



**TEXAS STATE AFFORDABLE HOUSING CORPORATION
2013 ANNUAL ACTION PLAN**

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INTRODUCTION

This plan is prepared in accordance with Texas Government Code, Section 2306.566, which requires the Texas State Affordable Housing Corporation (“Corporation”) to develop a plan to address the state’s housing needs. According to Section 2306.0721(g), the Corporation’s Annual Action Plan must be included in the 2013 State Low Income Housing Plan (“SLIHP”) prepared by the Texas Department of Housing and Community Affairs (“TDHCA”).

CORPORATION OVERVIEW

The Texas State Affordable Housing Corporation, created in 1994 by the Texas State Legislature, is a self-sustaining non-profit entity whose mission is to serve the housing needs of low, very low and extremely low-income Texans and other underserved populations who do not have comparable housing options through conventional financial channels. The Corporation’s enabling legislation can be found in Texas Government Code, Chapter 2306, Subchapter Y, Sections 2306.551 et seq.

The Corporation’s only office is located in Austin, Texas. A five-member volunteer Board of Directors, appointed by the Governor, oversees the policies and business of the Corporation. In addition, the Corporation has a five-member volunteer Advisory Council appointed by the Board of Directors. The Advisory Council assists with fundraising activities and reviews and recommends to the Board the funding of grant applications under the Texas Foundations Fund program. None of the Corporation’s programs and operations are funded through the State’s appropriations budget process.

The Corporation is statutorily authorized to issue mortgage revenue bonds and other private activity bonds to finance the purchase and creation of affordable housing. Over the course of its history, the Corporation has utilized over \$880 million in single family and approximately \$169 million in multifamily bonding authority. Bond issuances are used to finance the creation and preservation of affordable multifamily housing and the following first-time homebuyer programs:

- Professional Educators Home Loan Program
- Homes for Texas Heroes Program
- Home Sweet Texas Loan Program
- Mortgage Credit Certificate Program

Using its mission as guidance, the Corporation has developed the following additional programs and activities to help meet the needs for affordable housing in Texas:

- Direct Lending
- Affordable Communities of Texas
- Asset Oversight and Compliance
- Texas Foundations Fund
- Foreclosure Prevention
- Development

CORPORATION OBJECTIVE

Since its inception, the Texas State Affordable Housing Corporation's mission has been to serve the housing needs of low, very low and extremely low-income Texans and other underserved populations.

Given its relatively small size and limited funding sources, the Corporation determined in 2010 it could be more effective in meeting its objective if it defined the underserved populations it will strive to serve. Using feedback from its Board, stakeholders, funders, and staff, the Corporation developed a strategic plan that identifies people with disabilities and people living in rural areas of the state as the populations it will aim to serve.

In 2013, the Corporation's objective will continue to be to seek innovative approaches towards serving the housing needs of low income and underserved populations.

PROGRAM DESCRIPTIONS AND IMPLEMENTATION PLANS

HOMEOWNERSHIP PROGRAMS

Research shows that homeownership provides numerous economic and social benefits to families and their communities. Neighborhoods with higher rates of homeownership often have lower crime rates, more civic participation, better health and educational outcomes for children, and lower rates of teen pregnancy. One study found that homeownership especially benefits children from lower-income families by providing a more stable home life which has shown a positive impact on more engaged parenting and academic success¹.

The Corporation administers the Professional Educators, Homes for Texas Heroes, and Home Sweet Texas Home Loan Programs. These programs are the Corporation's Single Family Mortgage Revenue Bond Programs. The first two programs were established by the Legislature in 2001 and 2003, respectively, and are allocated 10 percent of the State's Private Activity Bond Cap for the purpose of making single family mortgage loans to:

- § Full-time Classroom Teacher, Teacher Aide, School Librarian, School Nurse or School Counselor employed by a public school district in the state of Texas; Full time faculty member of either an undergraduate or graduate professional nursing or allied health program in the State of Texas;
- § Full time, paid Firefighter, Emergency Medical Services Personnel, Peace Officer, Corrections Officer, Juvenile Corrections Officer, County Jailer, or a Public Security Officer working in the State of Texas.

