

TEXAS STATE AFFORDABLE HOUSING CORPORATION

ANNUAL ACTION PLAN 2010

According to Section 2306.0721(7), the Texas State Affordable Housing Corporation (“Corporation”) Annual Action Plan must be included as part of the 2010 State Low Income Housing Plan (“SLIHP”).

OVERVIEW

This report is prepared in accordance with Texas Government Code, Section 2306.566, which requires the Texas State Affordable Housing Corporation (“Corporation”) to develop a plan to address the state’s housing needs and provide the plan to the Texas Department of Housing and Community Affairs (“TDHCA”) for incorporation into the resource allocation plans in the State Low Income Housing Plan (“SLIHP”). In accordance with Section 2306.0722(n), TDHCA will provide the needs assessment information compiled for the report and plan to the Corporation. Additionally, the Corporation's plan must include specific proposals to help serve rural and other underserved areas of the state. Sec. 2306.566 of the Texas Government Code reads:

COORDINATION REGARDING STATE LOW INCOME HOUSING PLAN.

The corporation shall review the needs assessment information provided to the corporation by the department under Section 2306.0722(b).

The corporation shall develop a plan to meet the state's most pressing housing needs identified in the needs assessment information and provide the plan to the department for incorporation into the state low income housing plan.

The corporation's plan must include specific proposals to help serve rural and other underserved areas of the state.

HISTORY OF THE CORPORATION

The Texas State Legislature created the Corporation as a self-sustaining non-profit entity to facilitate the provision of affordable housing for low-income Texans who do not have comparable housing options through conventional financial channels. Enabling legislation, as amended, may be found in the Texas Government Code, Chapter 2306, Subchapter Y, Sections 2306.551 et seq. All operations of the Corporation are conducted within the state of Texas. Corporate offices are located in Austin, Texas. A five-member board of directors appointed by the Governor with the advice and consent of the Senate oversees the business of the Corporation.

The Corporation issues mortgage revenue bonds and private activity bonds to finance the purchase and creation of affordable housing. Over the course of its history, the Corporation has utilized over \$338 million in single family and approximately \$540 million in multifamily bonding authority.

The following four programs allow homebuyers to finance the purchase of single family homes: (1) the Professional Educators Home Loan Program, (2) the Fire Fighter, Law Enforcement or Security Officer and Emergency Medical Services Personnel Home loan Program (more commonly referred to as the Homes for Texas Heroes Program), (3) the Home Sweet Texas Loan Program, and (4) the Mortgage Credit Certificate Program. The Corporation has served over 3000 income eligible individuals and/or families through its single family first-time homebuyer programs. These programs are provided at no cost

to the state and its taxpayers. The Corporation does not receive any state funding and is not subject to the legislative appropriations process.

The Corporation is organized, operated and administered in accordance with its enabling legislation as a 501(c)(3) nonprofit corporation in order to access additional sources of funding to accomplish its mission. The Corporation is an approved originating seller/servicer for single family loans with Fannie Mae, Freddie Mac, Ginnie Mae, U.S. Rural Development, FHA and VA. The Corporation has conduit sales agreements with Bank of America Home Loans and Wells Fargo Funding and with the Community Development Trust, Inc., for multifamily mortgage loans. The Corporation is also an associate member borrower of the Federal Home Loan Bank of Dallas.

NEEDS ASSESSMENT REVIEW

According to an analysis of the Texas Department of Housing and Community Affairs' (TDHCA) Needs Assessment and other published studies on the subject, the following represent the most pressing housing needs in the state:

