

Official Board Packet



Texas State Affordable Housing Corporation

Board Retreat
To be held at the
Barton Creek Resort and Spa
8212 Barton Club Drive, Rayburn Room
Austin, Texas 78735

August 11 & 12, 2005
Beginning at 2:00 pm August 11, 2005

BOARD RETREAT
TEXAS STATE AFFORDABLE HOUSING CORPORATION
To be held at the
Barton Creek Resort and Spa
8212 Barton Club Drive
Rayburn Room
Austin, Texas 78735
August 11 & 12, 2005
Beginning at 2:00 pm August 11, 2005

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

Jerry Romero
Chair

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

ACTION ITEMS IN OPEN MEETING:

- Tab 1** Board Retreat Introductions
- Tab 2** Discussion Regarding Possible Corporate Governance Changes, Including a Review of the Corporation's Articles and Bylaws
- Tab 3** Discussion of a Corporate Business Plan with Regard to Accounting and Loan Servicing.
- Tab 4** Discussion of a Corporate Business Plan with Regard to Single Family Programs (Bond Programs, Affordable Homeownership Program, Other Single Family Programs)
- Tab 5** Discussion of a Corporate Business Plan with Regard to Multifamily Programs (Private Activity Bond Program, Direct Lending Program, 501(c)(3) Bond Program, Asset Oversight and Compliance, Other Multifamily Programs)
- Tab 6** Discussion of a Corporate Business Plan with Regard to Fundraising/Grant Program (including a presentation made by Gregory Perrin of Greenlights for Nonprofit Success)

PUBLIC COMMENT

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 Smith, ADA Responsible Employee, at 512-477-3555, x 400 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.

VISION:

That every Texan has the opportunity to live in safe, decent, and affordable housing.

MISSION:

The Texas State Affordable Housing Corporation serves the housing needs of low, very low and extremely low-income Texans and other underserved populations, as defined by the Texas Legislature, who do not have comparable housing options through conventional financial channels.

GOALS:

To promote statewide partnerships that leverage public/private resources for the creation, preservation and/or redevelopment of affordable housing.

To increase lending and housing production in rural and underserved markets.

To develop loan products, financing options and special programs not available through conventional lenders.

To supplement the technical and financial capacity of other appropriate nonprofit organizations to provide for the multifamily and single-family housing needs of individuals and families of low, very low, and extremely low income.

To achieve and ensure the Corporation's self-sufficiency.

AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF THE
TEXAS STATE AFFORDABLE HOUSING CORPORATION

Pursuant to the provisions of Article 1396, Section 4.06 of the Texas Non-Profit Corporation Act (the “Non-Profit Corporation Act”), the undersigned Texas non-profit corporation adopts the Amended and Restated Articles of Incorporation set forth herein, restating the entire Articles of Incorporation as amended and supplemented by all certificates of amendment previously issued by the Secretary of State, and as further amended by these restated Articles of Incorporation.

1. The following amendments made by these Amended and Restated Articles of Incorporation were adopted by resolution of the Board of Directors on October 15, 2004, by the vote of a majority of the directors in office and effected in conformity with the provisions of the Act, there being no members having voting rights:

An amendment to ARTICLE TEN deleting the article and substituting in its place a new ARTICLE TEN to list the current Directors and set forth certain statutory anti-discrimination provisions applicable to the appointment of directors.

2. These Amended and Restated Articles of Incorporation accurately copy the initial Articles of Incorporation and all amendments thereto that are in effect to date and as further amended by these Amended and Restated Articles of Incorporation and these Amended and Restated Articles of Incorporation contain no other change in any provision thereof.

3. The Articles of Incorporation of the Corporation are amended and restated in their entirety to read as follows:

ARTICLE ONE

The name of the Corporation is Texas State Affordable Housing Corporation (the “Corporation”).

ARTICLE TWO

The Corporation is a non-profit corporation.

ARTICLE THREE

The period of duration of the Corporation is perpetual.

ARTICLE FOUR

The Corporation is organized and shall be operated and administered for the promotion of public health, safety and welfare as follows:

(a) The public purpose of the Corporation is to perform such activities and services that the Corporation’s Board of Directors determines will promote the public health,

safety, and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income, and for professional educators under the Professional Educators Home Loan Program as provided by Section 2306.562, Government Code, and for fire fighters and police officers under the Fire Fighters and Police Officers Home Loan Program as provided in Section 2306.563, Government Code. The activities and services shall include engaging in mortgage banking activities and lending transactions and acquiring, holding, selling, or leasing real or personal property.

