). Each Originating Lender will agree to originate Mortgage Loans there under and sell and assign all Mortgage Loans it originates and the servicing in connection therewith to Countrywide Homes Loans, Inc. ("Countrywide") as the Master Servicer. The Master Servicer will agree to accept assignments of Mortgage Loans and the servicing in connection therewith from Originating Lenders.

Qualifying Mortgage Loans will be loans that are made to persons and families residing within the Program Area whose annual family income does not exceed the applicable Income Limit (as defined in the Agreement). Mortgagor eligibility is limited to a person, at the time such person files an application for a Mortgage Loan, whose Family Income does not exceed the applicable Maximum Family Income amount, which amount shall not be greater than 80% of Applicable Median Family Income without adjustment for family size as defined in the Agreement and Exhibit B attached hereto. The Agreement also provide that the residence acquired must be the principal residence of the Mortgagor, and, each Mortgagor must not have held a present ownership interest in a principal residence at any time during the last three years except for Qualified Veterans (a new exception for 2007) and in the case of residences located in certain federally targeted areas or in the Rita GO Zone (see Exhibits D and E). In addition, qualifying Mortgage Loans are subject to certain purchase price limitations, insurance requirements and other conditions of the Corporations, the Federal Housing Administration, the Department of Veterans Affairs, USDA-RHS, GNMA, Freddie Mac and Fannie Mae, as applicable and as more completely described in the Offer, the Agreement and the Notice of Availability of Funds (such documents, together with this Invitation to Participate, collectively called the "Program Documents"). The Agreement, as supplemented by the Notice of Availability of Funds, will be the principal document setting forth the rights and obligations of the Lenders and the Master Servicer under the Program.

Each lending institution must be approved by the Master Servicer to participate in the Program. Following submission of the Offers by lending institutions that wish to participate in the Program, such approval will be based on the Master Servicer's review of the qualifications and experience of each lending institution and its ability to originate Mortgage Loans in accordance with the terms and conditions set forth in the Program Documents.

Procedure:

Each lending institution is required to submit to the Financial Advisor:

- 1) **\$500.00 marketing fee. Checks should be made payable to the Texas State Affordable Housing Corporation; and**
- 2) **Lender Reservation Estimate Letter (Exhibit C).**

Offers, along with the required marketing fee check, shall be delivered on or before October 9, 2007 by mail and questions directed to:

First Southwest Company
Attn: Sharon Gonzalez
325 N. St. Paul Street
Suite 800
Dallas, Texas 75201
Phone: (214) 953-4122
Fax: (214) 953-8799
Email: sgonzalez@firstsw.com

Lenders should note that Corporation, in its sole discretion, shall determine continued eligibility for lenders initially qualified to participate in the program. Corporation fully expects to drop individual lenders from the program eligibility if, in Corporation's opinion, the individual lender is not originating loans, "switching" eligible borrowers from Corporation's programs, or for other factors related to lender performance.

EXHIBIT A
PROPOSED PROGRAM SUMMARY

TEXAS STATE AFFORDABLE HOUSING CORPORATION
SINGLE FAMILY MORTGAGE REVENUE BONDS
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- Program Area:*** The State of Texas
- Program Size:*** \$23,515,000 (Approximate Maximum Principal Amount)
- Origination Period:*** The Origination Period will be approximately 14 months in duration from the bond issuance date. During this time, participating lenders will register and deliver closed loans to the Master Servicer. If a Lender closes a loan before the bonds are issued, and the bonds are not in fact issued, then neither the Corporation or the Master Servicer (or any other person) will have the obligation to purchase such Mortgage Loan.
- Interest Rate:*** TBD. Actual interest rate will be determined based on market conditions on the date of pricing. This will allow the mortgage interest rate to closely match the current market.
- Mortgage Term:*** 30 Year – Fixed Rate
- Underwriting:*** All loans must meet FHA, VA, USDA-RHS, Freddie Mac or Fannie Mae underwriting guidelines respectively, as well as GNMA guidelines for inclusion into eligible GNMA mortgage pools, Freddie Mac guidelines for inclusion into eligible Freddie Mac mortgage pools and Fannie Mae guidelines for inclusion into eligible Fannie Mae mortgage pools.
- Master Servicer:*** Countrywide Home Loans, Inc.
- Homebuyer Assistance:*** **5.00%**
- Origination Fee:*** 1.00%
- Discount Fee:*** 1.00%
- Targeted Area:*** Means that part of the Eligible Loan Area that has been or may be designated from time to time as a qualified census tract or an area of chronic economic distress in accordance with section 143(j) of the Code (shown in Exhibit D), or is located in the ***Rita GO Zone*** (shown in Exhibit E).
- First-Time Buyer Requirement:*** Mortgage loans must be made available to first-time homebuyers (defined as no ownership in the previous 3 years). ***No first-time homebuyer requirement for targeted area loans, including designated counties in the Rita GO Zone and Qualified Veterans (see below).***