GENERAL HOUSING NEEDS

- Between 2002 and 2008, Texas' population increased approximately 14.6 percent. The total population estimate for January 1, 2009 is 23,705,962 and it is expected to continue to grow, with projections putting the state's population at 35.7 million by 2040.¹
- The population in Texas is also becoming older. In 2009, the percentage of the population that was 65 years or older was 10.3 percent. That number is expected to increase to 18.0 percent by 2040. Additionally, the American Community Survey found that 45.3 percent of those 65 years or older had a disability. Furthermore, 56 percent of older Texans spend more than 30 percent of their income on housing.²
- Based on the information found in the State's Needs Assessment, the expected rise of Texans older than 65 years-old will increase the demand for affordable senior housing and barrier removal or home modification programs.
- The ethnic makeup of the state's population is also expected to change in the next 30 years. It is projected that the Anglo percentage of the overall population will increase by 0.2 percent between 2009 and 2040, while the Hispanic population is expected to increase by 53.1 percent and the Black population by 20 percent in the same period.³
- Historically, there's been a substantial difference in income levels between Anglos and Blacks and Hispanics. Poverty levels among Blacks is 24.7 percent and 21.2 percent among Hispanics, both significantly higher than the 10.5 percent poverty level among Anglos.⁴ Consequently, the Corporation anticipates that the need for affordable housing in Texas will increase with the projected change in our state's demographics.
- As a result of the growing population, housing demands will change substantially in the coming years with both owner and renter housing growing at nearly equal rates.⁵

¹ Texas Department of Housing and Community Affairs, Center for Housing Research, Planning and Communications, 2010 State of Texas Low Income Housing Plan and Annual Report (Austin, TX: Texas Department of Housing and Community Affairs, 2009).

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Texas A&M University, Center for Demographic and Socioeconomic Research and Education, *A Summary of the Texas Challenge in the Twenty-First Century: Implications of Population Change for the Future of Texas*, 2002.

- Affordable housing is in short supply for the extremely low, very low, low and moderate income brackets, which was caused primarily by the private sector's concentration of development, both single family and multifamily development, in larger metropolitan areas and targeting higher income individuals and families.⁶
- Many HUD-financed or HUD-subsidized properties, which represent a significant portion of the state's affordable housing portfolio, are at risk of becoming market rate properties.⁷

SINGLE FAMILY HOUSING NEEDS

The Corporation administers the Professional Educators, Homes for Texas Heroes, and Home Sweet Texas Loan Programs. The programs are available statewide on a first come, first-served basis, to first-time homebuyers who wish to purchase a newly constructed or existing home.

- Texas is expected to add nearly 3.8 million more students over the next 40 years creating a high demand for educators.⁸
- The Texas nursing education system is operating close to capacity and faces several impediments to producing more graduates—faculty shortages due to retirement, inadequate salaries and fewer faculty applicants.⁹
- Lack of funds for down payment and closing costs has created one of the greatest obstacles that prevent first-time homebuyers of low-to-moderate-income families, such as the teachers, police officers and firefighters, from achieving the American dream of owning a home.¹⁰

MULTIFAMILY HOUSING NEEDS

- Renter households are, on average, a lower income group than owner households. More than 37 percent of renter households earn less than 50 percent of the Area Median Family Income, compared to only 16.3 percent of owner households. As a result, renter households are more likely to be in need of housing assistance.¹¹
- According to the results of the 2006 Community Needs Survey distributed by TDHCA to cities, counties, local housing departments, public housing authorities and the US Department of Agriculture/Rural Development field offices, approximately 35 percent of respondents indicated that their community's greatest need was the construction of new rental units.¹²
- The lack of affordable housing opportunities leads to severe and extreme housing cost burdens for lower-income groups; in particular, extremely low-income renter households.¹³
- Overcrowding may indicate a general lack of affordable housing in a community and lower income renter households experience overcrowded conditions more frequently than higher income households.¹⁴

⁶ Texas Department of Housing and Community Affairs, Center for Housing Research, Planning and Communications, 2005 State of Texas Low Income Housing Plan and Annual Report (Austin, TX: Texas Department of Housing and Community Affairs, 2004).

⁷ Ibid.

⁸ Texas A&M University, Center for Demographic and Socioeconomic Research and Education, *A Summary of the Texas Challenge in the Twenty-First Century: Implications of Population Change for the Future of Texas*, 2002.

⁹ Health and Nurses in Texas – The Future of Nursing: Data for Action (Vol. 3 No. 1. 2000. San Antonio, TX: The Center for Health Economics and Policy (CHEP), the University of Texas Health Science Center at San Antonio).

¹⁰ National Association of Home Builders, *News Details; March 24, 2004*.

