



October Board Meeting

To be held at the offices of
Texas State Affordable Housing Corporation
2200 East Martin Luther King Jr. Blvd.
Austin, TX 78702

Thursday, October 11, 2012
10:00 a.m.

BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
To be held at the offices of
Texas State Affordable Housing Corporation
2200 East Martin Luther King Jr. Blvd
Austin, Texas 78702
October 11, 2012 at 10:00 am

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

Bob Jones
Chair

The Board of Directors of Texas State Affordable Housing Corporation will meet to consider and possibly act on the following:

PUBLIC COMMENT

PRESIDENT'S REPORT

David Long

Tab A: Homeownership Finance Report
Tab B: Development Finance Report
Tab C: Monthly Budget and Investment Reports

STAFF PRESENTATIONS

ACTION ITEMS IN OPEN MEETING:

- | | |
|-------|--|
| Tab 1 | Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on September 13, 2012. |
| Tab 2 | Presentation, Discussion and Possible Approval of a Resolution Regarding the Submission of One or More Applications for Allocation of Private Activity Bonds to the Texas Bond Review Board for Qualified Mortgage Bonds and Containing Other Matters Incident and Related Thereto |
| Tab 3 | Presentation, Discussion and Possible Approval of the Texas State Affordable Housing Corporation's Investment Policy |
| Tab 4 | Presentation, Discussion and Possible Approval of the Texas State Affordable Housing Corporation's Broker Listing. |

CLOSED MEETING

Consultation with legal counsel on legal matters – Texas Government Code § 551.071
Deliberation regarding purchase, exchange, lease, or value of real property – Texas Government Code § 551.072
Deliberation regarding prospective gift or donation to the state or Texas State Affordable Housing Corporation – Texas Government Code § 551.073
Personnel Matters – Texas Government Code § 551.074
Implementation of security personnel or devices – Texas Government Code § 551.076
Other matters authorized under the Texas Government Code

OPEN MEETING

Action in Open Meeting on Items Discussed in Closed Meeting

ADJOURN

Individuals who require auxiliary aids or services for this meeting should contact Laura Ross, ADA Responsible Employee, at 512-477-3560 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that the appropriate arrangements can be made.

Texas State Affordable Housing Corporation reserves the right to recess this meeting (without adjourning) and convene at a later stated time, if and to the extent allowed by law. If Texas State Affordable Housing Corporation adjourns this meeting and reconvenes at a later time, the later meeting will be held in the same location as this meeting. Texas State Affordable Housing Corporation also reserves the right to proceed into a closed meeting during the meeting in accordance with the Open Meetings Act, Chapter 551 of the Texas Government Code. If permitted by the Open Meetings Act, Chapter 551 of the Texas Government Code, any item on this Agenda to be discussed in open meeting may also be discussed by the Board (and any other authorized persons) in closed meeting.

President's Report

Tab A



2009A Home Loan Program
December 26, 2009 to October 3, 2012

Month	Originated	# of Loans	% Total
December-09	\$0	0	0%
January-10	\$717,391	5	0%
February-10	\$3,521,497	26	1%
March-10	\$12,535,180	99	6%
April-10	\$12,643,756	103	6%
May-10	\$11,819,824	93	5%
June-10	\$7,168,334	59	3%
July-10	\$6,127,765	50	3%
August-10	\$3,853,431	30	2%
September-10	\$4,901,893	39	2%
October-10	\$5,871,150	47	3%
November-10	\$5,307,302	45	3%
December-10	\$4,843,295	39	2%
January-11	\$1,700,979	15	1%
February-11	\$2,517,675	20	1%
March-11	\$2,884,213	26	1%
April-11	\$3,220,506	26	1%
May-11	\$2,254,399	19	1%
June-11	\$4,515,393	35	2%
July-11	\$3,802,873	30	2%
August-11	\$3,612,777	30	2%
September-11	\$3,961,533	30	2%
October-11	\$3,035,253	25	1%
November-11	\$2,294,782	18	1%
December-11	\$0	0	0%
January-12	\$1,258,398	12	1%
February-12	\$7,279,023	62	3%
March-12	\$10,366,947	89	5%
April-12	\$11,809,919	99	6%
May-12	\$11,598,042	99	6%
June-12	\$13,031,939	111	6%
July-12	\$12,050,895	104	6%
August-12	\$12,550,613	108	6%
September-12	\$20,169,914	168	9%
October-12	\$2,128,469	18	1%
Totals	\$215,355,360	1779	100%

Lender	Originated	# of Loans	% Total
Cornerstone Mortgage Company	\$36,517,137	291	16%
DHI Mortgage Co., Ltd.	\$22,488,693	170	10%
Rocky Mountain Mortgage Co.	\$19,084,854	171	10%
Premier Nationwide Lending (NTFN, Inc.)	\$16,544,291	139	8%
Universal American Mortgage Co	\$16,152,334	126	7%
WR Starkey Mortgage	\$14,619,367	126	7%
Guild Mortgage Company	\$9,148,911	81	5%
FNB T dba First Community Mortgage	\$7,794,203	79	4%
Bank of America	\$6,435,035	52	3%
K. Hovnanian American Mtg. LLC	\$6,110,401	48	3%
AmericaHomeKey, Inc.	\$5,568,270	42	2%
First Continental Mortgage Ltd	\$4,943,488	38	2%
PrimeLending	\$4,886,532	39	2%
Affiliated Bank	\$4,663,160	40	2%
Houstonian Mortgage Group, Inc.	\$4,600,516	48	3%
Primary Residential Mortgage, Inc	\$4,360,219	35	2%
Wells Fargo Bank, NA	\$4,337,785	34	2%
Ameripro Funding Inc.	\$3,775,831	30	2%
Everett Financial, Inc., dba Supreme Lending	\$3,477,210	26	1%
Imortgage.com	\$3,310,694	25	1%
Pulte Mortgage LLC	\$2,353,620	19	1%
Service First Mortgage	\$2,112,052	18	1%
Hometrust Mortgage Company	\$1,473,057	15	1%
TXL Mortgage Corporation	\$994,650	7	0%
Capstar Lending, LLC	\$951,240	7	0%
Weststar Mortgage Corporation	\$810,635	7	0%
Cendera Funding, Inc.	\$798,979	7	0%
InterLinc Mortgage Services, LLC	\$734,503	6	0%
Georgelown Mortgage, LLC	\$690,332	5	0%
SWBC Mortgage Corporation	\$651,055	6	0%
Envoy Mortgage Limited	\$650,978	5	0%
Gateway Mortgage Group, LLC	\$630,215	5	0%
Fairway Independent Mortgage Corp	\$543,274	4	0%
Colonial Savings, FA	\$501,151	4	0%
First National Bank Texas	\$432,404	4	0%
Hancock Mortgage Partners, LLC	\$419,575	4	0%
New American Mortgage	\$359,463	3	0%
Mission Mortgage of Texas, Inc.	\$310,474	2	0%
NFM, Inc.	\$270,951	2	0%
Castle & Cooke Mortgage, LLC	\$270,508	3	0%
Highlands Residential Mortgage	\$149,533	2	0%
Nationstar Mortgage, LLC	\$133,262	1	0%
Real Estate Mortgage Network, Inc.	\$118,897	1	0%
Prime West Mortgage Corp.	\$99,901	1	0%
1st Preference Mortgage Corp.	\$77,720	1	0%
Total Committed	\$215,355,360	1779	100%

At a Glance	
Total Amount Originated	\$215,355,360
Average Annual Income	\$44,328
Average Purchase Price	\$123,736
Average Loan Amount	\$121,054
Average Household Size	4
Interest Rates %	# of Loans
5.250%	308
5.125%	37
5.000%	168
4.990%	54
4.875%	23
4.750%	76
4.500%	160
4.250%	457
4.000%	222
3.750%	258
3.500%	16
New/Existing	
New	44%
Existing	56%
Professional Breakdown	
80% AMFI or below	55%
Professional Educator	31%
Texas Hero	14%
Type of Loan	
FHA-Insured	99%
VA-Guaranteed	1%
USDA-RD	0%
Ethnicity	
White	43%
Hispanic	27%
Black or African American	21%
Other	8%
Asian or Pacific Islander	1%
American Indian or Alaskan Native	0%
Top Originating Counties	# of Loans
Harris	342
El Paso	266
Tarrant	202
Bexar	176
Travis	137
Dallas	136
Collin	49
Montgomery	48
Denton	43
Williamson	35
Bell	35
Fort Bend	35
Brazoria	31
Guadalupe	27
Galveston	25
Cameron	24
Ellis	20
Hidalgo	10
McLennan	10
Nueces	10
Coryell	10
Hays	9
Jefferson	9
Comal	8
Kaufman	8
Johnson	7
Grayson	5
Bastrop	4
Wise	4
Lubbock	4
Taylor	4
Caldwell	3
Rockwall	3
Chambers	3
Randall	2
Kendall	2
Waller	2
Maverick	2
Webb	2
Medina	2
Orange	2
Nolan	1
Bee	1
Jones	1
Colorado	1
Burnet	1
Hopkins	1
Lamar	1
Jim Wells	1
Potter	1
Bowie	1
Parker	1
Midland	1
Madison	1
Wichita	1
Palo Pinto	1
Brazos	1
Comanche	1
Hale	1
Cooke	1
Somervell	1
Franklin	1
Kieberg	1
Tom Green	1



2012A Mortgage Credit Certificate Program
As of October 28, 2011 through October 4, 2012

Month	Originated	# of Loans	% Total
Oct-11	\$242,528	2	0%
Nov-11	\$1,173,788	10	2%
Dec-11	\$3,961,591	32	7%
Jan-12	\$2,962,985	25	6%
Feb-12	\$4,339,004	34	8%
Mar-12	\$4,820,462	35	8%
Apr-12	\$5,869,049	48	11%
May-12	\$5,264,459	40	9%
Jun-12	\$7,075,303	54	13%
Jul-12	\$7,571,480	57	13%
Aug-12	\$5,873,624	47	11%
Sep-12	\$5,059,053	41	10%
Oct-12	\$508,046	4	1%
Totals	\$54,721,372	429	100%

Lender	Originated	# of Loans	% Total
Cornerstone Mortgage	\$11,787,274	97	23%
UAMC	\$6,920,041	50	12%
Ameripro Funding	\$6,518,850	50	12%
PrimeLending	\$3,229,995	23	5%
DHI Mortgage	\$3,145,635	23	5%
Bank of America	\$2,432,561	26	6%
imortgage	\$2,156,174	15	3%
Network Funding	\$1,936,498	16	4%
SFMC	\$1,851,561	13	3%
CMC Home Lending	\$1,362,399	9	2%
First Choice Lending Group, LP	\$1,216,471	9	2%
Flagstone Lending	\$1,034,633	9	2%
United Lending	\$971,076	7	2%
First Continental Mortgage	\$812,047	6	1%
Primary Residential Mortgage	\$728,290	6	1%
Houstonian Mortgage Group	\$727,106	7	2%
Security National Mortgage	\$688,602	5	1%
IHS Mortgage	\$674,288	6	1%
NTFN	\$611,743	5	1%
Ryland Mortgage	\$585,780	3	1%
Crosscountry Mortgage	\$551,327	5	1%
Patriot Bank Mortgage	\$457,574	4	1%
WR Starkey	\$434,445	3	1%
Town Square Financial	\$390,040	4	1%
Nationstar Mortgage	\$375,191	3	1%
Wells Fargo	\$357,642	3	1%
Baymont Financial	\$292,400	2	0%
Envoy Mortgage	\$283,000	3	1%
Guild Mortgage	\$255,130	2	0%
InterLinc Mortgage	\$168,367	1	0%
Town Square Mortgage & Investments	\$158,380	1	0%
C&T Mortgage	\$158,316	1	0%
Weststar Mortgage	\$145,350	1	0%
First Choice2	\$143,273	1	0%
Palm Lending	\$140,857	1	0%
Advisa Mortgage Services	\$130,022	1	0%
King Financial	\$129,600	1	0%
Elite Financing Group	\$126,704	1	0%
Mortgages USA	\$116,958	1	0%
Affiliated Bank	\$116,251	1	0%
Gateway Mortgage	\$108,186	1	0%
MetLife Home Loans	\$101,455	1	0%
Paramount Residential Mortgage Group, Inc.	\$101,000	1	0%
Willow Bend	\$88,880	1	0%
Total Committed	\$54,721,372	429	100%