(b) The Corporation's primary public purpose is to facilitate the provisions of housing and the making of affordable loans to individuals and families of low, very low and extremely low income, and for professional educators under the Professional Educators Home Loan Program, and for fire fighters and police officers under the Fire Fighters and Police Officers Home Loan Program. The Corporation may make first lien, single family purchase money mortgage loans for single family homes to individuals and families of low, very low and extremely low income if the individual's or family's household income is not more than the greater of 60 percent of the median income for the state of Texas, as defined by the United States Department of Housing and Urban Development, or 60 percent of the area median family income, adjusted for family size, as defined by that department. The Corporation may also facilitate the provision of low-interest home mortgage loans to eligible professional educators as provided in accordance with the requirements, qualifications and restrictions of the Professional Educators Home Loan Program. The Corporation may make loans for multifamily developments if:

(1) at least 40 percent of the units in a multifamily development are affordable to individuals and families with incomes at or below 60 percent of the median family income, adjusted for family size: or

(2) at least 20 percent of the units in a multifamily development are affordable to individuals and families with incomes at or below 50 percent of the median family income, adjusted for family size.

(c) To the extent reasonably practicable, the Corporation shall use the services of banks, community banks, savings banks, thrifts, savings and loan associations, private mortgage companies, nonprofit organizations, and other lenders in providing credit primarily to individuals and families of low, very low, and extremely low income.

(d) The Corporation shall also perform such other functions as may be necessary or appropriate to fulfill the purpose of the Corporation.

The broadest discretion is vested in and conferred upon the Board of Directors for the accomplishment of these purposes.

ARTICLE FIVE

The Corporation's powers are as follows:

(a) The Corporation has the powers provided for the Texas Department of Housing and Community Affairs (the “Department”) as set forth in the Government Code.

(b) In addition to the powers set forth in subsection (a), the Corporation has all rights and powers necessary to accomplish its public purpose, including the powers to:

(1) purchase, service, sell, lend on the security of, or otherwise transact in:

(A) mortgages, including federal mortgages and federal insured mortgages;

(B) mortgage loans;

(C) deeds of trust; and

(D) loans or other advances of credit secured by liens against manufactured housing;

(2) guarantee or insure timely payment of mortgage loans and loans or other advances of credit secured by liens against manufactured housing, provided that the Corporation’s liability on that guaranty or insurance is limited to the assets of a guaranty fund or self-insurance fund established and maintained by the Corporation;

(3) make mortgage loans and loans or other advances of credit secured by liens against manufactured housing to individuals and families of low income;

(4) make mortgage loans to provide temporary or permanent financing or refinancing for housing or land development, including refunding outstanding obligations, mortgages, or advances issued for those purposes;

(5) borrow, give security, pay interest or other return, or issue bonds or other obligations, including notes, debentures, or mortgage backed securities, provided that each bond or other obligations issued by the Corporation must contain a statement that the state is not obligated to pay the principal of or any premium or interest on the bond or other obligation and that the full faith and credit and the taxing power of the state are not pledged, given, or loaned to the payment;

(6) acquire, hold, invest, use, pledge, reserve, and dispose of its assets, revenues, income, receipts, funds, and money outside the state, subject to the terms of any resolution, indenture, or other contract under which any bonds or other obligations are issued or any guaranty or insurance is provided;

(7) establish, charge, and collect fees, charges, and penalties in connection with the programs, services, and activities of the Corporation;

(8) procure insurance and pay premiums on insurance of any type, in amounts, and from insurers as the Corporation's Board of Directors considers necessary and advisable to further the Corporation's public purpose, including, subject to Government Code, Section 2306.554(e), liability insurance for the members of the Corporation's Board of directors and the officers and other employees of the Corporation;

(9) make, enter into, and enforce contracts, agreements, leases, indentures, mortgages, deeds, deeds of trust, security agreements, pledge agreements, credit agreements, and other instruments with any person, including a mortgage lender, servicer, housing sponsor, the federal government, or any public agency, on terms the Corporation determines may be acceptable;

(10) own, rent, lease, or otherwise acquire, accept, or hold real, personal, or mixed property, or any interest in property, by purchase, exchange, gift, assignment, transfer, foreclosure, mortgage, sale, lease, or otherwise and hold, manage, operate, or improve real, personal, or mixed property, regardless of location;