Hurricane Rita

Disaster Area: An area with respect to which a major disaster has been declared by the President of the United States before October 6, 2005, under Section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricane Rita.

Qualified Veteran: *New for 2007.* A “qualified veteran” is a person who is a “veteran” (as defined in 38 U.S.C. Section 101) who has not previously obtained a loan financed by a single family mortgage revenue bonds utilizing the veteran’s exception to the 3-year requirement set forth in Section 143(d)(2)(D) of the Code.

Recapture Tax: Borrowers may be subject to recapture tax if the home is sold within 9 years of the mortgage loan closing.

Purchase Price Limits: (State-wide)	See Attached Exhibit F
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Income Limits: (State-wide)	See Attached Exhibit G
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Lender Profit: 2.00% plus reasonable and customary closing cost fees (see below table)

	<u>All Loan Types</u>
<i>Participation Fee paid by Lender</i>	0.00%
<i>Origination & Discount Fee paid by Borrower or Seller</i>	+2.00%
<i>Home Buyer Points paid by Lender</i>	<u>-5.00%</u>
<i>Sub-Total (Paid out by Lender)</i>	-3.00%
<i>Loan Purchase Price from Master Servicer to Lender</i>	105.00%
<i>Net Paid to Lender:</i>	2.00%

Funding Limitations: The program is first-come, first-serve and each Lender can originate loans as long as allocation remains uncommitted.

Lender Eligibility Criteria:

Each applicant must:

1. Have an audited net worth of at least \$400,000;
2. If not a financial institution, must have a warehouse line of no less than \$1,000,000;
3. If not a financial institution, must produce audited financial statements;
4. Proof of appropriate state licensing;
5. Mortgage banking operations/personnel (underwriting and funding) - either in-house or contract out;
6. Enclosures cannot contain any material adverse information with respect to the Lender (as determined in the sole discretion of the Corporation); and
7. Must maintain a current Errors and Omissions and/or Fidelity Bond coverage of no less than \$300,000 (maximum deductible of \$50,000).

Applicants must satisfy at least one of the following:

1. Be a FHA-approved mortgagee in good standing (to originate FHA-insured Mortgage Loans); or
2. Be approved by Fannie Mae as applicable (to originate Conventional Mortgage Loans).
3. Be a VA-approved mortgagee in good standing (to originate VA-guaranteed Mortgage Loans);
4. Be a USDA-RHS-approved mortgagee in good standing (to originate USDA-RHS-guaranteed Mortgage Loans); or
5. Be a Freddie Mac approved mortgagee in good standing (to originate Freddie Mac guaranteed Mortgage Loans).