Total Allocation **\$71,428,571**
Remaining to Commit **\$16,707,199**

At a Glance	
Total Amount Originated	\$54,721,372
Average Annual Income	\$36,081
Average Purchase Price	\$132,175
Average Loan Amount	\$127,556
Average Interest Rate	3.881
Average Household Size	2
New/Existing	
New	65%
Existing	35%
Professional Breakdown	
80% AMFI or below	92%
Professional Educator	6%
Texas Hero	2%
Type of Loan	
FHA	63%
USDA-Rural Housing Services	28%
Conventional	5%
VA	3%
Ethnicity	
Hispanic	39%
Not Defined	22%
White	20%
Black	10%
Other	7%
Asian or Pacific Islander	2%
American India or Alaskan Native	0%
Top Originating Counties	# of Loans
Harris	210
Travis	52
Bexar	45
Williamson	30
Hays	24
Dallas	14
Collin	12
Brazoria	12
Galveston	8
Guadalupe	3
McLennan	2
Van Zandt	2
Kendall	2
Medina	1
Lavaca	1
Blanco	1
Austin	1
Fort Bend	1
Bastrop	1
Alamo Ranch	1
Nueces	1
Hayes	1
Denton	1
Kendell	1
Grimes	1
Colorado	1

Tab B



Development Finance Programs Report

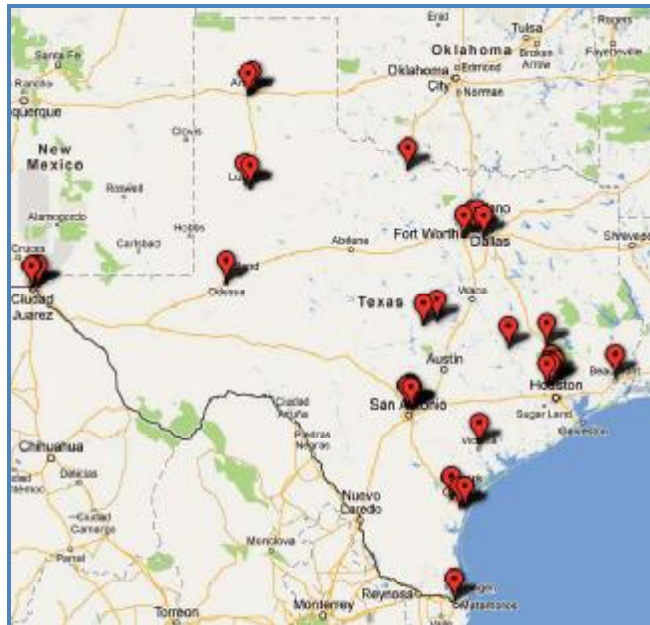
October 11, 2012

Summary of Activities

The Corporation's multifamily bond programs are just one of the ways that we interact directly with developers of affordable housing. The programs help developers build and preserve affordable rental homes for low-income families. The Corporation has statutory authority to issue both 501c3 nonprofit bonds as well as tax exempt private activity bonds. While our 501c3 bond program has been inactive since 2002 due to a lack of interest from financial markets, the Corporation has issued near \$170 million in private activity bonds to create or preserve 4,380 units of affordable rental housing across the state since 2003.

While there are many local issuers of tax exempt bonds in Texas, the Corporation is one of only two statewide entities. One unique aspect of the Corporation's authority is our statutory requirement to set target housing needs on an annual basis. Historically the Corporation has targeted the following four target housing needs:

- Preservation and rehabilitation of existing affordable properties;
- Properties in smaller urban and rural areas;
- Properties serving seniors and special needs households; and
- Properties in areas impacted by recent natural disasters.



Map of TSAHC Bond Properties

The Board has continued this focus in order to ensure that the Corporation's bond issues impact housing needs that are not commonly met by local issuers. These targets also support many of the Corporation's strategic goals and ensure that we are fulfilling our mission to provide underserved populations with affordable housing.

Over the past nine months the Corporation has been working on two multifamily bond transactions, Dalcour Affordable Housing I and Gateway Northwest. The Dalcour project closed on September 21st and Gateway Northwest is waiting on HUD approval of its FHA mortgage insurance and anticipates closing in the first quarter of 2013.

Attached to this report is a complete list of the Corporation's active multifamily bond financed properties.

Bond - Quarterly Report

501c3

Year	Property Name	Prop City	Prop County	Units	Bond Amount
2002	Remington Apartments	San Antonio	Bexar	158	\$ 6,905,007
2002	Summer Oaks Apartments	San Antonio	Bexar	256	\$ 11,187,859
2002	The Charleston Apartments	Cranbrook	Harris	312	\$ 13,635,203
2002	The Rafters Apartments	Corpus Christi	Nueces	250	\$ 10,925,644
2002	The Wharf Apartments	Corpus Christi	Nueces	250	\$ 10,925,644
2002	White Rock Apartments	San Antonio	Bexar	336	\$ 22,546,172
2002	Willowick Apartments	Corpus Christi	Nueces	250	\$ 10,925,644
2002	Worthing Oaks	San Antonio	Bexar	346	\$ 11,555,000

PAB

Year	Property Name	Prop City	Prop County	Units	Bond Amount
2005	Marshall Meadows	San Antonio	Bexar	250	\$ 15,450,000
2007	Chapparral	Odessa	Ector	80	\$ 4,525,000
2007	Cove Village	Copperas Cove	Coryell	50	\$ 960,000
2007	El Nido	El Paso	El Paso	104	\$ 4,900,000
2007	Garden Apts.	Lubbock	Lubbock	62	\$ 1,555,000
2007	High Plains	Lubbock	Lubbock	50	\$ 2,120,000
2007	Jose A Escajeda Apartments	El Paso	El Paso	88	\$ 3,900,000
2007	Los Ebanos	Brownsville	Cameron	65	\$ 2,090,000
2007	Peppertree Acres	Fort Worth	Tarrant	148	\$ 4,250,000
2007	River Park Village East	Lampasas	Lampasas	50	\$ 1,250,000
2007	Salem Village	Victoria	Victoria	105	\$ 2,950,000
2007	Sierra Vista	El Paso	El Paso	106	\$ 3,460,000
2007	Spring Terrace	Amarillo	Potter	50	\$ 1,690,000

2007	Win-Lin Village	Amarillo	Potter	50	\$ 1,250,000
2010	Briarcrest Apartments	Spring	Montgomery	322	\$ 11,445,257
2010	Clover Hill Apartments	Arlington	Tarrant	216	\$ 5,816,859
2010	Hillcrest Apartments	Grand Prairie	Tarrant	310	\$ 6,829,905
2010	Mill Creek Apartments	Spring	Harris	174	\$ 2,881,528
2010	One Westfield Lake Apartment	Spring	Harris	246	\$ 7,158,159
2010	Regal Park Apartments	San Antonio	Bexar	114	\$ 2,881,903
2010	Vista Landing Apartments	San Antonio	Bexar	296	\$ 10,611,389
2012	Pine Club	Beaumont	Jefferson	232	\$ 12,490,000
2012	Ridgewood	Huntsville	Walker	232	\$ 9,290,000
2012	Saddlewood Club	Bryan	Brazos	232	\$ 11,720,000
2012	Tealwood Place	Wichita Falls	Wichita	180	\$ 9,650,000
2012	Willow Green	Houston	Harris	336	\$ 16,840,000
2012	Woodglenn Park - Phase I&II	Dallas	Dallas	232	\$ 11,110,000

Tab C

TEXAS STATE AFFORDABLE HOUSING CORPORATION
STATEMENT OF NET ASSETS (unaudited)
As of August 31, 2012

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 3,650,157
Building Maintenance Reserve	52,646
Computer Equipment and Furniture Reserve	3,167
Foundations Fund	300,000
Custodial Cash and Cash Equivalents, Current	122,515
Restricted Assets Held by Bond Trustee:	
Cash and Cash Equivalents	28,907,638
Short-term Investments, at Fair Market Value	188,077
Accrued Interest	380,963
Custodial Cash and Cash Equivalents	279,838
Investments, at Fair Market Value	2,006,459
Accounts Receivable & Accrued Revenue, Net of uncollectible amts. of \$874,372	326,922
Accrued Interest Receivable	29,838
Loans Receivable, Current Portion	95,000
Notes Receivable, Current Portion	63,500
Downpayment Assistance, Current Portion	1,000,000
Prepaid Expenses	26,336

Total Current Assets: 37,433,056

Noncurrent Assets

Loans Receivable, Net of uncollectible amounts of \$91,726	815,990
Notes Receivable	3,291,462
Investments, at Fair market Value	1,057,938
Mortgage Servicing Rights, Net of Accumulated Amortization of \$2,130,137	597,924
Fixed Assets, Net of Accumulated Depreciation of \$296,598	1,605,300
Owned Real Estate, Federal Programs & Other Programs	5,179,435
Bond Issuance Costs, Net of Amortization of \$3,100,162	3,686,708
Downpayment Assistance	5,170,868
Restricted Investments Held by Bond Trustee, at Fair Market Value	249,564,736

Total Noncurrent Assets: 270,970,361

TOTAL ASSETS **\$ 308,403,417**

LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 132,578
Notes Payable, Current Portion	45,889
Multifamily Custodial and Reserve Funds	279,838
Other Current Liabilities	52,188
Payable from Restricted Assets Held by Bond Trustee:	
Bonds Payable, Current Portion	2,107,579
Accrued Interest on Bonds	2,922,218

Total Current Liabilities: 5,540,290

Noncurrent Liabilities

Notes Payable	4,568,542
Revenue Bonds Payable	256,811,743
Due to TDHCA, Federal Programs	4,335,201
Deferred Revenue	366,906

Total Noncurrent Liabilities: 266,082,392

Total Liabilities: 271,622,682

Net Assets

Invested in Capital Assets, Net of Related Debt	863,158
Restricted Assets	28,447,052
Unrestricted Net Assets	7,470,525

Total Net Assets: 36,780,735

TOTAL LIABILITIES & NET ASSETS **\$ 308,403,417**

TEXAS STATE AFFORDABLE HOUSING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (unaudited)
for the 12 months ending August 31, 2012

Operating Revenues

Interest and Investment Income	\$ 11,485,501
Single Family Income	2,432,344
Asset Oversight and Compliance Fees	230,926
Loan Servicing Fees, Net of subservicer fees of \$86,679	219,593
Multifamily Bond Fees	127,618
Public Support	
Federal and State Grants	1,576,155
Contributions	481,752
Other Operating Revenue	162,921
Total Operating Revenues	<u>16,716,810</u>

Operating Expenses

Interest Expense on Bonds and Notes Payable	10,866,538
Down Payment Assistance Program	317,035
Salaries, Wages and Payroll Related Costs	1,497,528
Professional Fees and Services	278,080
Amortization	604,466
Office and Equipment Rental and Maintenance	39,412
Travel and Meals	62,962
Depreciation	62,167
Program and Loan Administration	317,977
Grant Expenditures	1,623,278
Other Operating Expenses	132,292
Total Operating Expenses	<u>15,801,735</u>

Net Income 915,075

Total Net Assets, Beginning 37,338,626

Total Net Assets, Ending \$ 36,780,735

Other Comprehensive (Expense) Income

Net Unrealized Loss on Restricted Investments \$ (1,472,966)



Quarterly Investment Report
May 31, 2012 – August 31, 2012

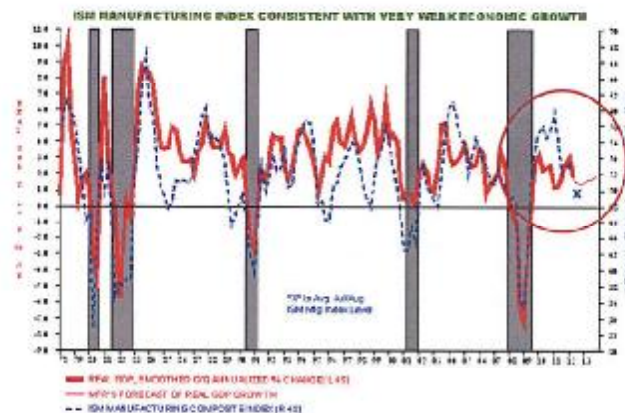
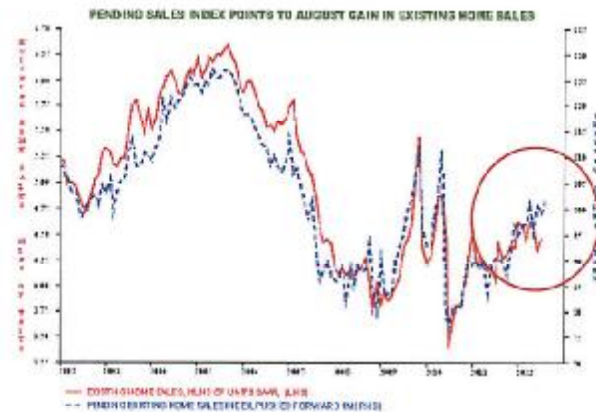
PATTERSON & ASSOCIATES



INVESTMENT PROFESSIONALS

More data. Same Gloomy View

- This month brought some good news indicating a very gradual US growth. But every indicator is mixed and continues to give a mixed view.
- Personal consumption took a bounce mostly on low inflation, which stays well below the Fed's inflation target.
- The Fed's Beige Book showed a gradual growth although sluggishness across the US and a loss of momentum lead by manufacturing.
- Manufacturers point to the weakness overseas and are not hiring.
- Real estate sales are increasing but so are agricultural prices from the drought.
- The weak data and slow manufacturing index hints that the optimistic GDP predictions may not be borne out in 3Q.