¹¹ Texas Department of Housing and Community Affairs, Center for Housing Research, Planning and Communications, 2005 State of Texas Low Income Housing Plan and Annual Report (Austin, TX: Texas Department of Housing and Community Affairs, 2004).

¹² Texas Department of Housing and Community Affairs, Center for Housing Research, Planning and Communications, 2010 State of Texas Low Income Housing Plan and Annual Report (Austin, TX: Texas Department of Housing and Community Affairs, 2009)

¹³ Ibid.

- In the 2005-2009 State of Texas Consolidated Plan, it is estimated that 2 million people or 9.9 percent of the total population are 65 years of age and older. The Texas Department of Aging and Disability Services estimate that by year 2040, individuals age 60 and over will comprise 23 percent of the population in Texas. Though the majority of the elderly Texans live in urban areas, rural areas have a higher percentage of elderly relative to the local population. According to the 2000 Census, 13.1 percent of seniors age 65 and over in Texas live below the poverty level. Approximately 30 percent of all elderly households pay more than 30 percent of their income on housing with 14 percent paying more than 50 percent of their income on housing. Lower incomes combined with rising healthcare costs contribute to the burden of paying for housing.¹⁵
- There is a shortage of affordable housing in the extremely low, very low, low and moderate income brackets. This is primarily caused by the private sector's concentration of development in larger metropolitan areas and targeting higher income individuals and families.¹⁶ Cities with populations between 20,000 and 50,000 have a particularly hard time accessing funds. They cannot access USDA funding and are too small to effectively compete for other funding opportunities.¹⁷
- According to the US Census Related Comprehensive Housing Affordability Strategy (CHAS) Data, there are approximately 2,903,671 people living in rural areas of Texas. Of these, 574,843 people or 20 percent are living below the poverty level; 83,454 low-income households live with the cost burden of paying more than 30 percent of their income on housing expenses; 26,999 occupied units are "overcrowded"; and 5,211 units were found to have substandard conditions such as lack of piped water, utilities and waste facilities.¹⁸
- Preservation of existing affordable and subsidized housing stock is an important element of providing safe, decent and affordable housing. The explosive population growth in the metropolitan areas as well as the lack of new construction during the late 80's and early 90's created a huge demand for housing at all income levels. Adding to this problem is the loss of units in the federally subsidized Section 8 portfolio, the USDA/Rural Development portfolio and the pools of tax credit units that have reached their 15 year affordability periods. The USDA/Rural Development portfolio contains smaller rural rental properties which, in many cases, represent the sole affordable housing stock in Texas' smallest towns.¹⁹
- As of the most recent statistical information available, there were 2,676,060 renter occupied housing units in Texas. Eighty-four percent of these were constructed before 1990 with the highest production of rental housing (50.8 percent) built between 1970 and 1989. Therefore, the majority of rental housing stock in Texas is between 15-35 years old and may be in need of some type of moderate to substantial rehabilitation in order to preserve its functionality.²⁰

¹⁴ Ibid.

¹⁵ Texas Department of Community Affairs, 2005-2009 State of Texas Consolidated Plan (Austin, Texas, February 2005).

¹⁶ Texas Department of Housing and Community Affairs, Strategic Plan for Fiscal Years 2005-2009.

¹⁷ Texas Department of Housing and Community Affairs, Report on the 2004 Regional Advisory Committee Meetings on Affordable Housing and Community Services Issues, November 2004.

¹⁸ 2000 U.S. CHAS Data, Texas Department of Housing and Community Affairs

¹⁹ Texas Department of Community Affairs, 2005-2009 State of Texas Consolidated Plan (Austin, Texas, February 2005).

²⁰ 2000 U.S. Census Data

CORPORATION PROGRAM DESCRIPTIONS

SINGLE FAMILY MORTGAGE REVENUE PRIVATE ACTIVITY BOND PROGRAMS

The Corporation administers the Professional Educators, Homes for Texas Heroes, and Home Sweet Texas Loan Programs. These Programs are the Corporation's Single Family Mortgage Revenue Private Activity Bond Programs. The first two Programs were established by the Legislature in 2001 and 2003 respectively, and allocate approximately \$60 million of the State's Ceiling for Private Activity Bond Cap for the exclusive purpose of making single family mortgage loans to Texas Professional Educators (\$30 million) and Fire Fighters, EMS Personnel, Law Enforcement Officers Corrections Officers, and Public Security Officers (\$26 million) who are first-time home buyers.