(11) sell, lease, encumber, mortgage, exchange, donate, convey, or otherwise dispose of any or all of its properties or any interest in its properties, deeds of trust, or mortgage lien interest owned by it or under its control or custody; or in its possession, and release or relinquish any right, title, claim, lien, interest, easement, or demand, however acquired, including any equity or right of redemption in property foreclosed by it, by public or private sale, with or without public bidding;

(12) lease or rent any improvements, lands, or facilities from any person;

(13) request, accept, and use gifts, loans, donations, aid, guaranties, allocations, subsidies, grants, or contributions of any item of value to further its public purpose;

(14) exercise the rights and powers of a nonprofit corporation incorporated under the Non-Profit Corporation Act;

(15) delegate to a member of the Corporation's Board of Directors or to an employee of the Corporation the authority to enter into a contract to issue bonds or other obligations for the Corporation;

(16) administer, direct and operate the Professional Educators Home Loan Program in accordance with the provisions of Section 2306.562, Government Code, and the Fire Fighters and Police Officers Home Loan Program in accordance with the provisions of Section 2306.563, Government Code; and

(17) supplement the technical and financial capacity of other appropriate non-profit organizations to provide for the multifamily and single-family housing needs of individuals and families of low, very low, and extremely low income.

(c) In exercising the foregoing powers, the Corporation shall not actively compete with private lenders and shall not originate or make a loan that would be made under the same circumstances by a private lender on substantially the same or better terms within the submarket in which the loan is proposed to be made.

(d) The mortgage banking operations shall be dedicated to the furtherance of facilitating affordable housing finance primarily for the benefit of individuals and families of low, very low and extremely low income who generally are not afforded housing finance options through conventional lending channels, and for eligible professional educators under the Professional Educators Home Loan Program, and for eligible fire fighters and police officers under the Fire Fighters and Police Officers Home Loan Program.

(e) The Corporation may contract with the Department and with bond counsel, financial advisors, underwriters, or other providers of professional or consulting services.

(f) The Corporation shall pay its expenses from any available fund without resort to the general revenues of the state, except as specifically appropriated by the legislature.

(g) The Department may not transfer any funds to the Corporation to support the administration of the Corporation or to subsidize its operations in any way. The department shall be fully compensated by the Corporation for any property or employees that are shared by the Corporation and the department, and it is the intent of the legislature that no employees be shared beyond the time at which such sharing is absolutely necessary. This subsection does not prohibit the Corporation from receiving grants, loans, or other program funds of a kind that are available to other nonprofit corporations, or from using that portion of the program funds that are allowed for administration of the program for administrative purposes.

(h) Transfers of property from the Department to the Corporation shall be fully compensated.

ARTICLE SIX

The Corporation has no members and no stock.

ARTICLE SEVEN

No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in these ARTICLES. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible

under section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

ARTICLE EIGHT

All matters pertaining to the internal affairs of the Corporation shall be governed by the bylaws of the Corporation provided that such bylaws shall be consistent with these Amended and Restated Articles of Incorporation, applicable law, and any resolutions of the Board of Directors of the Corporation. Such bylaws and any amendments thereto shall be adopted by a majority vote of the Board of Directors.

ARTICLE NINE

The street address of the Corporation's registered office is 1005 Congress Avenue, Suite 500, Austin, Texas 78701, and the name of its registered agent at such address is David Long.

ARTICLE TEN

The Board of Directors shall consist of five members appointed by the Governor, as set out in Government Code Section 2306.554. The current Board of Directors is comprised of:

Christopher DeCluitt,
Thomas Leeper,
Charles Rencher,
Jerry Romero, and
Jo Van Hovel.

The address of each member of the Board of Directors is 1005 Congress Avenue, Suite 500, Austin, Texas 78701. Appointments to the board of directors of the corporation shall be made without regard to the race, color, disability, sex, religion, age, or national origin of the appointees.

ARTICLE ELEVEN

Intentionally left blank.

ARTICLE TWELVE

These Amended and Restated Articles of Incorporation may at any time and from time to time be amended in the manner provided in the Non-Profit Corporation Act by affirmative vote of a majority of the Board of Directors.