The Results of Policy Fog

- Europe is in recession largely from austerity measures. The German engine is slowing with weak retail sales and higher unemployment.
- The ECB pronouncements keep markets supported, but as yet, there is much talk and no action.
- ECB has hinted at support for sovereign debt (Spain and Italy) but withdrew the same support for Ireland on bonds they used for their own banks.
- Technical and operational details on planned – and possible – support may be forthcoming in September.
- Spain needs the ECB to buy its bonds.
- Now Germany, China, the US and the EU are not showing a willingness to support EU banks. It's politics as well as economics.
- Policy fog banks exist in the US and Europe increasing concerns.

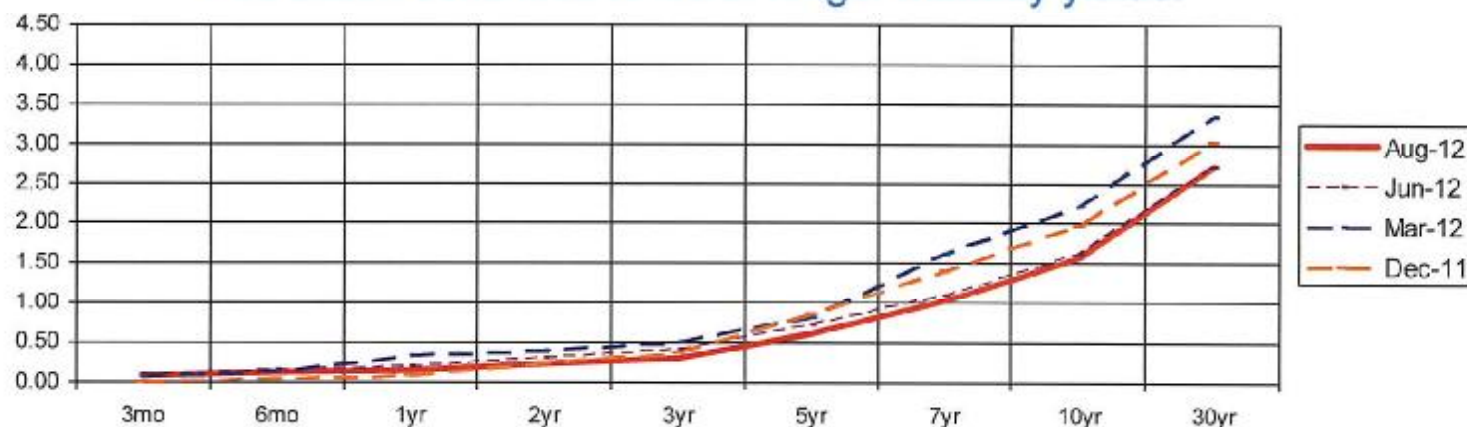


- China has reiterated its support for Europe but China can not lower rates because of its own inflation and employment problems. China wants "comprehensive measures" to aide Europe.
- The US's looming fiscal cliff, if not faced, may push the US ahead in slowing economies and could bring a global recession at worst.
- The markets yearn for some good news which explains the optimism going into Bernanke's speech at Jackson Hole.

With the Fed timing will be the key.

- The market was wildly optimistic going into Bernanke's speech at Jackson Hole this month but little or no insight was forthcoming so the debate continues. The market wants a third QE (Quantitative Easing) program of the Fed buying bonds to keep rates low (prices high). The next FOMC meeting is mid-September.
- The Fed is clear that US growth is anemic and that it will provide additional accommodations "as needed." Bernanke contends the QE 1&2 were helpful but there is little discussion of the cost with continuing expansion of the Fed's portfolio. The sub-par US growth keeps the debate going. Notes from the prior FOMC meeting show significant concern from some members on long-term effects.
- The Fed appears to be waiting for Congress to take action. Certainly they do not want to be seen as entering the 2012 political fray but it may be necessary.

Fed action continues to lower longer maturity yields.



End of Month Rates - Full Yield Curve - Fed Funds to 30yr

Texas State Affordable Housing Corporation

Quarterly Investment Report
May 31, 2012 – August 31, 2012

Portfolio Summary Management Report

This quarterly report is in compliance with the investment policy and strategy as established by the Corporation and the Public Funds Investment Act (Chapter 2256, Texas Government Code).

<u><i>Portfolio as of May 31, 2012</i></u>		<u><i>Portfolio as of August 31, 2012</i></u>	
Beginning Book Value	\$ 7,091,164	Ending Book Value	\$ 7,479,353
Beginning Market Value	\$ 7,093,203	Ending Market Value	\$ 7,479,372
		Investment Income for the period	\$ 4,831
		Capitalized Gains/Losses for the period	\$ 0
Unrealized Gain/Loss	\$ 2,039	Unrealized Gain/Loss	\$ 19
		Change in Unrealized Gain/Loss	\$ (2,020)
WAM at Beginning Period Date ¹	100 days	WAM at Ending Period Date	135 days
		Change in Market Value	\$ 386,169
Average Yield to Maturity for period		0.294%	
Average Yield 3 month Treasury bill for period		0.100%	
Average Yield 6 month Treasury bill for period		0.140%	

Authorized by:



Ms. Melinda Smith, CFO
Texas State Affordable Housing Corporation



Ms. Linda Patterson, President
Patterson & Associates, Registered Investment Advisor

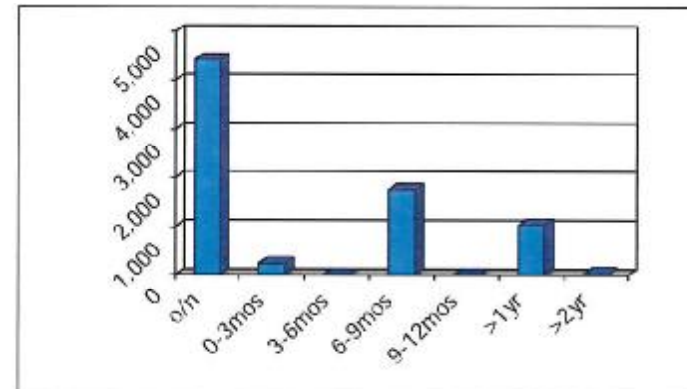
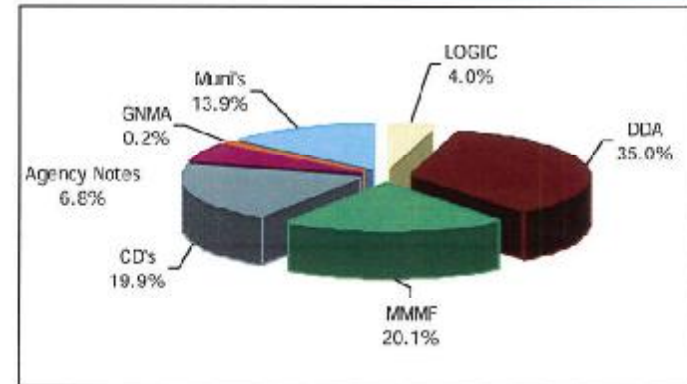
¹ WAM, represents weighted average maturity.

Your Portfolio

As of August 31, 2012



- P&A constantly reviews your portfolio for optimal asset allocation and a controlled average maturity because a diversified portfolio can better adjust to volatile market conditions.
- The extremely low short-term rates make diversification difficult and they are reasonably expected to continue now at least through 2012.
- Banks remain *uninterested* in accepting new deposits and CD rates are unusually low. Money market accounts are also now decreasing.
- Municipal bonds are adding value in many portfolios adding a safe alternative.
- CP in pools has added yield – but also risk – with the pools loading up on the financial sector for yield.
- Your net yield of 0.29% compared to some basic benchmarks generated additional quarterly earnings of:
 - Q 3 mo. T-Bill \$ 3,536.44
 - Q 6 mo. T-Bill \$ 2,790.67
 - Q 1 yr T-Bill \$ 1,858.46





**Texas State Affordable Housing
Portfolio Management
Portfolio Summary
August 31, 2012**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX 78701

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Equiv.
CD's - Interest at Maturity	1,490,000.00	1,490,000.00	1,490,000.00	19.52	365	176	0.692
Federal Agency Coupon Securities	500,000.00	509,361.50	509,352.75	6.61	364	205	0.243
Municipal Obligations	1,000,000.00	1,035,720.00	1,037,836.71	13.88	504	487	1.200
Pass Through Securities (GNMA)	16,709.30	18,638.13	16,706.30	0.22	8,646	8,084	5.971
LOGIC	301,752.84	301,752.84	301,752.84	4.03	1	1	0.193
FHLB Dallas-Money Fund	491,892.12	491,892.12	491,892.12	6.58	1	1	0.016
MM Funds/NOW Accounts	1,013,518.13	1,013,518.13	1,013,518.13	13.55	1	1	0.336
Bank Accounts	2,618,289.35	2,618,289.35	2,618,289.35	35.01	1	1	0.009
Investments	7,432,161.74	7,479,372.07	7,479,353.20	100.00%	187	135	0.392
Cash and Accrued Interest							
Accrued Interest at Purchase		5,024.98	5,024.98				
Subtotal		5,024.98	5,024.98				
Total Cash and Investments	7,432,161.74	7,484,397.05	7,484,378.18		187	135	0.392

Total Earnings	August 31	Month Ending	Fiscal Year To Date	Fiscal Year Ending
Current Year		1,975.30	21,379.45	21,379.45

The following reports are submitted in accordance with the Public Funds Investment Act (Texas Gov't Code 2256). The reports also offer supplemental information not required by the Act in order to fully inform the governing body of the Texas State Affordable Housing Corporation of the position and activity within the Corporation's portfolio of investments. The reports include a management summary overview, a detailed inventory report for the end of the period, a transaction report, as well as graphic representations of the portfolio to provide full disclosure to the governing body.