In 2006 the Corporation created the Home Sweet Texas Loan Program which is funded by applying for bond cap after the collapse of the set-asides for all state issuers of bonds. The Home Sweet Texas Loan Program is available statewide with no professional requirements to those at or below 80 percent of the AMFI.

The Programs are available statewide on a first come, first-served basis, to first-time homebuyers who wish to purchase a newly constructed or existing home. Borrowers must meet income and purchase price limits set by the Corporation, while meeting standard mortgage underwriting requirements demonstrating credit worthiness. The borrower must also occupy the purchased home as his or her primary residence.

Through each Program, eligible borrowers are able to apply for a 30 year fixed rate mortgage loan and may receive down payment assistance in the form of a grant. The programs are accessible to eligible borrowers by directly contacting a trained, participating mortgage lender.

Since the inception of both the Professional Educator Home Loan Program in 2001 and the Fire Fighter and Law Enforcement or Security Officer Home Loan Program in 2003, the Corporation has only seen the demand for these programs increase. Over 2800 individuals and families have become homeowners through the assistance offered by the Corporation.

Given the volatility of the bond market in 2008 and 2009, the Corporation was not able to issue mortgage revenue bonds for its first-time homebuyers. In an effort to continue serving our homebuyers, the Corporation converted its bonding authority into mortgage credit certificates, thus establishing the Mortgage Credit Certificate (MCC) Program. Through the MCC Program an annual tax credit is made available to the same qualifying homebuyers mentioned above. With an MCC, the qualified homebuyer is eligible to take a portion of the annual interest paid on the mortgage as a special tax credit, up to \$2,000, each year that they occupy the home as their principal residence. An MCC has the potential of saving the homebuyer thousands of dollars over the life of the loan.

To date \$125 million in bonding authority has been converted which has served 395 first-time homebuyers.²¹ The Corporation plans on serving over 745 first-time homebuyers under this program.

2010 IMPLEMENTATION PLAN

The Corporation's primary goal for 2010 will be to continue to develop a financing structure that minimizes the Programs' mortgage interest rate and offers the best possible down payment assistance grant to the borrowers. Down payment assistance is especially critical when the spread between conventional mortgage rates and tax-exempt mortgage rates have reached historical lows. If the

²¹ As of December 8, 2009.

Corporation is unable to issue bonds, then other avenues to assist first-time homebuyers will be explored. A continuation of the Mortgage Credit Certificate Program may be an option.

The Corporation will also continue to advertise and to receive input about the Programs by attending home builder, real estate agent, lender and the various professional trade associations' conventions and trade shows in 2010. In addition, the Corporation will continue to train and develop relationships with mortgage lenders and realtors who represent the Programs to the borrowers.

Given the demand for first-time homebuyer programs, other financing options available to the Corporation through its enabling legislation will be explored. If demand continues, the Corporation will continue to submit applications to the Texas Bond Review Board requesting additional volume cap during the collapse to serve new first-time homeowners.

INTERIM CONSTRUCTION AND LAND ACQUISITION PROGRAM

The Corporation's Interim Construction and Land Acquisition Loan Program (the "ICAP") supports our mission to serve the housing needs of low-, very low- and extremely low-income Texans who do not have comparable housing opportunities in rural and underserved communities. The program accomplishes this by providing short-term financing for site acquisition and interim construction to non-profit and for-profit developers for the creation of affordably priced homes for Texans.

The Corporation considers proposals for land development, new construction and the rehabilitation of existing homes. All homes built using the Corporation's funding must be affordable to households earning 80% of the area median income and must be constructed to meet the Corporation's housing construction standards. Developers may also propose to build multi-unit developments such as, condominiums, town homes or cooperative developments to meet the needs of dense urban areas.