ARTICLE THIRTEEN

The Corporation's assets are dedicated to the public purposes described in these Articles and upon the dissolution of the Corporation, its remaining assets shall be distributed to the Texas

Department of Housing And Community Affairs as directed by Article 2306.558(c) of the Texas Government Code.

ARTICLE FOURTEEN

Directors and officers of the Corporation shall be indemnified by the Corporation to the maximum extent permitted pursuant to Article 1396-2.22A of the Non-Profit Corporation Act, as it may be amended from time to time, or any other appropriate law in connection with any actual or threatened action or proceeding (including civil, criminal, administrative or investigative proceedings) arising out of their service to the Corporation or to another organization or enterprise at the Corporation's request. The liability of the directors, officers and employees of the corporation is limited by Section 2306.561 of the Texas Government Code. Neither the amendment nor repeal of this ARTICLE FOURTEEN shall affect any right of protection of a person with respect to any act or omission occurring prior to the time of such repeal or modification. The indemnification provided by this ARTICLE FOURTEEN shall not be deemed exclusive of any other rights to which a director or officer or former director or officer may be entitled under any bylaw, agreement, insurance policy or otherwise.

ARTICLE FIFTEEN

The Corporation shall be governed by and in accordance with the provisions of the Non-Profit Corporation Act except as specifically provided otherwise under Chapter 2306, Subchapter Y of the Government Code.

EXECUTED this _____ day of October 2004.

TEXAS STATE AFFORDABLE HOUSING CORPORATION

By: _____
Name: _____
Title: _____

**EIGHTH AMENDED AND RESTATED BYLAWS OF
TEXAS STATE AFFORDABLE HOUSING CORPORATION**

ARTICLE I

STRUCTURE, MEMBERS AND PURPOSES

Section 1.1. Structure and Members. Texas State Affordable Housing Corporation (the “Corporation”) is a non-profit corporation organized under the laws of the State of Texas, and has no members within the meaning of the Texas Non-Profit Corporation Act, TEX. REV. CIV. STAT. ANN. Art. 1396 (Vernon 1980) (the “Non-Profit Corporation Act”). The creation of the Corporation was authorized by V.T.C.A., Government Code, Chapter 2306, Subchapter Y (the “Government Code”). The Articles of Incorporation, as amended from time to time (the “Articles of Incorporation”), were originally filed in the office of the Secretary of State of Texas on May 6, 1994.

Section 1.2. Purposes. The purposes for which the Corporation is organized and to be operated are as set forth in the Articles of Incorporation.

ARTICLE II

BOARD OF DIRECTORS

Section 2.1. Powers. The property, business, and affairs of the Corporation shall be managed by the Board of Directors, and subject to the restrictions imposed by law, the Articles of Incorporation, and these Bylaws.

Section 2.2. Appointment, Number, Chair and Vice Chair. The Board of Directors shall consist of five members appointed by the Governor of the State of Texas. The Governor of the State of Texas shall designate the Director that will serve as Board Chair. The Board of Directors shall designate the Director who will serve as Vice Chair.

Section 2.3. Powers and Duties of the Board Chair. The Board Chair shall preside at all meetings of the Board of Directors, and shall have such other powers and duties as may be described in these Bylaws or assigned from time to time by the Board of Directors.

Section 2.4. Powers and Duties of the Vice Chair of the Board. In the absence of the Board Chair, or in the event of his or her inability or refusal to act, a Vice Chair of the Board shall preside at all meetings of the Board of Directors. He or she shall also have such other powers and duties as may be designated in the Bylaws and as may be assigned from time to time by the Board of Directors.

Section 2.5. Terms. Directors shall serve staggered six year terms, with the terms of one or two Directors expiring February 1 of each odd-numbered year. Notwithstanding the foregoing: the Governor of the State of Texas shall make five

appointments to the Board of Directors. One Director shall serve for a term expiring February 1, 2005, two Directors shall serve for terms expiring February 1, 2007, and two Directors shall serve for terms expiring February 1, 2009.

Section 2.6. Meetings of Directors. The Board of Directors may hold meetings, maintain an office, and keep the Corporation's books and records at such place or places as the Board of Directors may from time to time determine, provided that in the absence of any such determination by the Board of Directors, the meetings shall be held at the principal office of the Corporation.

Section 2.7. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by the Board Chair or a majority of the Board of Directors.

Section 2.8. Special Meetings. Special meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by the Board Chair or by a majority of the Board of Directors then in office.