The Corporation created the Home Sweet Texas Home Loan Program in 2006 and it is funded with mortgage revenue bonds (MRBs) not used by other bond issuers after a specified date set by the Legislature and overseen by the Texas Bond Review Board. The Home Sweet Texas Loan Program is available statewide to those at or below 80 percent of the area median family income.

The programs are available statewide on a first-come, first-served basis to homebuyers who wish to purchase a newly constructed or existing home. Borrowers must meet income and purchase price limits set by federal guidelines, while meeting standard mortgage underwriting requirements and demonstrating creditworthiness. The borrower must also occupy the purchased home as their primary residence.

Research has shown that the lack of down payment is often the single issue preventing many from purchasing a home. A recent survey found that 62% of young adults did not have the funds necessary for a down payment². Through each program, eligible borrowers are able to apply for a 30-year fixed-rate mortgage loan and receive down payment assistance in the form of a grant. The programs are accessible to eligible borrowers by directly contacting a participating mortgage lender.

Since the inception of the Professional Educators Home Loan Program in 2001, the Homes for Texas Heroes Home Loan Program in 2003, and the Home Sweet Texas Loan Program in 2006, demand for these programs has increased.

In 2008 the Corporation established the Mortgage Credit Certificate ("MCC") Program as another option for eligible first-time homebuyers. The MCC Program is made possible by converting

¹ Source: National Association of Realtors, Research Division, "Social Benefits of Homeownership and Stable Housing" August 2010, p. 1-14. (This is a synthesis of other studies, not research conducted by the National Association of Realtors)

² Source: "Down Payment Remains Obstacle to Home Ownership." Realtor Magazine, September 2011

Single Family Mortgage Revenue Bonds into mortgage credit certificates. The Corporation's MCC Program serves the same populations as the three home loan programs described above.

Under the MCC Program, the qualified homebuyer can take a portion of the annual interest paid on the mortgage as a special tax credit, up to \$2,000 each year that they occupy the home as their principal residence. An MCC has the potential of saving the homebuyer thousands of dollars over the life of the loan. And although the MCC Program is not a home loan program, the homebuyer is required to have a fixed-rate mortgage loan. To date, the Corporation has served over 5,500 individuals under our Home Loan and MCC Programs.

Every homebuyer who utilizes one of the Corporation's homeownership programs must complete a homebuyer education course prior to closing on the purchase of their home. Several studies show that pre-purchase counseling can significantly reduce the delinquency rate for homeowners who participate as well as improve their financial decision-making over time.³

In 2010, the Corporation created an online educational tool called the Texas Mortgage Calculator that provides step-by-step information on the home buying process, information about mortgage rates, and a glossary of mortgage terms in both English and Spanish. This tool, available on www.tsahc.org, also estimates the potential interest rate a homebuyer can expect based on their FICO score.

In 2012, the Corporation expanded its online resources by creating the Texas Financial Toolbox (www.texasfinancialtoolbox.com). The Texas Financial Toolbox is a web-based resource that gives consumers an easy way to find nonprofit organizations or government entities that can help them achieve their financial and homeownership goals.

Whether consumers want to learn how to better manage their money, find out if they're ready for homeownership, understand the home buying process and the programs that are available to help buy a home, or learn how to avoid foreclosure, the Texas Financial Toolbox is a great place to start. Information about homebuyer programs, homebuyer education classes, financial education, foreclosure prevention and related events is available, all searchable by county and city.

This is a tool that was not previously available in Texas, and the Corporation believes it is providing valuable information to Texas consumers.

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Historically, the Corporation has funded its Homeownership Programs through the tax-exempt bond market by issuing mortgage revenue bonds (MRBs) under its statutory authority. Because the interest income from the bonds was exempt from federal income taxes, investors were willing to purchase the bonds at lower interest rates. These lower borrowing costs allowed the Corporation to use bond proceeds to make mortgage loans with down payment assistance grants to homebuyers at or below market rates.