The Corporation has funded the ICAP program through the commitment of its own cash reserves, and by leveraging grants, loans and other investments from private foundations and financial institutions. Since the program's creation in 2007, the Corporation has provided \$750,000 to build 57 affordable homes in rural Texas. Loan rates for the program are generally between 4% and 7% with terms of 18 to 24 months.

2010 IMPLEMENTATION PLAN

Due to the national and statewide decline in home sales, the Corporation is working to double its efforts to provide new opportunities to developers under the ICAP program. The Corporation has applied for more than \$1 million in program related investments from private institutions to increase its lending corpus. Additionally, the program's marketing efforts have been successful at increasing interest in the program and we are currently considering several loan proposals for the upcoming year. The Corporation is on track to provide more than \$1 million in loans to create more than 100 affordably priced homes for Texans in 2010.

AFFORDABLE COMMUNITIES OF TEXAS PROGRAM

The Affordable Communities of Texas (the "ACT") program was launched at the end of 2008 and has been working through a pilot stage in 2009. The program's primary purpose is to stabilize home prices in communities hardest hit by foreclosures by working with locally based nonprofit and government agencies to acquire and rehabilitate foreclosed homes. The ACT program will create and manage land banks in more than 14 communities in the coming year with support through the Neighborhood Stabilization Program (the "NSP").

The Corporation committed \$100,000 of its cash reserves to operate the pilot phase of the ACT program and has been successful at raising \$5 million in federal grants from the State of Texas' NSP program. At the end of 2010 fourteen local partners had been qualified for participation and in the program. The Corporation anticipates being able to acquire more than 100 foreclosed homes and vacant lots that will benefit households earning 80% of the area median income and below.

2010 IMPLEMENTATION PLAN

The ACT program will be focused on the successful implementation of its NSP grant from the State of Texas during 2010. The Corporation has also submitted an application for NSP funding directly to the U.S. Department of Housing and Urban Development ("HUD") for an additional \$36 million in funding. The Corporation has been working with several private foundations and banking institutions to leverage its NSP funding for additional capital to finance the construction and rehabilitation of foreclosed properties acquired under the ACT program. For 2010, the Corporation anticipates purchasing more than 100 homes using its NSP funds from the State of Texas and more than 500 additional homes if funding from HUD is awarded.

MULTIFAMILY PRIVATE ACTIVITY BOND PROGRAM

In 2003, The Texas Legislature allocated 10 percent of the State's multifamily private activity bond ("PAB") cap to the Corporation in order to target underserved housing needs in Texas. The Corporation accomplishes this purpose by releasing an annual request for proposals ("RFP") that identifies the program's targeted housing needs, scoring criteria and process of application. The Corporation released its RFP in November 2009 and has approximately \$48 million in available bond cap for 2010. Nonprofit and for profit developers apply to the program to finance the acquisition and rehabilitation, or new construction of multifamily residential rental developments that serve low and very-low income households. Developers are encouraged to leverage the private activity bond funds using low income housing tax credits ("HTC") available through the Texas Department of Housing and Community Affairs ("TDHCA").

2010 IMPLEMENTATION PLAN

The Corporation is concerned that the lack of investment by private and public institutions in PABs will limit the effectiveness of this program in 2010. While the demand and need for affordably priced rental housing continues to grow within the State, the lack of interest shown by financial institutions and investors in affordable housing over the past 18 months continues to limit opportunities for the Corporation's PAB program. The Corporation has identified the following housing needs for targeting in 2010.

- § Preservation of Existing Affordable Rental Housing
- § Housing in Rural Communities
- § Senior and Assisted Living Developments
- § Rental Housing in Communities Affected by Hurricanes Ike and Dolly

MULTIFAMILY 501(c)(3) BOND 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. Unlike the Corporation's

PAB program, 501(c)(3) financing does not use the limited volume cap allocation available to the State. Only qualified nonprofit developers, designated under the internal revenue code as 501(c)(3) organizations, are eligible to apply for financing, and funds may not be combined with the State's housing tax credit program.

In addition to providing safe, decent and affordable rental housing to Texas residents, recipients of 501(c)(3) financing must adopt a dollar-for-dollar public benefit program, investing at least one dollar in rent reduction, capital improvement projects, or social, educational, and economic development services, for every dollar of abated property tax revenue they receive.