Section 2.9. Notice of Meetings. Notice of regular or special meetings will be given to each Director, and to the public pursuant to the provisions of Section 2306.039 of the Government Code or the applicable law in effect at the time such meeting is to be held.

Section 2.10. Quorum and Voting. A majority of the then acting Directors shall constitute a quorum for consideration of matters pertaining to the purposes of the Corporation. The vote of a majority of the Directors present at the meeting at which a quorum is in attendance shall constitute the act of the Board of Directors, unless the act of a greater number is required by law, the Articles of Incorporation, or the Bylaws; or unless the vote of fewer Directors is allowed to approve a transaction under Article 2.30 of the Texas Non-Profit Corporation Act as amended from time to time.

Section 2.11. Conduct of Business. At meetings of the Board of Directors, matters pertaining to the purposes of the Corporation shall be considered in such an order as from time to time the Board of Directors may determine or as required by law. At all meetings of the Board of Directors, the Board Chair shall preside, and in the absence of the Board Chair, the Vice Chair, and in the absence of the Vice Chair, the President shall preside, and in the absence of the President, a chair shall be chosen by the Board of Directors from among the Directors present. The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the Board Chair may appoint any person to act as secretary of the meeting.

Section 2.12. Compensation of Directors: Expenses. A member of the Corporation's Board of Directors is not entitled to compensation but is entitled to reimbursement of travel expenses incurred by the member while conducting the business of the board to the same extent provided by the Texas General Appropriations Act for a member of a state board.

Section 2.13. Committees of Directors. The Board of Directors may from time to time designate members of the Board of Directors to constitute committees that shall have and may exercise such powers as a majority may determine in the resolution that creates the committee.

Section 2.14. Removal of Directors.

(a) It is a ground for removal from the Board of Directors of the Corporation that a Director:

(1) does not have at the time of taking office or maintain during his or her term the qualifications required by Section 2306.554;

(2) is or becomes ineligible for membership under Section 2.16 of these Bylaws;

(3) cannot, because of illness or disability, discharge the member's duties for a substantial part of the member's term; or

(5) is absent from more than half of the regularly scheduled board meetings that the member is eligible to attend during a calendar year without an excuse approved by a majority vote of the Board of Directors.

(b) The validity of an action of the Board of Directors of the Corporation is not affected by the fact that it is taken when a ground for removal of a board member exists.

(c) If the President of the Corporation has knowledge that a potential ground for removal exists, the President shall notify the presiding officer of the Board of Directors of the potential ground. The presiding officer shall then notify the Governor of the State of Texas and the Attorney General that a potential ground for removal exists. If the potential ground for removal involves the presiding officer, the President shall notify the next highest ranking officer of the Board of Directors, who shall then notify the governor and the Attorney General that a potential ground for removal exists.

Section 2.15 Training of Directors.

(a) A person who is appointed to and qualifies for office as a member of the Corporation's Board of Directors may not vote, deliberate, or be counted as a member in attendance at a meeting of the Board until the person completes a training program that complies with Section 2306.5543 of the Texas Government Code.

(b) The training program must provide the person with information regarding:

(1) the legislation that created the Corporation and the Corporation's Board of Directors;

(2) the programs operated by the Corporation;

- (3) the role and functions of the Corporation;
- (4) the rules of the Corporation with an emphasis on the rules that relate to disciplinary and investigatory authority;
- (5) the current budget for the Corporation;
- (6) the results of the most recent formal audit of the Corporation;
- (7) the requirements of:
 - (A) the Texas Open Meetings law (*See* Chapter 551 of the Texas Government Code);
 - (B) the Texas Public Information law (*See* Chapter 552 of the Texas Government Code);
 - (C) the Texas Administrative Procedure law, (*See* Chapter 2001 of the Texas Government Code); and
 - (D) other laws relating to public officials, including conflict-of-interest laws; and
- (8) any applicable ethics policies adopted by the Corporation or the Texas Ethics Commission.

Section 2.16 Director Conflict Of Interest.

(a) The Board of Directors of the Corporation shall develop and implement policies relating to employee conflicts of interest that are substantially similar to comparable policies that govern state employees.