EXHIBIT B
DEFINITIONS OF ELIGIBLE BORROWER

SINGLE FAMILY MORTGAGE REVENUE BONDS
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An eligible borrower under the Program is someone:

(a) whose Family Income does not exceed the applicable Maximum Family Income amount, which amount shall not be greater than 80% of Applicable Median Family Income (which is the greater of area median or state-wide median income) without adjustment for family size as stated in the Agreement;

(b) who intends to occupy the Residence to be financed with a Mortgage Loan as his or her Principal Residence within a reasonable period (not to exceed 60 days) following the Closing of such Mortgage Loan;

(c) who (except in the case of an Eligible Borrower who is obtaining a Targeted Area Mortgage Loan) has not had a Present Ownership Interest in a Principal Residence (except for the Residence being financed with the Mortgage Loan) at any time during the three-year period ending on the Closing Date;

(d) who has not had an existing mortgage (including a deed of trust, conditional sales contract, pledge, agreement to hold title in escrow, or any other form of owner-financing), whether or not paid off, on the Residence to be financed with such Mortgage Loan at any time prior to the execution of the Mortgage, other than an existing mortgage securing a construction period loan, construction bridge loan, or similar temporary initial construction financing initially incurred within 24 months of the Closing Date, having an original term not exceeding 24 months, and not providing for scheduled payments of principal during such term; and

(e) who has not previously obtained a Commitment for a Mortgage Loan under the Program.

In addition, they must:

Reside in the State on the loan application date.

Additional information on eligible borrowers is available from TSAHC's website at www.tsahc.org.

EXHIBIT C
LENDER RESERVATION ESTIMATE LETTER
TEXAS STATE AFFORDABLE HOUSING CORPORATION
SINGLE FAMILY MORTGAGE REVENUE BONDS
SERIES 2007D

PLEASE RETURN TO:

First Southwest Company
Attn: Sharon Gonzalez
325 N. St. Paul Street
Suite 800
Dallas, Texas 75201

Name of Institution: _____

Address: _____

Contact Person: _____ E-Mail Address: _____

Telephone Number: _____ Fax Number: _____

TSAHC plans to issue Bonds for this program only to the extent demand exists from participating lenders. This program will be conducted on a first-come, first-served basis and there will not be allocations held for individual lenders. TSAHC is requesting, however, that participating lenders indicate their total expected loan demand in 2007 for this program. This information will be relied upon by TSAHC in meeting tax requirements for the Bonds and by bond counsel. This must be completed by each lender in order to be eligible to participate:

Anticipated Demand: \$ _____

Anticipated percentage of lending for Existing Homes versus New Construction: Existing Homes _____%
New Construction _____%

Subject to the terms and conditions stated herein, the above institution (the "Lender") hereby offers to originate, on behalf of the Texas State Affordable Housing Corporation (the "Corporation"), single-family mortgage loans (the "Mortgage Loans"), as defined in the Origination Sale and Servicing Agreement dated as of October 1, 2007 (the "Agreement"), and the Invitation to Participate (the "Invitation"), in accordance with the terms and conditions of the Invitation, the provisions of which are incorporated herein by reference and, upon acceptance hereof, are hereby agreed to by the Lender as evidenced by the execution of the Agreement by the Lender.

If the Lender's Offer to Participate (the "Offer") in the Program made hereby is accepted, the Lender agrees to enter into the Agreement, in the form provided to the Lender by the Corporation. The Lender acknowledges that changes may be made to the Program and to the form of the Agreement previously delivered to it, and consents to any such change so long as it does not materially increase the obligations of the Lender or materially reduce the benefits to be derived by the Lender under the Program.

The Lender understands that the interest rates and payment assistance terms of the Mortgage Loans will not be established by the Corporation until the time or times of the pricing of the applicable Program.

Signature

Name of Lender

Typed Name and Title

Date

**EXHIBIT D
TARGETED AREA DEFINITION AND
QUALIFIED CENSUS TRACTS**

**TEXAS STATE AFFORDABLE HOUSING CORPORATION
SINGLE FAMILY MORTGAGE REVENUE BONDS
SERIES 2007D**

“Targeted Area” means that part of the Eligible Loan Area that has been or may be designated from time to time as a qualified census tract or an area of chronic economic distress in accordance with section 143(j)(3) of the Code or as a qualified census tract in accordance with section 143(i)(2) of the Code.