In the past few years market conditions have created an unusual environment in which taxable mortgage rates are lower than tax-exempt bond rates. As a result the Corporation's cost of borrowing in the tax-exempt bond market is higher than the rate at which the Corporation could competitively offer mortgage loans and down payment assistance grants to homebuyers.

³ Source: Steven P. Hornburg, "Strengthening the Case for Homeownership Counseling: Moving Beyond A Little Bit of Knowledge," Joint Center for Housing Studies, Harvard University, December 2004.

To continue to fulfill its mission of providing mortgage loans and down payment assistance, in early 2012 the Corporation began utilizing non-bond Mortgage Backed Securities (MBS) to fund its home loan programs. Barring any change in tax-exempt bond market conditions, the Corporation plans to continue this approach in 2013.

Although the funding mechanism for the home loan programs has changed, very little has changed for the homebuyer and for the network of lenders the Corporation works with to offer the programs. Tax-exempt bonds did impose certain restrictions as they relate to first-time homebuyer, income and purchase price requirements. These restrictions don't exist with the current funding mechanism. But despite this flexibility the Corporation is keeping all program requirements the same except for removing the first-time homebuyer requirement as a way to assist moderate and low income homebuyers looking to purchase a home again.

Additionally, given the success and demand for the Mortgage Credit Certificate Program, which is funded by converting Single Family Mortgage Revenue Bonds into mortgage credit certificates, the Corporation will continue to provide this program to homebuyers. The funding mechanism for the MCC Program does dictate that the homebuyer must be a first-time homebuyer. However, first-time homebuyers are in a unique position as they can now utilize both the MCC Program and the home loan programs with down payment assistance, something not possible prior to 2012.

Above and beyond the statutory requirements of the programs, the Corporation will work to broaden the reach of the programs through the recruitment of additional lenders, especially in areas of the state with low utilization of the programs.

For many years the Corporation has promoted and supported successful homeownership, not only through its homeownership programs, but by also by supporting the Texas Statewide Homebuyer Education Program (TSHEP), which provides continuing education to housing counselors who provide homebuyer education. TSHEP has historically been administered by the Texas Department of Housing and Community Affairs (TDHCA). Effective September 1, 2012, the Corporation entered into an agreement with TDHCA to administer TSHEP on behalf of the State.

To ensure uniform quality of the homebuyer education provided throughout the state, the Corporation, with support from funders and sponsors, will continue to invest in the education of housing counselors. Housing counselors across the state will have the opportunity to attend weeklong classes that further their skills and certify participants as homebuyer education providers. TSAHC will contract with an education provider to teach housing counselors the principles and applications of comprehensive pre- and post-purchase homebuyer education. To date close to 600 individuals have been certified as homebuyer education providers through the Texas Statewide Homebuyer Education Program.

FORECLOSURE PREVENTION

The Corporation has been in the forefront of foreclosure prevention in Texas since 2008 when it joined federal and state government agencies, financial institutions, consumer advocates and housing counselors to create the Texas Foreclosure Prevention Task Force (Task Force). As part of the Task Force, the Corporation has been involved in outreach activities to delinquent homeowners in Texas who can find themselves losing their home in as little as 41 days once the foreclosure process begins. These outreach initiatives include producing and distributing to housing counselors the Texas Foreclosure Intervention Resource Guide, providing funding to support local foreclosure prevention workshops, and administering a loan modification scam alert campaign to help homeowners identify and avoid mortgage loan modification scams.

In addition, one of the most important things a homeowner facing foreclosure can do is contact a U.S. Department of Housing and Urban Development (HUD) approved housing counselor for foreclosure prevention counseling. Statistics collected on the effectiveness of foreclosure prevention counseling show that counseling is an important tool in helping homeowners avoid foreclosure. A study released in early 2011 by the Urban Institute concludes that homeowners who receive counseling are 70% more likely to avoid foreclosure than homeowners who don't.