(b) A person may not be a member of the Corporation's Board of Directors and may not be a Corporation employee employed in a "bona fide executive, administrative, or professional capacity," as that phrase is used for purposes of establishing an exemption to the overtime provisions of the federal Fair Labor Standards Act of 1938 (29 U.S.C. Section 201 et seq.), and its subsequent amendments, if:

(1) the person is an officer, employee, or paid consultant of a Texas trade association in the field of banking, real estate, housing development, or housing construction; or

(2) the person's spouse is an officer, manager, or paid consultant of a Texas trade association in the field of banking, real estate, housing development, or housing construction.

(c) A person may not be a member of the Corporation's Board of Directors or act as the general counsel to the Board of Directors or the Corporation if the person is

required to register as a lobbyist under Chapter 305 because of the person's activities for compensation on behalf of a profession related to the operation of the Corporation.

(d) In this section, "Texas trade association" means a cooperative and voluntarily joined statewide association of business or professional competitors in this state designed to assist its members and its industry or profession in dealing with mutual business or professional problems and in promoting their common interest.

Section 2.17 Director Standards of Conduct. The President of the Corporation or the president's designee shall provide to members of the Board of Directors of the Corporation and to Corporation employees, as often as necessary, information regarding the requirements for office or employment under Subchapter Y of Chapter 2306 of the Texas Government Code including information regarding a person's responsibilities under applicable laws relating to standards of conduct for state officers or employees.

ARTICLE III

OFFICERS

Section 3.1. Number, Titles and Term of Office. The Officers of the Corporation shall include a President and a Secretary, and may also include a Chief Operating Officer, an Executive Vice President, one or more Vice Presidents, one or more Assistant Vice Presidents, a Chief Financial Officer, a Treasurer, and such other officers as the Board of Directors may from time to time appoint or ratify. Any two or more offices may be held by the same person, except the offices of President and Secretary, which may not be held by the same person.

Section 3.2. Election. The Board of Directors shall appoint or ratify the Corporation's officers each year.

Section 3.3. Removal. Any officer or agent who is hired, elected, appointed, or ratified by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the individual so removed. Employment, election, appointment, or ratification of an officer or agent shall not of itself create contract rights.

Section 3.4. Vacancies. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors, and vacant offices other than the office of President may be initially filled by the President.

Section 3.5. Powers and Duties of the President. The President shall have general executive charge, management, and control of the day-to-day business and operations of the Corporation with all powers as may be reasonably incident to such responsibilities. The President shall have the authority to execute all bonds, mortgages, leases, contracts, evidences of indebtedness, and other obligations in the name of the Corporation. The President shall have such other powers and duties as may be designated in these Bylaws and as may be assigned to such officer from time to time by the Board of Directors. The Board of Directors may limit or expand the authority of the

President. So long as no officer of the Corporation holds the title of President, or in the absence of the President, or in the event of his or her inability or refusal to act, the Chief Operating Officer shall hold and exercise all of the powers and duties of the President.

Section 3.6. Powers and Duties of a Vice President. A Vice President shall have such powers and perform such duties as may be delegated to him or her by the President, or as may be otherwise prescribed by the Board of Directors from time to time. The Vice President(s) shall be under the supervision of and report to the President.

Section 3.7. Powers and Duties of the Chief Financial Officer. The Chief Financial Officer shall be under the supervision of and report to the President and shall be responsible for developing and maintaining the necessary procedures for all reporting and audit requirements (including those required by the provisions of Sections 2306.559 and 2306.560 of the Government Code); for the financial control of the business and for the safeguarding of assets; for directing internal auditing; for seeing that all necessary accounting activities are developed and maintained; for directing the preparation and interpretation of consolidated financial statements; for directing studies of administrative and office systems and procedures; for developing data processing; and for recommending changes in accounting, or auditing.

Section 3.8. Powers and Duties of the Secretary. The Secretary shall attend all sessions of the Board of Directors and record all votes and the minutes of all proceedings in a book to be kept for that purpose. He or she shall give, or cause to be given, notice of all meetings of the Board of Directors and shall perform such other duties as may be determined by the Board of Directors.