Bee County	950500			
Bell County	020702 022900	020900 023500	022600	022801
Bexar County	110200 110800 130300 141000 160900 170300 171200	110500 110900 130500 150300 170101 170401 181003	110600 111000 130600 150800 170102 170900 191004	110700 130100 130700 160100 170200 171000
Bowie County	010500	010600		
Brazos County	001400			
Brewster County	950400			
Brooks County	950200			
Brown County	950600	950700		
Cameron County	010500 011600 012303 012609 013207 013307 013402 013901 014002	010900 011700 012304 012610 013208 013308 013700 013902	011000 011903 012507 012700 013305 013309 013801 013903	011100 012200 012604 013203 013306 013401 013802 014001
Cherokee County	950400	950500	950700	
Dallas County	000405 002702 003800 004100 008603 008900 010400 019013	001503 002900 003901 004800 008604 009304 011401 019209	002000 003400 003902 007201 008703 009804 011500	002701 003500 004000 007202 008704 010200 012208
Dimmit County	950100			
Ector County	950700 001800	001100 001900	001200 002000	001500

Qualified Census Tracts (Cont'd)

El Paso County	000301	000302	000404	000800	
	000900	001203	001400	001600	
	001700	001800	001900	002000	
	002100	002201	002202	002600	
	002800	002900	003000	003200	
	003602	003701	003702	003901	
	003903	004105	010102	010208	
	010309	010319	010403	010404	
	010501	010502	010503	010504	
	Falls County	990400			
Frio County	950300				
Galveston County	724000	724600			
Gray County	950600	950800			
Gregg County	001400				
Grimes County	180104				
Hale County	950200				
Harris County	210400	210800	210900	211000	
	211100	211200	211300	211400	
	211700	220500	220800	220900	
	222600	222700	230300	230400	
	230700	230900	231000	233600	
	240500	310200	310500	310900	
	311600	312200	312300	312400	
	312800	313500	313600	321500	
	322000	331200	331400	332100	
	420100	420500	421200	421400	
	421500	421600	422200	423100	
	433100	433500	453100	533300	
	Hidalgo County	020100	024600	020501	020503
020600		020723	021100	021301	
021302		021303	021500	021600	
021801		021802	021901	021902	
022002		022101	022102	022202	
022501		022502	022600	022702	
022800		023000	023101	023102	
023503		023506	023508	023700	
024101		024102	024103	024104	
024105		024201	024202	024301	
024302		024401	024402	024500	
Hill County		960900	961000		
Hockley County		950400			
Howard County	950300				
Hudspeth County	950100				
Jefferson County	000600	000700	000900	005300	
	005900	006100	006300		
Jim Wells County	950500				

Qualified Census Tracts (Cont'd)

Kleberg County	020200			
Lamar County	000600			
Lamb County	950500			
La Salle County	950100	950200		
Limestone County	970400			
Lubbock County	000202 000605 002400	000301 000607	000500 001000	000603 001200
McLennan County	000400 001400	000598 001500	001100 001900	001200 003300
Maverick County	950100 950500	950201 950601	950202 950602	950203
Midland County	000900	001400	001600	001700
Montgomery County	693400			
Nacogdoches County	950700	950900		
Nolan County	950300			
Nueces County	000400 001100 001601	000500 001200 005602	000900 001300	001000 001500
Potter County	010600 013000	012000 014600	012200 014800	012800
Presidio County	950200			
Reeves County	950100	950200	950300	950500
Smith County	000202	000300	000400	000700
Starr County	950102 950400 950702	950103 950500	950201 950600	950202 950701
Tarrant County	100300 101700 103601 104000	101000 102500 103701 104604	101100 103100 103800 106516	101600 103500 103900 122200
Taylor County	010700	010800	011700	011900
Terry County	950300			
Titus County	950600	950700		
Tom Green County	000500	000700	000900	
Travis County	000604 002311	000802 002316	000804	001000

Qualified Census Tracts (Cont'd)