Melinda Smith, Chief Financial Officer

10/3/2012

Reporting period 08/01/2012-08/31/2012
Data Updated: SET_TSAH: 09/17/2012 14:18
Run Date: 09/17/2012 - 14:18

Portfolio TSAH
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PM (PRF_PV1) 7.3.0
Report Ver. 7.3.3b

**Texas State Affordable Housing
Summary by Type
August 31, 2012
Grouped by Fund**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX 78701

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
Fund: Bunker Hill Debt						
Bank Accounts	1	22,825.52	22,825.52	0.31	0.050	1
Subtotal	1	22,825.52	22,825.52	0.31	0.050	1
Fund: Bunker Hill Operating						
Bank Accounts	1	22,815.23	22,815.23	0.31	0.050	1
Subtotal	1	22,815.23	22,815.23	0.31	0.050	1
Fund: Bunker Hill Replacement Res						
Bank Accounts	1	82,367.78	82,367.78	1.10	0.100	1
Subtotal	1	82,367.78	82,367.78	1.10	0.100	1
Fund: General Investments						
Bank Accounts	1	2,212,145.80	2,212,145.80	29.58	0.000	1
Federal Agency Coupon Securities	1	500,000.00	509,352.75	6.81	0.243	205
FHLB Dallas-Money Fund	1	491,892.12	491,892.12	6.58	0.016	1
Pass Through Securities (GNMA)	1	16,709.30	16,709.30	0.22	5.971	8,084
CD's - Interest at Maturity	3	1,490,000.00	1,480,000.00	19.92	0.692	176
Municipal Obligations	1	1,000,000.00	1,037,839.71	13.88	1.200	487
LOGIC	1	300,744.79	300,744.75	4.02	0.163	1
MM Funds/NOW Accounts	3	1,013,513.13	1,013,513.13	13.55	0.356	1
Subtotal	12	7,025,011.14	7,072,292.60	94.56	0.411	143
Fund: NFMC Account						
Bank Accounts	1	56,355.06	56,355.06	0.75	0.000	1
Subtotal	1	56,355.06	56,355.06	0.75	0.000	1
Fund: Neighborhood Stabilization Prog.						
Bank Accounts	1	11,819.02	11,819.02	0.16	0.000	1
Subtotal	1	11,819.02	11,819.02	0.16	0.000	1

Texas State Affordable Housing
Summary by Type
August 31, 2012
Grouped by Fund

Page 2

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
Fund: Sagebrush Apartments - Debt						
Bank Accounts	1	39,143.98	39,143.98	0.52	0.100	1
Subtotal	1	39,143.98	39,143.98	0.52	0.100	1
Fund: Sagebrush Apartments - Oper.						
Bank Accounts	1	23,172.33	23,172.33	0.31	0.050	1
Subtotal	1	23,172.33	23,172.33	0.31	0.050	1
Fund: Sagebrush Replacement Res						
Bank Accounts	1	70,845.78	70,845.78	0.95	0.100	1
Subtotal	1	70,845.78	70,845.78	0.95	0.100	1
Fund: Texas Foreclosure Prevention						
Bank Accounts	1	53,232.61	53,232.61	0.71	0.000	1
LOGIC	1	1,008.05	1,008.05	0.01	0.193	1
Subtotal	2	54,240.66	54,240.66	0.72	0.004	1
Fund: TX Home Education						
Bank Accounts	1	100.12	100.12	0.00	0.000	1
Subtotal	1	100.12	100.12	0.00	0.000	1
Fund: Wells Fargo - CDC						
Bank Accounts	1	4,797.50	4,797.50	0.06	0.000	1
Subtotal	1	4,797.50	4,797.50	0.06	0.000	1
Fund: Willows Insurance Reserve						
Bank Accounts	1	0.00	0.00	0.00	0.000	0
Subtotal	1	0.00	0.00	0.00	0.000	0
Fund: Willows Operating						
Bank Accounts	1	0.00	0.00	0.00	0.000	0
Subtotal	1	0.00	0.00	0.00	0.000	0
Fund: Willows Replacement Reserve						
Bank Accounts	1	18,666.62	18,666.62	0.25	0.000	1

Texas State Affordable Housing
Summary by Type
August 31, 2012
Grouped by Fund

Page 3

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
Subtotal	1	18,666.62	18,666.62	0.25	0.000	1
Total and Average	27	7,432,161.74	7,479,353.20	100.00	0.392	135



**Texas State Affordable Housing
Fund BHDEBT - Bunker Hill Debt
Investments by Fund
August 31, 2012**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX 78701

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
591398016	76	Frost Bank Checking	04/20/2010	22,825.52	22,825.52	22,825.52	0.050	0.049	0.050		1
Subtotal and Average				22,825.52	22,825.52	22,825.52		0.049	0.050		1
Total Investments and Average				22,825.52	22,825.52	22,825.52		0.049	0.050		1

Fund BHOPE - Bunker Hill Operating
Investments by Fund
August 31, 2012

Page 2

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
581398261	75	Frost Bank Checking	04/20/2010	22,815.23	22,815.23	22,815.23	0.050	0.049	0.050		1
Subtotal and Average				22,815.23	22,815.23	22,815.23		0.049	0.050		1
Total Investments and Average				22,815.23	22,815.23	22,815.23		0.049	0.050		1

Run Date: 09/17/2012 - 14:07

Portfolio TSAH
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Report Ver. 7.3.3b

Fund BHRR - Bunker Hill Replacement Res
Investments by Fund
August 31, 2012

Page 3

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
551398288	77	Frost Bank Checking	04/09/2010	82,367.78	82,367.78	82,367.78	0.100	0.098	0.100		1
Subtotal and Average				82,367.78	82,367.78	82,367.78		0.099	0.100		1
Total Investments and Average				82,367.78	82,367.78	82,367.78		0.099	0.100		1

Fund GENERAL - General Investments
Investments by Fund
August 31, 2012

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CLISIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
CD's - Interest at Maturity											
8410000025	115	Hillcrest Bank CD	03/26/2012	245,000.00	245,000.00	245,000.00	0.500	0.493	0.500	03/26/2013	206
1500589845	113	IBC Bank CD	03/14/2012	1,000,000.00	1,000,000.00	1,000,000.00	0.750	0.739	0.750	03/14/2013	194
10685A	103	Texas Security Bank CD	11/15/2011	245,000.00	245,000.00	245,000.00	0.648	0.639	0.648	11/15/2012	75
Subtotal and Average				1,490,000.00	1,490,000.00	1,490,000.00		0.683	0.692		176
Federal Agency Coupon Securities											
31331YYS3	114	FFCB Note	03/26/2012	509,352.75	500,000.00	509,361.50	3.550	0.239	0.243	03/25/2013	205
Subtotal and Average				509,352.75	500,000.00	509,361.50		0.240	0.243		205
Municipal Obligations											
4521518U0	116	Illinois State Taxable	08/15/2012	1,037,838.71	1,000,000.00	1,035,720.00	4.071	1.183	1.200	01/01/2014	487
Subtotal and Average				1,037,838.71	1,000,000.00	1,035,720.00		1.184	1.200		487
Pass Through Securities (GNMA)											
36201LFC3	100	Gov't National Mtg. Assn	02/17/2011	16,709.30	16,709.30	18,838.13	5.990	5.889	5.971	10/20/2034	8,084
Subtotal and Average				16,709.30	16,709.30	18,838.13		5.889	5.971		8,084
LOGIC											
999999996	9005	Logic	08/01/2006	300,744.79	300,744.79	300,744.79	0.193	0.190	0.192		1
Subtotal and Average				300,744.79	300,744.79	300,744.79		0.190	0.193		1
FHLB Dallas-Money Fund											
999999995	9002	FHLB Money Market Fund	08/01/2006	491,892.12	491,892.12	491,892.12	0.016	0.015	0.015		1
Subtotal and Average				491,892.12	491,892.12	491,892.12		0.016	0.016		1
MM Funds/NOW Accounts											
20115859	52	Hillcrest Bank MM	07/31/2009	764,914.04	764,914.04	764,914.04	0.250	0.246	0.250		1
5001506	83	Libertad Bank MM	10/20/2010	248,604.09	248,604.09	248,604.09	0.600	0.591	0.600		1
4011012038	61	Texas Capital NOW Account	10/13/2009	0.00	0.00	0.00	0.250	0.246	0.250		1
Subtotal and Average				1,013,518.13	1,013,518.13	1,013,518.13		0.331	0.336		1
Bank Accounts											
591359967	66	Frost Bank Checking	03/05/2010	2,212,146.80	2,212,146.80	2,212,146.80					1

Run Date: 09/17/2012 - 14:07

Portfolio TSAH
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Report Ver. 7.3.3b

Fund GENERAL - General Investments
Investments by Fund
August 31, 2012

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Subtotal and Average				2,212,146.80	2,212,146.80	2,212,146.80		0.000	0.000		1
Total Investments and Average				7,072,202.60	7,025,011.14	7,072,221.47		0.405	0.411		143

Run Date: 09/17/2012 - 14:07

Portfolio TSAH
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Report Ver. 7.3.3b

Fund NFMC - NFMC Account
Investments by Fund
August 31, 2012

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
581359924	68	Frost Bank Checking	03/16/2010	56,355.06	56,355.06	56,355.06					1
Subtotal and Average				56,355.06	56,355.06	56,355.06	0.000	0.000			1
Total Investments and Average				56,355.06	56,355.06	56,355.06	0.000	0.000			1

Fund NSP - Neighborhood Stabilization Prog.
Investments by Fund
August 31, 2012

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
591356932	71	Frost Bank Checking	04/20/2010	11,819.02	11,819.02	11,819.02					1
Subtotal and Average				11,819.02	11,819.02	11,819.02		0.000	0.000		1
Total Investments and Average				11,819.02	11,819.02	11,819.02		0.000	0.000		1

Fund SBDEBT - Sagebrush Apartments - Debt
Investments by Fund
August 31, 2012

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
591398253	79	Frost Bank Checking	04/20/2010	39,143.98	39,143.98	39,143.98	0.100	0.098	0.103		1
Subtotal and Average				39,143.98	39,143.98	39,143.98		0.099	0.100		1
Total Investments and Average				39,143.98	39,143.98	39,143.98		0.099	0.100		1

Fund SBOPER - Sagebrush Apartments - Oper.
Investments by Fund
August 31, 2012

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
581388237	78	Frost Bank Checking	04/20/2010	23,172.33	23,172.33	23,172.33	0.050	0.049	0.050		1
Subtotal and Average				23,172.33	23,172.33	23,172.33		0.049	0.050		1
Total Investments and Average				23,172.33	23,172.33	23,172.33		0.049	0.050		1

Fund SBRR - Sagebrush Replacement Res
Investments by Fund
August 31, 2012

Page 10

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
591398245	80	Frost Bank Checking	04/09/2010	70,846.78	70,846.78	70,846.78	0.100	0.098	0.100		1
Subtotal and Average				70,846.78	70,846.78	70,846.78		0.099	0.100		1
Total Investments and Average				70,846.78	70,846.78	70,846.78		0.099	0.100		1

Run Date: 09/17/2012 - 14:07

Portfolio TSAH
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Fund TXFORE - Texas Foreclosure Prevention
Investments by Fund
August 31, 2012

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
LOGIC											
999999998	54	Logic	03/01/2009	1,008.05	1,008.05	1,008.05	0.193	0.190	0.192		1
Subtotal and Average				1,008.05	1,008.05	1,008.05		0.190	0.193		1
Bank Accounts											
501350040	73	Frost Bank Checking	04/14/2010	53,232.61	53,232.61	53,232.61					1
Subtotal and Average				53,232.61	53,232.61	53,232.61		0.000	0.000		1
Total Investments and Average				54,240.66	54,240.66	54,240.66		0.004	0.004		1

Fund TXHOME - TX Home Education
Investments by Fund
August 31, 2012

Page 12

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
591398091	74	Frost Bank Checking	04/20/2010	100.12	100.12	100.12					1
Subtotal and Average				100.12	100.12	100.12		0.000	0.000		1
Total Investments and Average				100.12	100.12	100.12		0.000	0.000		1

Fund WELLS - Wells Fargo - CDC
Investments by Fund
August 31, 2012

Page 13

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 350	YTM 355	Maturity Date	Days To Maturity
Bank Accounts											
999999994	0014	Wells Fargo Bank	09/01/2006	4,797.50	4,797.50	4,797.50					1
Subtotal and Average				4,797.50	4,797.50	4,797.50	0.000	0.000			1
Total Investments and Average				4,797.50	4,797.50	4,797.50	0.000	0.000			1

Fund WINSUR - Willows Insurance Reserve
Investments by Fund
August 31, 2012

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
591500945	107	Frost Bank Checking	11/17/2011	0.00	0.00	0.00					1
Subtotal and Average				0.00	0.00	0.00		0.000	0.000		0
Total Investments and Average				0.00	0.00	0.00		0.000	0.000		0

Fund WOPER - Willows Operating
Investments by Fund
August 31, 2012

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
591501356	106	Frost Bank Checking	11/17/2011	0.00	0.00	0.00					1
Subtotal and Average				0.00	0.00	0.00		0.000	0.000		0
Total Investments and Average				0.00	0.00	0.00		0.000	0.000		0

Run Date: 09/17/2012 - 14:07

Portfolio TSAH
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Report Ver: 7.3.3b

Fund WRR - Willows Replacement Reserve
Investments by Fund
August 31, 2012

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
591501224	108	Frost Bank Checking	11/17/2011	18,666.62	18,666.62	18,666.62					1
Subtotal and Average				18,666.62	18,666.62	18,666.62	0.000	0.000			1
Total Investments and Average				18,666.62	18,666.62	18,666.62	0.000	0.000			1