Housing counselors are trained to assist homeowners navigate through the options available to them based on their particular circumstance. To support the efforts of the housing counselors the Corporation has raised over \$1 million from private funders to provide outreach activities and reimburse housing counseling agencies for foreclosure prevention counseling they provide struggling homeowners.

In addition, since 2009 the Corporation has partnered with TDHCA to administer the State of Texas' National Foreclosure Mitigation Counseling ("NFMC") Program. The NFMC Program is a federal program that provides funding for foreclosure counseling services. The NFMC Program has provided nearly \$2 million to housing counseling organizations assisting homeowners avoid foreclosure. A combination of private and NFMC funding has allowed participating housing counseling agencies to increase their capacity and ensure counseling services remain free for the homeowners who need them. And since 2009, housing counseling agencies have provided foreclosure prevention counseling to approximately 6,000⁴ Texas homeowners at risk of foreclosure.

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In September 2012 the real estate data firm CoreLogic ranked Texas #3 on the list of states with the highest number of foreclosures. While nationally the number of foreclosures is slowly decreasing, the foreclosure crisis is still very real for many Texas families. And the effects of foreclosure on families and communities are devastating. According to a study released by the Urban Institute, families in foreclosure are more vulnerable to mental and physical health crises than other families⁵. The Urban Institute also found that crime rates are up to three times higher in neighborhoods with high concentrations of foreclosures. Increased crime and vacancy rates have a negative effect on the property values of surrounding homes. The Center for Responsible Lending estimates that each home foreclosure leads to property value decreases of \$7,200 for each surrounding home⁶.

In response to these troubling statistics, the Corporation plans to continue its fundraising efforts to support foreclosure prevention counseling and other foreclosure prevention activities in Texas. The Corporation will continue to partner with housing counseling agencies and elected officials to hold community outreach events. In addition, the Corporation will continue its efforts to directly reach homeowners facing foreclosure through direct mail and marketing online resources such as www.texasfinancialtoolbox.com.

The Corporation also plans to continue working with existing partners by supporting new initiatives adopted by the Task Force's leadership committee in 2012 and partnering with TDHCA to explore any federal funding available for foreclosure prevention in 2013.

⁴ As of October 26, 2012.

⁵ Source: Kingsley, Smith and Price, "The Impacts of Foreclosure on Families and Communities", The Urban Institute, May 2009.

⁶ Source: "Soaring Spillover", Center for Responsible Lending, Harvard University, May 2009.

DIRECT LENDING PROGRAMS

The Corporation's Direct Lending Program provides financing to developers for the construction or redevelopment of housing that serves low, very low and extremely low-income families and individuals. The program provides developers with revolving lines of credit to acquire and redevelop single family homes or rental units, permanent long-term loans for rental developments, and lines of credit for gap financing. The Corporation is also an originator of permanent loans to tax credit developments through the Community Development Trust, a national affordable housing investment fund.

As of August 31, 2012, the Corporation has provided more than \$13 million in loans to create or preserve almost 2,000 units of affordable housing. Our short-term revolving lines of credit have helped build or redevelop 75 single-family homes since 2007. Permanent loans to rental projects account for \$4.9 million in lending for the acquisition or redevelopment of 1,900 rental housing units.

The Corporation also tracks total development costs for each project and uses these numbers to calculate our leveraging impact. Our historical leveraging impact represents more than \$151 million in total development activity through the investment of \$13 million in direct loans to housing development. These figures are also used to calculate job creation from construction related investments and result in a total impact of 1,602 jobs from construction activity.

| Loan Production | 2012 | Total |
|---------------------------------------|-------------|---------------|
| Loans Made | 3 | 19 |
| # of Single Family Homes | 20 | 75 |
| # of Rental Units | 0 | 1900 |
| Total Amount of Loan Funds Approved | \$950,000 | \$13,356,287 |
| Total Value of Constructed Properties | \$1,275,000 | \$151,907,134 |
| Estimated Jobs Created ⁷ | 20 | 1602 |

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The Direct Lending Program is expected to continue to grow over the next several years. Our revolving lines of credit have experienced the most activity during the past fiscal year, as the availability of foreclosed homes and vacant lots has increased opportunities for nonprofits to work in neighborhood stabilization efforts.