Val Verde County	950601	950602		
Walker County	790600			
Webb County	000103	000104	000300	000400
	000500	000600	000700	000902
	001002	001200	001300	001801
	001804	001805		
Wharton County	740300			
Wichita County	010100	010400	011100	011300
Willacy County	950300	950700		
Zapata County	950200			
Zavala County	950100	950200	950301	950302

Source: 2003 IRB LEXIS 335, *6; 2003-29 I.R.B. 89; REV. PROC. 2003-49

**EXHIBIT E
RITA GO ZONE**

**TEXAS STATE AFFORDABLE HOUSING CORPORATION
SINGLE FAMILY MORTGAGE REVENUE BONDS
SERIES 2007D**

“*Rita GO Zone*” means that portion of the Hurricane Rita Disaster Area determined by the President of the United States to warrant individual or individual and public assistance from the Federal Government under Section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricane Rita.

The entire geographical area within each of the following Texas counties qualifies as a Targeted Area in the Rita GO Zone.

Angelina	Jefferson	San Augustine
Brazoria	Liberty	San Jacinto
Chambers	Montgomery	Shelby
Fort Bend	Nacogdoches	Trinity
Galveston	Newton	Tyler
Hardin	Orange	Walker
Harris	Polk	
Jasper	Sabine	

Exhibit E shall be effective until the Participants receive an announcement from the Servicer/Administrator of revised Targeted Areas (such announcement to be given promptly following the Servicer/Administrator’s receipt of such information from the Corporation or Bond Counsel).

**EXHIBIT F
ACQUISITION COST LIMITS***

**TEXAS STATE AFFORDABLE HOUSING CORPORATION
SINGLE FAMILY MORTGAGE REVENUE BONDS
SERIES 2007D**

NON-TARGETED AREAS

<u>Area of State</u>	<u>New Home</u>	<u>Existing Home</u>
ALL AREAS	\$237,031	\$237,031

TARGETED AREAS

<u>Area of State</u>	<u>New Home</u>	<u>Existing Home</u>
ALL AREAS**	\$289,705	\$289,705

** For more information on the purchase price for 2-4 units, please contact CitiMortgage.*

*** Includes designated counties in the Rita Go Zone (Exhibit E).*

**EXHIBIT G
INCOME LIMITS**

**TEXAS STATE AFFORDABLE HOUSING CORPORATION
SINGLE FAMILY MORTGAGE REVENUE BONDS
SERIES 2007D**

LIST OF MAXIMUM FAMILY INCOME LIMITS (EFFECTIVE AS OF SEPTEMBER 1, 2007)

Area of State	Maximum Family Income Limit
Austin County HMFA (1)	\$44,960
Austin-Round Rock MSA (2)	\$56,880
Blanco County	\$44,080
Brazoria County HMFA (3)	\$52,080
Dallas HMFA (4)	\$53,200
Fort Worth-Arlington HMFA (5)	\$50,720
Gillespie County	\$43,520
Hartley County	\$50,160
Hood County	\$50,160
Houston-Baytown-Sugar Land HMFA (6)	\$48,800
Kendall County HMFA (7)	\$55,600
Loving County	\$52,000
Midland MSA (8)	\$44,720
Ochiltree County	\$44,880
Roberts County	\$46,800
Somervell County	\$43,920
Wise County HMFA (9)	\$45,440
Balance of State	\$43,440

MSA/HMFA (As Shown Above)

Austin County HMFA (1)
 Austin-Round Rock MSA (2)
 Brazoria County HMFA (3)
 Dallas HMFA (4)

 Fort Worth-Arlington HMFA (5)
 Houston-Baytown-Sugar Land HMFA (6)

 Kendall County HMFA (7)
 Midland MSA (8)
 Wise County HMFA (9)

Counties Included in MSA/HMFA

Austin
 Bastrop, Caldwell, Hays, Travis and Williamson
 Brazoria
 Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman and
 Rockwall
 Johnson, Parker and Tarrant
 Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery,
 San Jacinto and Waller
 Kendall
 Midland
 Wise

Notes: 1. AMFI = Applicable Median Family Income