Run Date: 09/17/2012 - 14:07

Portfolio TSAH
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FI (PRF_FI) 7.1.1
Report Ver. 7.3.3b



**Texas State Affordable Housing
Cash Reconciliation Report
For the Period June 1, 2012 - August 31, 2012
Grouped by Fund**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX 78701
-

Trans. Date	Investment #	Fund	Trans. Type	Security ID	Par Value	Security Description	Maturity Date	Purchases	Interest	Redemptions	Cash
General Investments											
06/20/2012	100	GENERAL	Interest	36201LFC3	22,957.26	GNMA 3.0M 5.99% Mat. 10/20/2034	10/20/2034	0.00	84.04	43.33	127.37
07/20/2012	100	GENERAL	Interest	36201LFC3	22,957.26	GNMA 3.0M 5.99% Mat. 10/20/2034	10/20/2034	0.00	83.82	36.07	119.89
08/16/2012	116	GENERAL	Purchase	452151BU0	1,000,000.00	ISTT 3.0M 4.07% Mat. 01/01/2014	01/01/2014	-1,039,100.00	-4,975.67	0.00	-1,044,075.67
08/20/2012	100	GENERAL	Interest	36201LFC3	22,957.26	GNMA 3.0M 5.99% Mat. 10/20/2034	10/20/2034	0.00	83.64	47.53	131.17
Subtotal								-1,039,100.00	-4,724.17	126.93	-1,043,697.24
Total								-1,039,100.00	-4,724.17	126.93	-1,043,697.24



**Texas State Affordable Housing
Purchases Report
Sorted by Fund - Fund
June 1, 2012 - August 31, 2012**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX 78701
-

CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
General Investments													
4521518U0	116	GENERAL	MC1	ISTT	1,000,000.00	08/15/2012	01/01 - 07/01	1,039,100.00	4,975.67	4.671	01/01/2014	1.200	1,037,338.71
			Subtotal		1,000,000.00			1,039,100.00	4,975.67				1,037,338.71
			Total Purchases		1,000,000.00			1,039,100.00	4,975.67				1,037,338.71



**Texas State Affordable Housing
Interest Earnings
Sorted by Fund - Fund
June 1, 2012 - August 31, 2012
Yield on Average Book Value**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX 78701

CUSIP	Investment #	Fund	Security Type	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Rate	Yield	Adjusted Interest Earnings		
										Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings
Fund: Bunker Hill Debt												
591398C16	76	BHDEBT	RR5	22,825.52	22,822.64	22,823.63		0.050	0.050	2.88	0.00	2.88
			Subtotal	22,825.52	22,822.64	22,823.63			0.050	2.88	0.00	2.88
Fund: Bunker Hill Operating												
591398261	75	BHOPER	RR5	22,815.23	22,812.36	22,813.34		0.050	0.050	2.87	0.00	2.87
			Subtotal	22,815.23	22,812.36	22,813.34			0.050	2.87	0.00	2.87
Fund: Bunker Hill Replacement Res												
591398288	77	BHRR	RR5	82,387.78	75,197.55	80,535.04		0.100	0.099	20.17	0.00	20.17
			Subtotal	82,387.78	75,197.55	80,535.04			0.099	20.17	0.00	20.17
Fund: General Investments												
999999995	9002	GENERAL	RR2	491,892.12	523,259.43	502,480.91		0.016	0.028	35.09	0.00	35.09
999999996	9005	GENERAL	RRP	300,744.79	300,572.74	300,637.61		0.193	0.227	172.05	0.00	172.05
20115959	52	GENERAL	RR3	764,914.04	764,432.24	764,597.92		0.250	0.250	481.80	0.00	481.80
5001506	83	GENERAL	RR3	248,604.09	248,228.50	248,357.72		0.800	0.500	375.59	0.00	375.59
36201LFC3	100	GENERAL	GN1	16,709.30	16,836.23	16,778.79	10/20/2034	5.990	0.094	250.87	0.00	250.87
10685A	103	GENERAL	BCD	245,000.00	245,000.00	245,000.00	11/15/2012	0.848	0.848	400.16	0.00	400.16
1500589845	113	GENERAL	BCD	1,000,000.00	1,000,000.00	1,000,000.00	03/14/2013	0.750	0.750	1,890.41	0.00	1,890.41
31331YYS3	114	GENERAL	FAC	500,000.00	513,478.96	511,363.53	03/25/2013	3.560	0.242	4,437.50	-4,126.21	511.29
6410000025	115	GENERAL	BCD	245,000.00	245,000.00	245,000.00	03/26/2013	0.500	0.500	308.77	0.00	308.77
4521518U0	116	GENERAL	MC1	1,000,000.00	0.00	191,877.37	01/01/2014	4.071	1.133	1,809.33	-1,261.29	548.04
			Subtotal	4,812,864.34	3,856,808.10	4,026,093.84			0.470	10,161.57	-5,387.50	4,774.07
Fund: Sagebrush Apartments - Debt												
591398253	79	SBDEBT	RR5	39,143.98	39,134.14	39,137.53		0.100	0.100	9.84	0.00	9.84
			Subtotal	39,143.98	39,134.14	39,137.53			0.100	9.84	0.00	9.84

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Texas State Affordable Housing
Interest Earnings
June 1, 2012 - August 31, 2012

Page 2

CUSIP	Investment #	Fund	Security Type	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Rate	Annualized Yield	Adjusted Interest Earnings		
										Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings
Fund: Sagebrush Apartments - Oper.												
591398237	78	SBOPER	RRE	23,172.33	23,169.42	23,170.42		0.050	0.050	2.91	0.00	2.91
			Subtotal	23,172.33	23,169.42	23,170.42			0.050	2.91	0.00	2.91
Fund: Sagebrush Replacement Res												
591398245	80	SBRR	RRE	70,846.78	61,079.69	68,354.42		0.100	0.099	17.09	0.00	17.09
			Subtotal	70,846.78	61,079.69	68,354.42			0.099	17.09	0.00	17.09
Fund: Texas Foreclosure Prevention												
999999990	54	TXFORE	RRP	1,008.05	1,007.37	1,007.60		0.193	0.268	0.68	0.00	0.68
			Subtotal	1,008.05	1,007.37	1,007.60			0.268	0.68	0.00	0.68
			Total	5,075,044.01	4,102,031.27	4,283,935.83			0.447	10,218.01	-5,387.50	4,830.51



**Texas State Affordable Housing
Amortization Schedule
June 1, 2012 - June 30, 2012
Sorted By Fund - Fund**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX 78701

Investment #		Maturity Date	Beginning Par Value				Amounts Amortized			
Issuer	Fund	Amort. Date	Current Rate	Purchase Principal	Original Premium or Discount	Ending Book Value	And Unamortized As of 06/01/2012	Amount Amortized This Period	Amt Amortized Through 06/30/2012	Amount Unamortized Through 06/30/2012
General Investments										
114	GENERAL	03/25/2013	500,000.00	516,459.00	16,459.00	512,103.55	-2,980.04	-1,375.41	-4,355.45	12,103.55
FFCB Note			3.550				13,478.96			
			Subtotal	516,459.00	16,459.00	512,103.55	-2,980.04	-1,375.41	-4,355.45	12,103.55
							13,478.96			
			Total	516,459.00	16,459.00	512,103.55	-2,980.04	-1,375.41	-4,355.45	12,103.55
							13,478.96			



**Texas State Affordable Housing
Projected Cashflow Report
Sorted by Fund
For the Period September 1, 2012 - March 31, 2013**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX 78701

Projected Trans. Date	Investment #	Fund	Security ID	Transaction Type	Issuer	Par Value	Original Cost	Principal	Interest	Total
General Investments										
09/25/2012	114	GENERAL	31331YYS3	Interest	FFCB Note	0.00	0.00	0.00	8,875.00	8,875.00
11/15/2012	103	GENERAL	10686A	Maturity	Texas Security Bank CD	245,000.00	245,000.00	245,000.00	1,591.95	246,591.95
01/01/2013	116	GENERAL	4521518U0	Interest	Illinois State Taxable	0.00	0.00	0.00	20,355.00	20,355.00
03/14/2013	113	GENERAL	1500589B45	Maturity	IBC Bank CD	1,000,000.00	1,000,000.00	1,000,000.00	7,500.00	1,007,500.00
03/25/2013	114	GENERAL	31331YYS3	Maturity	FFCB Note	500,000.00	516,459.00	500,000.00	8,875.00	508,875.00
03/26/2013	115	GENERAL	8410000025	Maturity	Hillcrest Bank CD	245,000.00	245,000.00	245,000.00	1,225.00	246,225.00
Total for General Investments						1,990,000.00	2,006,459.00	1,990,000.00	48,421.95	2,038,421.95
GRAND TOTALS:						1,990,000.00	2,006,459.00	1,990,000.00	48,421.95	2,038,421.95

BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
Held at the offices of
Texas State Affordable Housing Corporation
2200 E. Martin Luther King Jr. Blvd.
Austin, TX 78702
September 13, 2012 at 10:00 am

Summary of Minutes

Call to Order, Roll Call
Certification of Quorum

The Board Meeting of the Texas State Affordable Housing Corporation (the “Corporation”) was called to order by Bill Dietz, Acting Chair, at 10:13 am, on September 13, 2012 at the offices of Texas State Affordable Housing Corporation, 2200 E. Martin Luther King Jr. Blvd, Austin, TX 78702. Roll Call certified that a quorum was present.

Members Present

Bill Dietz, Acting Chair
Jo Van Hovel, Vice Chair
Jerry Romero, Member
Gerry Evenwel, Member

Members Absent

Bob Jones, Chair

Staff Present

Betsy Aldrich, Senior Accountant
Tim Almquist, Single Family Compliance Manager
Liz Bayless, Executive Vice President
David Danenfelzer, Manager of Development Finance
Cynthia Gonzales, Office Manager and Assistant Corporate Secretary
Katie Howard, Senior Development Coordinator
Nick Lawrence, Controller
Charlie Leal, Government Relations Specialist
David Long, President
Paige Omohundro, Homeownership Finance Manager
Laura Ross, Corporate Secretary
Melinda Smith, Chief Financial Officer
Janie Taylor, Manager of Development and Strategic Communications

Special Guests

Don Mikeska, Mikeska Monahan & Peckham, PC
Chris Spelbring, Raymond James Morgan Keegan
Pam Stein, Greenberg Traurig

Public Comment

No public comment was given at the beginning of the meeting.

Audit Committee Report

Ms. Smith reported to the Board that the Audit Committee had met that morning and reviewed the minutes from the last board meeting and the proposed fiscal year 2013 operating budget. The Audit Committee voted to approve both and recommended the budget to the full board for approval. She also reported that Mr. Don Mikeska, the Corporation's Auditor had made a short presentation to the Committee about the responsibilities of the auditor and management during the upcoming financial audit.

President's Report

Mr. Long introduced the guests in attendance at the meeting including Mr. Mikeska; Ms. Stein, the Corporation's general Counsel; and Mr. Spelbring, with Raymond James Morgan Keegan.

Mr. Long stated that there would be staff presentations made later in the meeting. He then informed the board of conferences and meetings that staff had recently attended, as well as those that staff would be attending over the coming month.

Staff Presentations

Mr. Danenfelzer gave a presentation on the Affordable Communities of Texas (ACT) program. He stated that the program, a land bank and land trust initiative established in 2008, had grown rapidly with the assistance of federal Neighborhood Stabilization Program (NSP) funding. Mr. Danenfelzer reported that to date more than 400 properties had gone through the program by way of donations, acquisitions using NSP dollars, and direct donations from banks and financial institutions. He then gave a brief update on the land trust property in Plano that the board approved the purchase of in March 2012. He recalled that the property was a planned conversion of an older public housing authority property. Mr. Danenfelzer reported that plans were now in place for its development and the local partner on the project had submitted those plans for permitting and review to the City of Plano. It was staff's hope to have a groundbreaking in early November.

On the topic of donated properties, Mr. Danenfelzer explained that through our relationship with National Community Stabilization Trust, the Corporation had developed strong relationships with the financial institutions and mortgage companies from whom we purchased foreclosed properties. A number of these banks had an inventory of low value properties that either had title issues or were of such low value the banks didn't feel it was worth trying to market their sale. The banks could benefit far more from the tax deductions received for donating the properties to us, so as a result the Corporation has accepted the donation of a number of properties in areas of the state where we have local partners. Mr. Danenfelzer explained that in some cases the properties were redeveloped and sold to low income families, while in other cases the properties we received were not ideal for affordable housing. In these instances, the Corporation sold the properties and earnings from their sale were put back into the ACT program to be used to purchase properties that could be made into affordable housing.