AFFORDABLE COMMUNITIES OF TEXAS PROGRAM

When properties remain vacant for an extended period of time after a foreclosure or owner abandonment, they often lead to declining property values and an increase in safety hazards and criminal activity⁸. Case studies have confirmed that land banking stems declining property values and positively impacts the values of surrounding properties⁹.

⁷ Using estimate of \$94,000 per job created, the mid-point of the federal range formula for calculating job creation (\$92,000 -\$96,000)

⁸ Source: "Vacant Properties: The True Cost to Communities" National Vacant Properties Campaign, August 2005.

⁹ Source: Nigel G. Griswold, "The Impacts Of Tax-Foreclosed Properties And Land Bank Programs On Residential Housing Values In Flint, Michigan", Michigan State University, 2006.

The Corporation created the Affordable Communities of Texas (“ACT”) Program, a land bank and land trust program, to help stabilize communities experiencing high rates of foreclosure. The Corporation works in partnership with nonprofit and government agencies across the state to acquire and redevelop foreclosed homes, vacant land and tax foreclosed properties and then sell or rent the homes to low-income families.

Since 2009 the Corporation has increased the number of partners participating in the program from 3 to 24, creating a robust network of local nonprofits covering most parts of the state.

The ACT Program has far exceeded its original targets for funding utilization and unit acquisitions. Using federal Neighborhood Stabilization Program funding (NSP) made available through TDHCA, 302 homes and vacant lots were purchased and are actively being redeveloped by our partners. An additional 100 foreclosed properties have been acquired by the Corporation through direct donations from financial institutions and other funding.

The ACT program’s activities can be broken down into five unique initiatives based on source of funding and targeted use of housing stock. Here is brief summary of each of the five initiatives.

- § ACT Land Banking – This is the Corporation’s general land banking program that includes both purchased and donated properties. Properties are generally redeveloped for affordable housing. If a property is not suitable for redevelopment (i.e. poor location, high cost of redevelopment or other extenuating circumstances), the property will be sold and the funds generated returned to the ACT Program.
- § ACT Land Trust – Properties that are acquired to be part of the land trust program are intended to be held in perpetuity by the Corporation. Homes built or redeveloped on land trust sites may be rented or sold to qualified low-income households.
- § Veteran’s Initiative – This program is a partnership with Bank of America. The Corporation accepts higher value homes through donations from Bank of America that will be redeveloped and sold to qualified U.S. military veterans in Texas.
- § Buyer’s Agent – The Corporation allows our local partners to purchase homes directly from a “first look” foreclosure listing we receive on a weekly basis as a result of our partnership with the National Community Stabilization Trust. Homes recorded under this category are paid for by and transferred directly to our partners.
- § Texas NSP – this category includes only those homes and properties that were acquired using Texas NSP funding.

| Program/Initiative | Properties in 2012 | Total Properties | Asset Value |
|---------------------------|---------------------------|-------------------------|--------------------|
| ACT Land Banking | 78 | 100 | \$1,645,886 |
| ACT Land Trust | 60 | 60 | \$600,000 |
| Veteran’s Initiative | 16 | 16 | \$1,829,582 |
| Buyer’s Agent | 0 | 15 | \$1,122,678 |
| Texas NSP | 37 | 302 | \$4,442,962 |
| Totals | 191 | 493 | \$9,641,108 |

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The ACT program has proven to be a good model for creating affordable housing for low-income families, increasing the capacity of nonprofit partners and providing a viable alternative to traditional property acquisition strategies. In 2013, the Corporation plans to increase its efforts to work with financial institutions to accept donated properties that are suitable for affordable housing. This will require developing partnerships with additional banks.