2009 IMPLEMENTATION PLAN

The Corporation will continue to monitor market conditions but does not anticipate issuing new bonds under this program in 2010.

MULTIFAMILY DIRECT LENDING PROGRAM

The Multifamily Direct Lending Program supports the Corporation's mission to promote equal access to safe, decent and affordable housing with an emphasis on serving rural and underserved markets. The program provides both short and long-term financing to non-profit and for-profit developers to develop affordable rental housing for low, very-low and extremely low-income families in Texas.

The Corporation commits its own cash reserves to leverage investments by private foundations and financial institutions. The Corporation has made more than \$8.2 million in loans since the programs creation in 2001, creating more than 1,800 affordably priced rental units. The Corporation has leveraged more than \$6.3 million in funding through investments from Wells Fargo Bank, the Federal Home Loan Bank of Dallas, and the Community Development Trust.

2010 IMPLEMENTATION PLAN

The Corporation will continue to work on building up its cash reserves and ability to provide increased funding to the Multifamily Direct Lending program over the next year. In 2009, the Corporation reviewed four loan applications approved a loan to one qualified development. In 2010, we hope to increase activity, especially in rural areas of the state, and are planning to increase the lending corpus of the program by an additional \$2 million through new investments and donations.

ASSET OVERSIGHT AND COMPLIANCE

Asset oversight of properties is required by many bond issuers, including the Corporation and TDHCA, to monitor the financial and physical health of a property and to provide suggestions for improvement. Compliance monitoring ensures that the borrowers are providing the required number of affordable units to income eligible households and that quality resident services are being provided to all residents of the property. Annual on-site inspections and resident file reviews of affordable units ensure that federal requirements relating to the tax-exempt status of the bonds are followed.

For those properties funded by the Corporation, the Corporation has developed a convenient way for property managers/owners to submit their compliance reports online. Since that time, properties have been reporting as required on a monthly and quarterly basis streamline paper and provide convenience to the properties.

The Corporation is currently providing asset oversight and compliance reviews for 40 bond issued properties²². In May of 2006 TDHCA contracted with the Corporation to provide asset oversight services for multifamily properties financed through their bond program. The Corporation conducted 34 reviews for the Department before the contract ended in March of 2009. The number of asset oversight reviews conducted by the Corporation for the Texas Department of Housing and Community Affairs are as follows:

2006	73 site visits	16,956 units
2007	86 site visits	19,727 units
2008	99 site visits	22,279 units
2009	34 site visits	7,182 units

2009 IMPLEMENTATION PLAN

The Corporation will continue to provide high quality asset oversight and compliance monitoring services to the properties in our current portfolio and intends to increase the effectiveness and efficiency of the program. The Corporation is currently developing Asset Oversight and Compliance training tools. The Corporation will continue to work toward contracting with other entities to expand our asset oversight and compliance monitoring portfolio of business. The Corporation will pursue new asset oversight and/or compliance business relationships with public agencies such as the Department of Housing and Urban Development, the Texas Department of Housing and Community Affairs, Housing Authorities, the United States Department of Agriculture, or partnering with private owners and property management companies.

GRANT PROGRAM

As a 501(c)(3) nonprofit entity, the Texas State Affordable Housing Corporation actively pursues fundraising and grant opportunities. Since 2006, the Corporation has been making considerable strides to fundraise for new programs, such as the Texas Foundations Fund, the Interim Construction and Land Acquisition Program, the Affordable Communities of Texas (ACT) Program and the HomeWorks Loan Program. In addition, the Corporation actively fundraises for other Texas initiatives, such as the Texas Foreclosure Prevention Task Force and the Texas Statewide Homebuyer Education Program.

To date, the Corporation has received \$8 million in grants and donations.²³

2010 IMPLEMENTATION PLAN

The Corporation's mission of affordable housing matches many foundation and grant objectives. The Corporation will work to fundraise for grants and will pursue low-interest loans for the Texas Foundations Fund, the ACT Program, the HomeWorks Loan Program, the Multifamily Direct Lending Program and the Interim Construction and Land Acquisition Program. The Corporation will also seek to create and expand a pool of individual donors by undertaking an annual campaign, hosting events to promote the Texas Foundations Fund, and soliciting donations online. These are just a few of the fundraising activities and initiatives that the Corporation will undertake in 2010.