Ms. Van Hovel inquired if it was costly to accept these properties and if insurance was carried on all of them. Mr. Danenfelzer explained that because we were 100 percent tax exempt, the properties were also. He also explained that the Corporation carried insurance for each of the properties through a blanket liability policy. He added that the Corporation didn't accept properties that wouldn't sell quickly or properties in areas where there wasn't a local partner. Ms. Van Hovel asked if we were limiting the number of donated properties we took on and Mr. Danenfelzer said that the number of properties the Corporation acquired depended upon the funding available. He reported that some properties under the program had already been sold and proceeds from those sales had gone back into the program. This allowed the Corporation to buy more properties that could be developed into affordable housing. He explained that properties with existing structures or homes were not usually purchased unless a local partner was willing to buy those properties from us. He informed the Board of a property in the Galveston area that contained a duplex in need of a great deal of repair. He noted that the local partner purchasing the property specifically served female veterans and their families. This property would be the first home in that area the local partner owned. After funds were put into fixing up the property, the local partner would rent it to low income female veterans.

Mr. Almquist gave a presentation about the newly formed single family compliance department. He began by giving the board a brief history of the single family housing industry. When single family bond programs were developed, the housing agencies issuing the programs relied on the private sector to administer them on their behalf. In the beginning three national banks performed these services: CitiBank, Bank of America and US Banc Mortgage. They would perform loan review, loan purchase, securitization and servicing for the loans. After 2007 when the housing market crashed, regulations and accounting rules were implemented that made this business model incompatible for the banks. Because of that, only one banking institution still provides this service to those issuing single family bond programs.

Mr. Almquist turned back to the Corporation's single family loan reservation and compliance system. He explained that instead of continuing to rely on a third party to accept loan reservations for our programs, in November the Corporation would implement a new compliance software system for lenders to register loans being made under our programs. The new software system was purchased by the Corporation after a competitive RFP process. Mr. Almquist laid out the benefits of bringing the compliance and reservation system in house. He noted that it gave the Corporation more control over the programs. It could also be done more cheaply; the cost to the lender would be lower. After recouping the initial investment made in purchasing the software it would create a revenue stream for the Corporation. Mr. Almquist estimated that it would take 850 loans to pay off the initial investment and it was estimated that this would happen in six to seven months. He spoke briefly about the software that was purchased, noting that it was streamlined and all electronic with no need for paper files.

Mr. Evenwel asked about competition between single family programs and Mr. Almquist talked about options available to homebuyers statewide. Through great customer service and by showing the lenders that our program and system was easier to navigate, he felt lenders would want to commit to our programs.

Ms. Taylor gave a presentation on marketing. She provided the board with information on all marketing and communications activities that staff participated in. She talked about traditional marketing that included print advertising mostly centered on our homebuyer programs. She explained that ads were placed in magazines that focused on the groups that qualified for our

programs. She noted that these ads usually generated a noticeable response from borrowers when they appeared.

Ms. Taylor then spoke about web advertising. She informed the Board that staff had recently started using Google Ads to direct web traffic to our website and also to the Texas Financial Toolbox website. She spoke briefly about the Texas Financial Toolbox, a site launched earlier in the summer that helped consumers find homebuyer programs, foreclosure prevention counselors, homebuyer and financial education opportunities. Ms. Taylor also informed the board that staff was currently in the process of redesigning our corporate website and hoped to have it completed by early next year.

Ms. Van Hovel asked if the ads had been effective with realtors and Ms. Taylor confirmed that they had seen a noticeable increase in demand for the programs. Ms. Taylor then turned to conferences, noting that at some conferences staff set up a booth where they handed out information about the programs. She reported that people stopping by the booth were asked to leave a business card which staff would use to add their information to our email mailing list. Through email, staff sent out information and announcements on a regular basis. Ms. Taylor noted that our contact list was about 7,000 and those included were segregated into different groups i.e.: lenders, non-profit developers, legislators. Depending upon the information being sent out, staff determined which groups to send the information. Ms. Taylor added that press releases in both English and Spanish were also issued several times a year using PR News Wire. Turning to social media, Ms. Taylor stated that all emails and press releases issued were also posted on the Corporation's Twitter and Facebook accounts.

Ms. Taylor also highlighted the production of the Corporation's Annual Report, as well as brochures and flyers for all of the programs. She stated that in the past the flyers and brochures had been produced internally, however staff had recently hired a graphic artist to create ad and brochure templates that staff could use going forward. She then stated that direct mailings were also a way staff marketed the Corporation and our programs.

Ms. Taylor spoke about marketing through speaking opportunities, noting that Mr. Danenfelzer and Ms. Omohundro frequently spoke at conferences and classes about the Corporation's programs. The Corporation also sponsored conferences and handed out promotional items when we had booths.

Mr. Romero asked if Google Ads was the only search engine ads we were doing at this time and Ms. Taylor stated that it was. She explained that staff had looked into advertising on Bank Rate also, but because the people using that site might be located outside of Texas and/or not qualify for the programs, staff decided to advertise solely on Google at this time. She explained that our Google ads only appeared for ip addresses located in Texas and through key word searches for down payment assistance or homebuyer assistance. Mr. Romero suggested doing web based ads on Yahoo and Ms. Taylor said she would look into it, noting that Yahoo was the 4th most frequent way people found our website.

Ms. Bayless gave a presentation on the Texas Foundations Fund. She noted that it was created in 2008 by the Board of Directors as a segregated fund of the Corporation. At that time, an initial deposit of \$500,000 from the Corporation's unrestricted funds was approved by the Board and set aside in a separate bank account. \$250,000 in grants was made the first year and the remainder was invested in accordance with the Corporation's Investment Policy. Ms. Bayless explained that every year since 2008, the Board had designated an additional \$250,000 to be

used for Foundation Fund grants. The Corporation also accepted charitable donations for the Foundations Fund. In 2011 and 2012, the Herron Foundation had contributed \$50,000 each year. Ms. Bayless stated that these funds had been added to the Corporation's own contribution for a total of \$300,000.

Ms. Bayless explained that the purpose of the Foundations Fund was to provide grants that would be used to address the housing needs of very low income Texans. Grants could be used specifically for rehabilitation or critical repair of single-family homes to remedy unsafe living conditions or to make accessibility modifications to accommodate an individual with a disability. They could also be used to provide onsite supportive housing services for people at risk of homelessness. Ms. Bayless stated that grant recipients were chosen through a competitive application process. Staff published guidelines and evaluated and scored the applications initially, and then the Advisory Council, which was also created by the Board in 2008, would provide guidance for the operation of the Texas Foundations Fund and make the final decisions on which applications to recommend to the Board for awards. She noted that it was the Board that made the final decision on who received grants under the program.

Ms. Bayless stated that to date the Corporation had awarded 19 grants over 4 funding cycles for a total of \$950,000. She noted that these grants served close to 3,000 very low income Texans. Turning to the current cycle of funding, Ms. Bayless recalled that the board approved the Guidelines at the July Board Meeting. The Guidelines and Application were published on July 20th with applications due back September 14th. After staff scored the applications, they planned to meet with the Advisory Council in late October and it was staff's expectation that the Advisory Council would bring recommendations to the Board at the November Board Meeting. Ms. Bayless noted that the Council membership was Ms. Edwina Carrington who served as Chair, Mr. Steven Carriker, Mr. Russell Vandenberg and Ms. Bayless as ex-officio, the Secretary. She added that later in the meeting staff would ask the Board to consider the appointment of Mr. Don Bethel to the Advisory Council. Ms. Bayless concluded by stating that it gave staff great joy to participate in the Texas Foundations Fund process.

Mr. Dietz and the board thanked staff for their presentations.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on August 16, 2012.

Mr. Romero made a motion to approve the minutes of the August Board Meeting held on August 16, 2012. Ms. Van Hovel seconded the motion. Mr. Dietz called for public comment and none was given. A vote was taken and the motion passed unanimously.

Tab 2 Presentation, Discussion and Possible Approval of the Fiscal Year 2013 Operating Budget.

Ms. Smith reported to the Board that the Audit Committee had voted to recommend the budget to the full Board for approval. Ms. Smith informed them that the salary line item had increased in this year's budget to account for the addition of 2 full time employees and 1 part time employee. She also pointed out that the single family program expenditures had decreased because the New Issue Bond Program (NIBP) was ending and staff did not anticipated closing a new bond transaction this year.

Mr. Romero asked about the reduction in the principle and interest in the single family programs revenue. Ms. Smith explained that this was because some notes had paid off in 2012.

Mr. Dietz noted that the Audit Committee had recommended to the Board the approval of the fiscal year 2013 operating budget. Ms. Van Hovel referenced discussion about the travel expenses during the Audit Committee and Mr. Long explained that the Committee and staff had discussed ways to streamline the travel process. He noted that staff would continue to work internally on developing the process.

Mr. Evenwel requested that any significant fluctuation in budgeted line items be brought to the board's attention. Ms. Smith agreed to provide the board with a budget-to-actual report at the board meetings going forward.

Referring back to the Audit Committee recommendation, Mr. Dietz noted that this tab item didn't need a motion or second. He called for public comment and none was given. A vote was taken and the motion to approve the Fiscal Year 2013 Operating Budget was approved unanimously.

Tab 3 Presentation and Discussion of the Annual Financial and OMB Circular A-133 Audits for the Fiscal Year Ended August 31, 2012.

Ms. Smith stated that the Corporation's auditor Mr. Mikeska had met with the Audit Committee that morning and had provided them with certain communications as required under auditing procedures. Mr. Mikeska introduced himself to the board and reported that the responsibilities of both the management and the auditor during the audit process were discussed at the Audit Committee Meeting. He briefly spoke about the audit reports that would make up the annual financial statements. Mr. Mikeska noted his expectation to begin field work on the audit in mid-October and would report to the board in October or November about his progress. He noted that while the Board had delegated certain responsibilities regarding the audit to the Audit Committee, all board members could ask questions and talk to him regarding the audit.

Tab 4 Presentation, Discussion and Possible Appointment of a Member to the Advisory Council Created by the Board of Directors of the Corporation.

Ms. Bayless explained that staff was asking the Board's approval of the appointment of Mr. Donald R. Bethel to the Advisory Council, filling the last remaining open position. She stated that the resolution presented today would also restate and reaffirm the current members of the Advisory Council.

Ms. Bayless informed the board of Mr. Bethel's past and current experience, including board memberships and positions held. These included his current role as partner of the Bethel Nicks Realty Company in Lamesa, TX and President of the Bethel Group, an affordable housing consulting firm. His experience also included serving on TDHCA's Board of Directors from 1995 to 2001, and serving as Chairman from 1998 to 2000. Other past board memberships included Texas Affiliation of Affordable Housing Providers, National Council of State Housing Agencies (NCSHA) and the Dawson County Central Appraisal District. Mr. Bethel was past Chairman of the Lamesa area Chamber of Commerce and served as both a City Councilman and Mayor of Lamesa. He also served as President of the Lamesa Economic Development Corporation. In addition, he held memberships in the Texas Association of Business, National Association of Realtors, Texas Association of Realtors and the Texas Affiliation of Affordable

Housing Providers. Ms. Bayless concluded that Mr. Bethel had a broad knowledge of affordable housing and record of public service, and staff was pleased with his interest in serving on the Advisory Council of the Texas Foundations Fund. She asked for the Board's appointment of Mr. Bethel as the fifth and final member.

Mr. Romero made a motion to approve Mr. Don Bethel as the newest member of the Texas Foundations Fund Advisory Council. Ms. Van Hovel seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken and motion passed unanimously.

Following the vote, Mr. Evenwel asked about Advisory Council terms, and Ms. Bayless stated that the members served two year terms and were eligible for reappointment. She noted that both Mr. Bethel and Mr. Carriker were new members, Ms. Carrington was in her second year and Mr. Vandenburg had served for a number of years.

Open Meeting

The next board meeting was tentatively scheduled for Thursday, October 11, 2012 at 10:00 am. Ms. Van Hovel thanked Mr. Dietz for serving as Chair of the meeting.