The Corporation will continue to work with its partner nonprofits to redevelop the properties we have acquired and sell or rent the properties to low-income families.

In addition, the Corporation hopes to add new partner organizations in areas of the state such as the Panhandle, Southeast Texas, and West Texas.

MULTIFAMILY BOND PROGRAMS

The Corporation uses its authority to sell tax-exempt multifamily private activity bonds (PAB) to help affordable housing developers construct or preserve multifamily rental units that fulfill specific housing needs identified each year by the Corporation's Board of Directors. In 2012 those housing needs identified were: the preservation and rehabilitation of at-risk existing affordable multifamily housing; the development or rehabilitation of affordable multifamily housing in rural and smaller urban markets; the development or rehabilitation of senior or supportive affordable multifamily housing; and the development or rehabilitation of disaster relief affordable multifamily housing.

As a conduit issuer, the Corporation has available 10 percent of Texas' multifamily PAB allocation each year. The Corporation makes available to developers its multifamily PAB allocation each year through a Request for Proposal application process.

In 2012, the Corporation issued more than \$71 million in multifamily PABs for the acquisition and rehabilitation of 1,444 affordable rental homes in six communities. The Corporation increased its portfolio of PAB financed multifamily properties to include more than 4,000 total housing units.

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Market conditions for the development of affordable multifamily housing using PABs have improved over the past year. Vacancy rates in most urban markets in Texas reached record lows and building permits have increased more than 30% for multifamily projects versus the same time a year ago¹⁰.

With staff input, the Corporation's Board of Directors will be selecting targeted housing needs by early 2013. The Corporation anticipates continued interest and growth in our PAB program due to improved PAB market conditions, increased demand for affordable multifamily housing and the Corporation's flexible application process and strong underwriting requirements.

ASSET OVERSIGHT AND COMPLIANCE

Asset oversight and compliance monitoring of multifamily properties financed through multifamily tax-exempt bonds is required by many bond issuers, including the Corporation. In addition, the Corporation requires asset oversight and compliance monitoring of multifamily properties financed through its Direct Lending Program. We believe these important reviews are one of the best ways to ensure properties are providing safe and decent affordable housing to their residents.

¹⁰ Texas A&M University Real Estate Center, monthly data on building permits on dwellings with 5 or more units.

Through the activity of asset oversight, the Corporation monitors the financial and physical health of a property and provides suggestions for improvement to property owners and managers. Asset oversight staff conducts an annual on-site inspection of each property and issues an annual report on each property. Reports are submitted to property owners, managers, and other stakeholders and are available online on the Corporation's website: www.tsahc.org.

Compliance monitoring ensures that property owners and managers are providing the required number of affordable units to income-eligible households and that quality resident services are being provided to all residents of the property. The Corporation has an online reporting system that allows each property manager to complete the Certificate of Continuing Program Compliance and report resident services activities monthly. Annual on-site inspections and resident file reviews of affordable units ensure that federal requirements relating to the tax-exempt status of the PABs used to finance the properties are followed.

In 2012, the Corporation provided asset oversight and compliance reviews for 29 bond-financed properties and 1 direct lending property, which totaled 5,212 units.

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The Corporation will continue to provide asset oversight and compliance monitoring services to the properties in its current bond and direct lending portfolio. In 2013 the Corporation anticipates adding a minimum of 6 properties (1444 units) to the portfolio of bond-financed properties monitored by the Corporation.

The Corporation plans to update its compliance policy for 2013. Anticipated changes to the policy include reviewing the fee structure for noncompliance and ensuring all of the Corporation's goals are being met. In addition, the Corporation plans to offer property managers access to a database of ideas for high-quality, free or low cost resident services they can offer.

The Corporation will continue to regularly review its policies to identify ways to improve the performance of the properties in its portfolio. In addition, the Corporation plans to continue to market its asset oversight and compliance capabilities to other housing organizations and public agencies.