Section 3.9. Powers and Duties of the Treasurer. The Treasurer shall have the custody of all of the Corporation's funds and securities that come into such officer's hands. When necessary or proper, the Treasurer may endorse or cause to be endorsed, in the name and on behalf of the Corporation, checks, notes, and other obligations for collection and shall deposit or cause to be deposited the same to the credit of the Corporation in such bank or banks or depositories and in such manner as shall be designated and prescribed; may sign or cause to be signed all receipts and vouchers for payments made to the Corporation either alone or jointly with such other officer as may be designated by the Board of Directors; shall render or cause to be rendered a statement of the cash account; shall enter or cause to be entered regularly in the Corporation's books to be kept by such officer for that purpose full and accurate accounts of all moneys received and paid out on account of the Corporation; shall perform all acts incident to the position of Treasurer subject to the oversight of the Board of Directors; and shall give such bond for the faithful discharge of such officer's duties in such form as the Board of Directors may require. One or more Assistant Treasurers may be elected to have such powers and perform such duties as may be delegated to him or her by the Treasurer, or as may be otherwise determined by the Board of Directors from time to time.

ARTICLE IV

PROVISIONS REGARDING BYLAWS

Section 4.1. Effective Date. These Bylaws shall become effective upon the adoption of these Bylaws by the Board of Directors.

Section 4.2. Amendments to Bylaws. These Bylaws may be amended at any time and from time to time in accordance with the Non-Profit Corporation Act by majority vote of the Board of Directors.

Section 4.3. Interpretation of Bylaws. These Bylaws shall be liberally construed to effectuate the purposes set forth herein. If any word, phrase, clause, sentence, paragraph, section, or other part of these Bylaws, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of these Bylaws and the application of such word, phrase, clause, sentence, paragraph, section, or other part of these Bylaws to any other person or circumstances shall not be affected thereby.

ARTICLE V

GENERAL PROVISIONS

Section 5.1. Principal Office. The principal office of the Corporation shall be located at 1005 Congress Avenue, Suite 500, Austin, Texas 78701. Its mailing address is P.O. Box 12637, Austin, Texas 78711-2637.

Section 5.2. Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

Section 5.3. Seal. The Corporation shall not have a seal.

Section 5.4. Notice and Waiver of Notice. Whenever any notice is required to be given by mail under the provisions of these Bylaws, such notice shall be deemed to be delivered when deposited in the United States Mail in a sealed postpaid wrapper addressed to the person entitled thereto at such person's post office address, as such appears in the records of the Corporation, and such notice shall be deemed to have been given on the day of such mailing. A waiver of notice in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

Section 5.5. Public Notice. Public notice shall be given to the public pursuant to Section 2306.039 of the Government Code which references V.T.C.A., Government Code, Chapters 551 and 552.

Section 5.6. Resignations. Any Director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the President or Secretary.

The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5.7. Dissolution of the Corporation. On dissolution of the Corporation, the funds and properties previously owned by the Corporation shall be transferred to the Texas Department of Housing and Community Affairs, its successors or assigns in accordance with the Articles of Incorporation.

ARTICLE VI

INDEMNIFICATION

Section 6.1. Indemnification. Directors and officers of the Corporation shall be indemnified by the Corporation to the maximum extent permitted pursuant to Article 1396-2.22A of the Non-Profit Corporation Act, as it may be amended from time to time, or any other appropriate law in connection with any actual or threatened action or proceeding (including civil, criminal, administrative, or investigative proceedings) arising out of their service to the Corporation or to another organization or enterprise at the Corporation's request. The liability of the Directors, officers, and employees of the Corporation is limited by Section 2306.561 of the Texas Government Code. The indemnification provided by this Section 6.1 shall not be deemed exclusive of any other rights to which a Director or officer or former Director or officer may be entitled under any bylaw, agreement, insurance policy, or otherwise.

Section 6.2. Appearance as a Witness. Notwithstanding any other provision of this Article VI, the Corporation, based on a majority vote of disinterested Directors as provided in these Bylaws, may pay or reimburse expenses incurred by an indemnified person in connection with his or her appearance as a witness or other participation in a proceeding at a time when he or she is not named defendant or respondent in the proceeding.

Section 6.3. Nonexclusivity of Rights. The right to indemnification described in this Article VI and the permissive advancement and payment of expenses described in Section 6.2 shall not be exclusive of any other right which an indemnified person may have or hereafter acquire under any law (common or statutory), the Articles of Incorporation, the Bylaws, any agreement, a majority vote of disinterested Directors as provided in these Bylaws, or otherwise.

Section 6.4. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself or any indemnified person, whether or not the Corporation would have the power to indemnify such person against such expense, liability, or loss under this Article.