²² As of December 8, 2009

²³ *ibid.*

HOMEWORKS PROGRAM

The Corporation created HomeWorks, an employer assisted housing program, in April of 2008. Employer assisted housing programs are aimed not only at providing an affordable financing product to potential homebuyers, but aid in recruiting new businesses to the State. Such programs can enhance existing businesses by offering incentives not otherwise possible to employees they would like to recruit and retain.

This program is a partnership between the Corporation and participating employers and their employees. HomeWorks offers a 30-year fixed rate mortgage through the mortgage lender of the borrower's choice. The program offers up to \$4,000 in matching funds for down payment and closing cost assistance courtesy of the Corporation and participating employers across Texas.

The Corporation and the employer match dollar for dollar, up to \$2,000 each, of an employee's contribution toward down payment and closing costs. Matching assistance is provided to the employee in the form of a 3-year deferred forgivable second lien loan (*33.33 percent is forgiven each year*). If the employee leaves or is terminated by the employer, the remaining balance of the assistance is to be paid back to the Corporation and/or the employer.

Participating employers contribute a maximum amount to the program and offer it to employees on a first-come, first-served basis. The employee must be employed by a participating employer for at least 6 months, with a 3 year commitment to the employer. The employee must participate in a homebuyer education course approved by the Corporation prior to closing on the loan. The employee must meet income (80 percent AMFI or below) and purchase price limits set by the Corporation, while meeting standard mortgage underwriting requirements demonstrating credit worthiness. The employee must also occupy the purchased home as his or her primary residence.

2010 IMPLEMENTATION PLAN

The Corporation will continue to have discussions with interested employers across the State. The Corporation is committed to assisting borrowers bridge the gap to homeownership while strengthening the economic viability and stability of the State. The Corporation will also continue its fundraising efforts to secure additional funding for this program.

TEXAS FOUNDATIONS FUND

The Corporation created the Texas Foundations Fund (TFF) in early 2008 to improve the living standards of Texas residents of very low-income and extremely-low income, specifically those at 50 percent or below of the area median family income.

TFF provides grants of up to \$50,000 to nonprofit organizations and rural governmental entities (or their instrumentalities) for the construction, rehabilitation, and/or critical repair of single family homes for homeowners who are Texas residents of very low-income or extremely low-income, with a particular emphasis on serving very low-income disabled and rural Texans and the provision of additional supportive housing services for very low-income residents of multifamily rental units.

The Corporation accepts eligible project proposals through a competitive process. A notice of funding availability is published on an annual basis when the Board of Directors determines that sufficient funds exist to award grants. Proposals are first considered by the Corporation's Advisory Council, whose

members are appointed by the Corporation's Board of Directors, with final approval provided by the Board of Directors.

In October 2008, five \$50,000 grants were awarded to the following organizations: Affordable Homes of South Texas, Foundation Communities, Midland Habitat for Humanity, Brazos Valley Affordable Housing Corporation, and United Cerebral Palsy of Texas.

In light of the devastation left behind by Hurricanes Ike and Dolly in 2009, the Corporation conducted a Hurricane Relief Cycle of the TFF. Four grant awards were made for the purpose of the rehabilitation and/or critical repair of owner-occupied single family located in any one or more counties affected by Hurricanes Ike and Dolly. The four organizations awarded were: Fort Bend CORPS, Southeast Texas Interfaith Organization, Self Help Housing of East Texas, and Community Development Corporation of Brownsville.

2010 IMPLEMENTATION PLAN

A notice of funding availability for a third round of funding was released in October of 2009. It is anticipated that awards will be made and funds disbursed in early 2010.

The Corporation has funded the first two rounds, and set aside funding for the third round, of funding using revenue generated through its other programs. While our Board of Directors will determine how much revenue the Corporation will contribute to future rounds of Texas Foundations Fund, it is estimated that the Corporation will be able to conduct one round of funding annually.