Adjournment

Mr. Dietz adjourned the meeting at 11:09 am.

Respectfully submitted by _____
Laura Ross, Corporate Secretary

MINUTES AND CERTIFICATION

THE STATE OF TEXAS §
 §
TEXAS STATE AFFORDABLE §
HOUSING CORPORATION §

I, the undersigned officer of the Texas State Affordable Housing Corporation, do hereby certify as follows:

1. The Board of Directors of said corporation convened on the 11th day of October, 2012, at the designated meeting place in Austin, Texas, and the roll was called of the duly constituted members of said Board, to wit:

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>
Robert Elliott Jones	Chairperson
Jo Van Hovel	Vice Chairperson
Gerry Evenwel	Director
William H. Dietz	Director
Jerry Romero	Director

and all of said persons were present except _____, thus constituting a quorum. Whereupon, among other business, the following was transacted, to-wit: a written resolution (the "Resolution") bearing the following caption was introduced:

RESOLUTION NO. 12-__

TEXAS STATE AFFORDABLE HOUSING CORPORATION

RESOLUTION Regarding the Submission of One or More Applications for Allocation of Private Activity Bonds to the Texas Bond Review Board for Qualified Mortgage Bonds and Containing Other Matters Incident and Related Thereto

was duly introduced for the consideration of said Board. It was duly moved and seconded that said Resolution be adopted; and, after due discussion, said motion was adopted by the following vote:

___ AYES ___ NOES ___ ABSTENTIONS

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that said Resolution has been duly recorded in said Board's minutes of said meeting; that the above and foregoing paragraph is a true, full and correct excerpt from said Board's

minutes of said meeting pertaining to the adoption of said Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of said Board as indicated therein; that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that said Resolution would be introduced and considered for adoption at said meeting, and each of said officers and members consented, in advance, to the holding of said meeting for such purpose.

SIGNED this October 11, 2012.

Secretary, Texas State Affordable Housing
Corporation

RESOLUTION NO. 12-_____

TEXAS STATE AFFORDABLE HOUSING CORPORATION

RESOLUTION Regarding the Submission of One or More Applications for Allocation of Private Activity Bonds to the Texas Bond Review Board for Qualified Mortgage Bonds and Containing Other Matters Incident and Related Thereto

WHEREAS, the Texas State Affordable Housing Corporation (the "Corporation") has been duly created and organized pursuant to and in accordance with the provisions of the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq. Vernon's Annotated Texas Civil Statutes, as amended and under the authority of Subchapter Y of Chapter 2306, Texas Government Code, as amended (the "Act"), the Corporation is authorized to establish a program to provide eligible mortgages with low-interest home mortgage loans;

WHEREAS, the Board of Directors of the Corporation desires to submit one or more Applications for Allocation of Private Activity Bonds to the Texas Bond Review Board for the calendar year 2012 in connection with qualified mortgage bonds to be converted to mortgage credit certificates;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TEXAS STATE AFFORDABLE HOUSING CORPORATION:

Section 1. That the President of the Corporation or any officer of the Corporation is hereby authorized and directed to execute and deliver one or more 2012 Applications for Allocation of Private Activity Bonds to the Texas Bond Review Board in connection with qualified mortgage bonds to be converted to mortgage credit certificates in an amount not to exceed \$100,000,000.

Section 2. That any officer of the Corporation is authorized and directed to execute and deliver any certificates and documents relating to the application or applications to the Texas Bond Review Board and to take any and all other actions necessary, appropriate or incidental to securing a reservation or reservations for private activity bond allocation from the Texas Bond Review Board.

Section 3. That all orders, resolutions, or any actions or parts thereof of the Board of Directors of the Corporation in conflict herewith are hereby expressly repealed to the extent of any such conflict.

Section 4. That this Resolution shall be in full force and effect from and upon its adoption.

PASSED, APPROVED AND EFFECTIVE this October 11, 2012.

TEXAS STATE AFFORDABLE HOUSING
CORPORATION



INVESTMENT POLICY

TEXAS STATE AFFORDABLE HOUSING CORPORATION

INVESTMENT POLICY

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ATTACHMENT A: CERTIFICATION OF INVESTMENT POLICY

TEXAS STATE AFFORDABLE HOUSING CORPORATION

INVESTMENT POLICY

I. POLICY

It is the policy of Texas State Affordable Housing Corporation (the "Corporation") to invest public funds in a manner which will fulfill, by priority, the following objectives:

- A.** Safety of principal;
- B.** Sufficient liquidity to meet the Corporation's cash flow needs;
- C.** Diversification to reduce market and credit risk;
- D.** A market rate of return for the risk assumed; and
- E.** Compliance with all applicable state statutes governing the investment of public funds, including (i) the Corporation's enabling legislation, Texas Government Code, Section 2306, Subchapter Y, and (ii) the Public Funds Investment Act (the "Act"), Texas Government Code, Section 2256.

II. SCOPE

This Investment Policy ("Policy") applies to all financial assets of the Corporation, except for any promissory notes payable to the Corporation.

III. PRUDENCE

- A.** Prudent Person Standard - Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety and liquidity of their capital as well as the probable income to be derived.
- B.** The standard of prudence to be used by the Investment Officer shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment Officers (hereinafter defined) acting in accordance with the Policy and written procedures and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. OBJECTIVES

The investment portfolio shall be designed with the objective of obtaining reasonable yield throughout budgetary and economic cycles commensurate with the Corporation's investment risk constraints and cash flow needs. A maximum dollar-weighted average maturity (WAM) will be one year which is based on the historic cash flows. The benchmarks for risk in the portfolio shall be the six-month and one-year U.S. Treasury Bills mirroring that WAM. The following are the primary objectives of investment activities in order of priority:

A. Safety of Principal

Preservation and safety of principal is the foremost objective of the investment program. Investments of the Corporation shall be undertaken in a manner that seeks to ensure the preservation of capital. The principal will be protected by limiting credit risk through purchase of high credit quality securities and limiting interest rate risk through a structured portfolio which addresses projected cash flow requirements.

B. Liquidity

Liquidity risk is the risk that funds will not be available to pay liabilities or the inability to sell a security for needed cash. To protect liquidity needs the Corporation will prepare a cash flow analysis to direct investments and limit its maximum final stated maturity to three years. The Corporation's investment portfolio shall contain a liquidity buffer to meet all unanticipated cash flow needs. In addition, securities with active secondary or resale markets will be used to meet unanticipated liabilities.

C. Diversification

The Corporation shall diversify its portfolio to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of investments. Investment shall always be selected that provide for stability of income and reasonable liquidity.

D. Yield

The Corporation's investment portfolio shall be designed with the objective of attaining a reasonable market yield throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow needs of the Corporation. Return on investment is of less importance than the safety and liquidity of the investments. Reasonable yield shall be obtained through competitive bidding on all transactions and comparative analysis of all market alternatives available within the parameters of this Policy.

V. INVESTMENT STRATEGY

- A.** The Corporation may commingle its operating funds for maximum investment efficiency and economy of scale. Interest will be distributed as applicable among the funds. The authorized securities, investments or pools utilized for this portfolio will be of the highest credit quality and marketability supporting the Corporation's objectives of safety, liquidity, diversification, and yield.
- B.** Securities, when not matched to a specific liability, will be short-term and of a liquid nature to provide adequate cash flow for the Corporation. The portfolio shall be diversified to protect against credit and market risk in any one sector. Diversification requirements can be fully met through use of an authorized pool. The weighted average maturity on the pooled investment group will be no greater than one year. Because the funds are pooled for investment purposes, the portfolio will address the varying needs of all funds in the pooled fund.

VI. DELEGATION OF AUTHORITY AND RESPONSIBILITY

A. Board of Directors

- 1. The Board of Directors of the Corporation (the "Board") shall establish the Corporation's Investment Policy, strategies and objectives, review and adopt the Policy and Strategies in accordance with State law annually, obtain such expert advice and assistance with respect to its actions as is necessary to exercise its responsibilities prudently, and monitor the actions of staff and advisors to ensure compliance with this Policy. It is the Board's intention that this Policy be carried out by those persons who are qualified and competent in their areas of expertise.

The Board shall also review and adopt the list of eligible broker/dealers annually and shall receive and review the quarterly investment report. The Board shall designate the Investment Officer(s) by resolution, which shall remain effective until rescinded by the Board or the termination of the Investment Officer's employment by the Corporation. The Board shall also provide for the training required for Investment Officers.

- 2. The delegation of authority as provided below in no way diminishes the Board's ultimate responsibility as the funds' fiduciary.
- 3. Each member of the Board shall attend at least one training session relating to the person's responsibilities under the Act within six months after taking office or assuming duties. Training under this section may be provided by the Texas Higher Education Coordinating Board and include investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, compliance with the Act and compliance with this Policy.

B. Investment Officer(s)

1. The authority to manage the Corporation's investment program is granted to the Chief Executive Officer (CEO) or the President when the CEO and the President is not the same individual. The Board designates the investment officer by resolution along with the responsibility for the operation of the investment program to the Chief Financial Officer as the designated "Investment Officer".
2. The Investment Officer shall be responsible for all transactions undertaken and shall establish internal controls to regulate the activities of subordinate officials. Procedures should include reference to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures may include explicit temporary delegation of authority to persons responsible for investment transactions.
3. The Investment Officer shall establish written procedures for the operation of the investment program consistent with this Policy.
4. The Investment Officer shall attend ten (10) hours of training within twelve (12) months of assuming the position and in each succeeding two-year period and may receive the training from any independent source approved by the Board. Training is to include investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Act.
5. The Investment Officer may temporarily delegate investment responsibilities to subordinate staff. Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions.
6. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Investment Officer.

VII. ETHICS AND CONFLICT OF INTEREST

- A. If an Investment Officer of the Corporation has a personal or business relationship with a business organization offering to engage in an investment transaction with the Corporation (as described in Section 2256.005(i) of the Act), the Investment Officer shall file a statement disclosing that personal business interest with the Board and the Texas Ethics Commission.
- B. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Corporation shall file a statement disclosing that relationship with the Board and the Texas Ethics Commission.

VIII. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS

- A.** The Corporation shall maintain a list with a minimum of three qualified broker/dealers authorized to engage in investment transactions with the Corporation. This list of qualified broker/dealers shall be reviewed, revised and adopted at least annually by the Board.
- B.** Broker/dealers shall, at a minimum, provide information as required by the Investment Officer and provide evidence of Securities and Exchange Commission (SEC) registration and Financial Industry Regulatory Agency (FINRA) membership. Information on the broker/dealers shall be maintained by the Investment Officer or Investment Adviser.
- C.** Financial institutions used for time and demand deposits do not need the prior approval of the Board. The nature of competition for rates in financial institutions within Texas prohibit foreknowledge of applicable financial institutions. These institutions shall, however, fulfill all remaining requirements for authorization including policy certification and depository/collateral contracts, as applicable.
- D.** Any firm (including banks, broker/dealers and pools) offering to engage in an investment transaction with the Corporation shall be provided a copy of this Policy for review and certification of that review. Material changes to the Policy will require re-certification by all counter-parties. A certification in the form attached as Attachment A hereto or in any other form acceptable to the Corporation (a "Certification") shall affirm that the firm:

 - 1. Has received and reviewed this Policy; and
 - 2. Acknowledged that the firm has implemented reasonable procedures and controls in an effort to preclude investment transactions that are not authorized by this Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entire portfolio or requires an interpretation of subjective investment standards.
- E.** The Investment Officer of the Corporation may not buy any securities from a person who has not delivered the signed Certification to the Corporation.
- F.** The brokerage subsidiary of the Corporation's depository banking services bank shall not be used for purchase of securities in order to perfect delivery versus payment (DVP) unless that DVP process can be clearly documented by the firm on all confirmations.
- G.** No less than every five years, the Corporation shall, through a competitive process chose a banking services institution to serve as its primary depository and a custodian for Corporation owned securities.

IX. AUTHORIZED INVESTMENTS

A. Notwithstanding any grant or program limitations to the contrary, the following are authorized investments of the Corporation:

1. **Obligations of the U.S. Government, its agencies and instrumentalities** including collateralized mortgage obligations (CMO). Debentures shall have a stated maturity not to exceed three (3) years. CMOs shall have a stated maturity not to exceed ten (10) years.