TEXAS FOUNDATIONS FUND

The Corporation created the Texas Foundations Fund to improve housing conditions for very low-income Texas households, with a particular emphasis on assisting persons with disabilities and rural communities. The Corporation defines very low-income households as households earning at or below 50% of the area median family income.

Through the Texas Foundations Fund, the Corporation partners with non-profit organizations and rural government entities across Texas to support quality programs that address the critical housing needs of very low-income families and individuals. Selected partners receive grants of up to \$50,000 to support their housing services. The following housing services are eligible for support through the Texas Foundations Fund:

- § The rehabilitation and/or critical repair of owner-occupied, single family homes to remedy unsafe living conditions. Critical repairs may also include accessibility modifications to assist household members with a disability. The Corporation will support the critical repair of single family rental homes only if the homes are owned and operated by the partner receiving funding and if the repairs enhance accessibility for renting households with an individual with a disability.

- § The provision of on-site supportive housing services for residents of rental housing units owned by the partner receiving funding. Eligible supportive housing services include, but are not limited to, the provision of adult education and job services, case management, or mental health counseling offered by an on-site provider.

The Corporation funds its Texas Foundations Fund awards by blending private donations with earned revenue from its affordable housing programs. Prior to each annual funding round, the Corporation's Board of Directors determines the amount available for grants based on revenue and private funding received. The Corporation then publishes the Texas Foundations Fund Guidelines and Application Requirements for public comment, giving stakeholders the opportunity to provide feedback prior to submitting a funding proposal.

Partners are then selected through a competitive application process. Applications for funding are first considered by the Corporation's Advisory Council, whose members are appointed by the Corporation's Board of Directors, with final approval of selected partners determined by the Board of Directors. Since 2008 the Corporation has awarded over \$1.2 million in grants.

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The Corporation anticipates accepting applications for Texas Foundations Fund awards beginning in mid-2013. Prior to the start of the application process, program staff and Advisory Council members will review feedback from stakeholders during the previous funding round to determine if any changes should be made to the Texas Foundations Fund Guidelines and Application Requirements.

The Corporation is making plans to create a sustainable funding source, such as an endowment, for the Texas Foundations Fund. An endowment's principal would generate interest each year that the Corporation would utilize to fund the Texas Foundations Fund awards.

In 2013, the Corporation plans to implement the infrastructure necessary to launch a successful endowment campaign. Specific activities will include conducting a donor/prospect assessment to gauge the giving capacity of the Corporation's current and prospective donors, identifying prospective donors or other sources of funding, developing cultivation strategies for each prospective donor or funding source identified, and developing investment policies that govern how each donor's funds will be invested.

The Advisory Council will play a vital role in identifying and cultivating prospective donors, and the Corporation plans to expand the Advisory Council membership from five to ten members by the end of 2013 with community leaders who possess fundraising experience, who demonstrate commitment to affordable housing programs, and who represent geographic diversity within Texas.

DEVELOPMENT

As a 501(c)(3) nonprofit entity, the Texas State Affordable Housing Corporation actively pursues grants and other investments from corporations, private foundations, individuals and government entities.

Since 2006 the Corporation has actively fundraised for programs such the Texas Foundations Fund, Direct Lending, Affordable Communities of Texas, Foreclosure Prevention and the Texas Statewide Homebuyer Education Program. And since 2006 the Corporation has raised over \$3 million in grants and PRIs from corporations, individuals and foundations.

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In addition to continuing to apply for grants and program-related investments from existing supporters, the Corporation plans to expand its development or fundraising efforts in 2013 to add new funding partners. The Corporation's Advisory Council members play a significant role in the Corporation's development efforts. In 2013 the Corporation plans to expand the membership of the Advisory Council to include representation from every region of the state in an effort to increase awareness of the Corporation's programs and to foster relationships with potential funding partners.

In 2013 the Corporation will endeavor to put in place initial necessary steps to create sustainable funding sources for its Direct Lending and Texas Foundations Fund programs. Consistent funding for both of these programs will further the Corporation's ability to assist underserved populations attain affordable housing.