2. **Depository Certificates of Deposit** issued by any state or national bank doing business in the State of Texas or a savings bank doing business in the State of Texas to include the CDARS program as defined by the Act and are:

- a. Guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor;
- b. Secured by obligations of the US Government, its agencies and instrumentalities as further defined in Section XIII of this Policy; and
- c. Have a stated maturity not to exceed one year.

3. **Fully collateralized repurchase agreements** and reverse repurchase agreements which:

- a. Have a defined termination date and are executed under the terms of a written Master Repurchase Agreement;
- b. Are secured by collateral defined in Section XIII of this Policy and held by an independent safekeeping agent approved by the Corporation;
- c. Require that the securities being purchased be held in the Corporation's name by an independent custodian approved by the Corporation; and
- d. Are executed with a primary government securities dealer, as defined by the Federal Reserve;

The term of any reverse security repurchase agreement may not exceed 90 days after the date of the reverse. Money received by the Corporation from the reverse security repurchase agreement may be used to acquire authorized investments, but the maturity date of the investment acquired must not be later than the expiration date of the reverse

4. **AAA-rated, SEC registered money market mutual funds.**

- a. A money market mutual fund is an authorized investment if the fund:

- i. Is registered with and regulated by the Securities and Exchange Commission;
 - ii. Has a dollar-weighted average stated maturity of 90 days or fewer; and
 - iii. Includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.
 - b. The Corporation is not authorized to invest its funds or funds under its control in any money market mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund.
5. **Commercial Paper.** Commercial paper is an authorized investment if it:
- a. Has a stated maturity of ninety (90) days or fewer to its stated maturity; and
 - b. Is rated not less than A-1/P-1 or equivalent by at least two nationally-recognized credit rating agencies,
6. **Uncollateralized Guaranteed Investment Contracts.** For funds that are pledged under a trust indenture for bonds issued by the Corporation, investment securities that are permitted under the terms of such trust indenture, including, but not limited to, uncollateralized investment agreements.
7. **Texas Local Government Investment Pools.** Permitted constant dollar investment pools, as defined by the Act, are authorized under this policy if the investment pool:
- a. Is created to function as a money market mutual fund, marks its portfolio to market daily and strives to maintain a \$1 net asset value.
 - b. If it is rated not less than AAA or AAA-m or equivalent rating by at least one nationally recognized rating service.
8. **State and Municipal Obligations.** Obligations of any state and their subdivisions rated A or better by two nationally recognized rating agencies with a stated maturity not to exceed three years.
9. **FDIC Insured Brokered Certificate of Deposit Securities. Brokered Certificate of Deposit Securities** from banks in any US state, delivered versus payment to the Corporation's safekeeping depository, not to exceed one year to maturity. Before purchase the Investment Officer or Investment Adviser must verify the status of the bank on www.2fdic.gov/idasp.main_bankfind/asp to assure that the bank is FDIC insured.

- B. No additional securities or investments are authorized for Corporation use until this Policy has been amended and the amended policy has been adopted by the Board.
- C. All investment transactions shall require competitive bidding.
- D. To minimize loss of principal, securities which are downgraded in credit or become unauthorized after purchase should be monitored on a daily basis and may be sold prior to maturity after a prudent analysis of market conditions.
- E. Security swaps may be utilized for improvement in the quality, yield, or target duration in the portfolio but only if analysis proves a positive horizon value for the swap.
- ~~E.F.~~ Any investment held prior to changes in this Policy that does not meet the guidelines of this Policy shall be exempted from the requirements of this Policy. The Corporation is not required to liquidate investments that were authorized at the time of purchase (Act Section 2256.017). However, at maturity or liquidation, such monies shall be reinvested only as provided by this Policy.

Comment [ltp1]: Moved from loss of rating section.

X. UNAUTHORIZED INVESTMENTS

The following are not authorized investments:

- A. Interest only obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (IO);
- B. Principal only obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (PO); and
- C. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
- D. Inverse floating collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index (Inverses).

XI. DIVERSIFICATION

The Corporation will diversify its investments by security type and institution. With the exception of U.S. Treasury securities, no more than 50% of the Corporation's total investment portfolio will be invested in a single security type or single issuer.

General diversification parameters will include:

<u>Type of Obligation</u>	<u>Maximum Percentage of Total Portfolio</u>
U.S. Obligations	80%
Obligations of U.S. Agencies	80%
Certificates of Deposit (total)	60%
Certificates of Deposit (by institution)	15%
Repurchase Agreements	30%
Money Market Mutual Funds	25%
Commercial Paper (total)	30%
Commercial Paper (by issuer)	10%
Local Government Pool	75%
Banking Accounts	80%

XII. EFFECT OF LOSS OF REQUIRED RATING

An investment that requires a minimum rating under this Policy does not qualify as an authorized investment during the period the investment does not meet or exceed the minimum rating. The Corporation shall take prudent measures that are consistent with its Policy to evaluate possible liquidation of an investment that does not meet or exceed the minimum rating as market conditions dictate (Act Section 2256.021).

The Investment Officer or Investment Adviser shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer or Investment Adviser shall notify the President of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two weeks after the loss of the required rating.

Comment [ltp2]: Moved from internal control section

~~However, the Corporation is not required to liquidate investments that were authorized at the time of purchase (Act Section 2256.017).~~

Comment [ltp3]: Moved to internal control because this is not about loss of rating.

XIII. COLLATERALIZATION

Collateralization will be required on all time and demand accounts above FDIC insurance levels and on repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization margin level will be 102%.

- A.** For time and demand deposits the following securities are authorized as pledged collateral:
1. Obligations of the United States or its agencies and instrumentalities including mortgage backed securities meeting the bank test;
 2. Direct obligations of the State of Texas or its agencies and instrumentalities;
 3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of Texas or the United States or their respective agencies and instrumentalities; and
 4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
- B.** For repurchase agreements, obligations of the U.S. Government, its agencies and instrumentalities including mortgage backed securities are authorized as collateral owned under the transaction:

- C. Collateral for time and demand accounts shall always be held in safekeeping by an independent third party with whom the Corporation has a current custodial agreement executed under the terms of FIRREA (time and demand deposits). A clearly marked evidence of pledge or ownership must be supplied to the Corporation and retained. The Corporation shall grant the right of collateral substitution, subject to receiving prior approval from the Investment Officer.
- D. It shall be the contractual liability of the counter-party pledging or selling the securities to monitor and maintain the appropriate 102% margin daily.
- E. The custodian of the collateral shall provide an independent, detailed listing of the collateral on a monthly basis directly to the Corporation.
- F. Any pooled collateral program proposed to the Corporation shall be reviewed by the Investment Officer(s) for risk/reward but approval of the collateral pool will be by the Board.

XIV. SAFEKEEPING AND CUSTODY

All securities owned by the Corporation will be held by an independent third party custodian approved by the Corporation and under a current custody agreement.

All security transactions will be executed on a Delivery vs. Payment (DVP) basis. This ensures that securities are deposited prior to the release of funds. Securities will be held by an independent third-party custodian and evidenced by safekeeping receipts.

XV. INTERNAL CONTROLS

A. Internal Controls

The Investment Officer is responsible for establishing and maintaining internal controls to ensure that the assets of the Corporation are protected from loss, theft, or misuse. The internal controls shall address the following points:

1. Control of collusion,
2. Separation of transaction authority from accounting and record keeping.
3. Custodial safekeeping.
4. Clear delegation of authority to subordinate staff members.
5. Written confirmation of all transactions.

In developing controls, the concept of reasonable assurance recognizes that:

1. The cost of control should not exceed the benefits likely to be derived; and
2. The valuation of costs and benefits requires estimates and judgments by management.

B. Compliance Audit

At least once every two years, the Corporation shall arrange for a compliance audit of management controls on investments and adherence to this Policy and the Act.

1. The compliance audit shall be performed by the Corporation's internal auditor or by a private auditor.
2. The results of the audit performed under this section shall be presented to the Board.
3. The Corporation shall report the results of the audit performed under this section to the Office of the State Auditor not later than January 1 of each even-numbered year. The report shall be prepared in a manner as prescribed by the Office of the State Auditor.
4. The Corporation shall also report to the Office of the State Auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to the Corporation's investment.

C. Wire Transfers

All wire transfers will be transacted under a written agreement and, if possible, require two sign-offs. This agreement shall delineate controls, security provisions, and responsibilities of each party.

~~The Investment Officer or Investment Adviser shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer or Investment Adviser shall notify the President of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two weeks after the loss of the required rating.~~

Comment [Itp4]: Moved from above in loss of rating.

D. Monitoring FDIC Insurance

The Investment Officer or Investment Adviser shall monitor, on no less than a weekly basis, the status and ownership of all banks issuing brokered CDs owned by the Corporation based upon information from the FDIC. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the

Investment Officer or Investment Adviser shall immediately liquidate any brokered CD which places the Corporation above the FDIC insurance level.

XVI. REPORTING

A. Quarterly Reports

At least quarterly, the Investment Officer shall prepare and present to the Board an investment report, including a summary that provides a clear picture of the status of the current investment portfolio and transactions made over the last quarter. This investment report will be prepared in a manner, which will allow the Board to ascertain whether investment activities during the reporting period have conformed to the Policy. The report must:

1. Describe in detail the investment position on the date of the report;
2. Be prepared jointly by all Investment Officers;
3. Be signed by each Investment Officer;
4. Be prepared in compliance with Generally Accepted Accounting Principles (GAAP) for each fund that states:
 - a. The stated maturity date and call or reset date of each security;
 - b. The book value and market value of each security at the beginning and end of the reporting period by type and market sector;
 - c. Additions and changes in market value during the period;
 - d. Fully accrued interest and total earnings for the reporting period;
 - e. State the fund or pooled group for which each individual investment was acquired; and
5. State the compliance of the investment portfolio as it relates to the investment strategy expressed in this Policy and the Act.

B. Audit Report

An independent auditor shall formally review the investment reports prepared by the Investment Officer under this Policy at least annually and that auditor shall report the result of the review to the Board.

C. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this Policy and the cash flow analysis. The maximum dollar weighted average maturity of the portfolio is one year. In order to measure performance and the level of risk in the portfolio, the benchmarks of the six-month and one year Treasury Bills for the comparable period will be reported quarterly.

D. Market Value

The Investment Officer will obtain market prices used to calculate market value from independent, recognized published sources or from other qualified professionals.

E. Changes to Public Funds Investment Act

The Investment Officer shall present to the Board a report on changes to the Act no later than 180 days after the last regular session of the legislature.

XVII. INVESTMENT POLICY ADOPTION

The Investment Policy shall be reviewed and adopted by resolution of the Board at least annually. The Board must approve and adopt any amendments made thereto. The Board shall adopt by written resolution a statement that it has reviewed the investment policies and strategies and note any changes made.

ATTACHMENT A

**CERTIFICATION OF RECEIPT AND REVIEW OF
TEXAS STATE AFFORDABLE HOUSING CORPORATION INVESTMENT POLICY**

As a qualified representative of the Firm _____ (name of "Firm").

I, and the broker covering the account, acknowledge that we have received and reviewed the Corporation's Investment Policy dated _____.

We acknowledge that the Firm has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Firm and the Corporation that are not authorized by the Corporation's Investment Policy, except to the extent that this authorization is dependent on an analysis of the Corporation's entire portfolio or requires an interpretation of subjective investment standards.

Dated this _____ day of _____, _____.

Signature: _____

Name: _____

Title: _____

**Texas State Affordable Housing Corporation
Authorized Broker/Dealer List**

Fiscal Year 2013

The authorized broker/dealer list for Texas State Affordable Housing Corporation is shown below. Each of these firms, and the individual covering the account, has been or will be sent the Investment Policy. In accordance with the Public Funds Investment Act (TX Gov't Code 2256.005(k)) before any broker/dealer transacts business with the Corporation it will have had to certify in writing to a review of the Policy and have certified that procedures are in place to assure compliance with that Policy. Attachment A of the Policy is the certification form used for this purpose.

The Corporation's Policy establishes specific criteria for the brokers and requires that the list of broker/dealers be approved annually by the Board. Patterson & Associates maintains the brokerage compliance files for the Corporation.

When any material changes are made to the Investment Policy the new Policy is sent out for re-certification.

1. Barclay's Capital
2. Cantor Fitzgerald
3. G.X. Clark
4. Merrill Lynch
5. Mizuho Securities
6. Morgan Stanley
7. Wells Fargo
8. Stiefel Nicolaus
9. Vining Sparks