Section 6.5. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each indemnified person as to costs, charges, and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal

administrative, or investigative, to the full extent permitted by any applicable portion of this Article VI that shall not have been invalidated and to the fullest extent permitted by applicable law. Neither the amendment nor repeal of this Article shall affect any right of protection of a person with respect to any act or omission occurring prior to the time of such repeal or modification.

CERTIFICATE OF OFFICER

I hereby certify that these Seventh Amended and Restated Bylaws were adopted by the Board of Directors of Texas State Affordable Housing Corporation on the _____ day of October, 2004.

By: _____
Name: _____
Title: Secretary

Accounting and Loan Servicing

Topics for Discussion:

- Topic 1 – Loan Servicing: Maintain the status quo or sell our existing loan and master servicing portfolios.
- Topic 2 – Investment Strategies for FY2006

“Professional Educators”, “Homes for Heroes”, and “Professional Nursing Faculty Member” Programs

On March 24, 2004, the Corporation announced the statewide release of \$50 million for loan originations in the Professional Educators (“PE Program”) and the Fire Fighters, Police Officers (“Homes for Heroes”), single family MRB Home Loan Programs, collectively (“the Programs”). \$25 million, issued in small denominations by individual commitment lots, for each Program was made available, first come first-served, to eligible first-time homebuyers wishing to purchase a newly constructed or existing home within the State of Texas. Eligible borrowers are able to apply for a 30-year fixed rate mortgage loan, interest rate dependent upon pricing of individual commitment lot, and receive 5 % of the mortgage loan amount in the form of a grant to be use as downpayment and/or closing cost assistance. The Programs are accessible by directly contacting a trained, participating mortgage lender.

From program inception, March 24, 2004, through April 30, 2005, the PE Program had 224 loan commitments totaling \$25 million.

From program inception, March 24, 2004, through June 5, 2005, the Homes for Heroes Program had 94 loan commitments totaling \$9,921,016. On June 6, 2005, the Corporation announced the expansion of eligibility for borrowers passed by House Bill 1007 during the 79th Texas Legislature. The expansion includes not only municipal firefighters and police officers but certified full-time paid firefighters, peace officers, corrections officers, county jailers and public security officers working within the State of Texas. As of July 31, 2005, the expanded Homes for Heroes Program had 124 loans committed totaling \$12,701,309.

On July 27, 2005, the Corporation announced the statewide release of \$25 million for the 2005 Professional Educators Home Loan Program (“PE Program”). As of July 31, 2005, the PE Program had 33 loan commitments totaling \$3,612,629. The 2005 PE Program offers a fixed 30-year mortgage interest rate of 5.95% for the entire \$25 million allocation in lieu of individual commitment lots, as well as 5% grant assistance to be used as downpayment and/or closing costs to eligible borrowers. The PE Program remains accessible by directly contacting a trained, participating mortgage lender.

The Corporations 2005 Single Family Legislative Mandates, 79th Texas Legislature, Regular Session

- **House Bill 1007**, effective immediately, May 27, 2005.

Changed the name of the Fire Fighter and Police Officer Home Loan Program to Fire Fighter and Law Enforcement or Security Officer Home Loan Program. Expanded borrower eligibility to include certified full-time paid firefighters, full-time paid peace officers, full-time paid corrections officers, full-time paid county jailers and full-time paid public security officers working within the State of Texas.

- **Senate Bill 132**, effective immediately, June 17, 2005.

Allocates the Corporation \$5 million of the State’s Ceiling for Private Activity Bond Cap for the exclusive purpose of creating single-family mortgage loans to eligible professional nursing faculty members within the State of Texas.

Topics for Discussion:

- 80th Texas Legislator
 - Marketing Strategies
 - Corporate Sponsorships
-

Affordable Homeownership Program for Texas

In the 2004, Ameriquest and the Corporation released the Affordable Homeownership Program of Texas (“the Program”) as a pilot program in south Texas through local organizations including community development corporations, non-profits and other entities involved in affordable housing. The Program provides the opportunity to achieve the dream of homeownership to borrowers previously restricted to renting or considering high cost non-traditional lending options. Ameriquest has committed up to \$100 million for mortgage loans and the Corporation has committed \$1 million for down payment assistance to the Program.

Under the Program, eligible borrowers have access to an affordable mortgage loan product and down payment assistance equal to 7% of the mortgage loan amount. In addition, the Program rewards borrowers the ability to lower their mortgage interest rate, which equates to lower monthly mortgage payments, for making timely payments. Borrowers can reduce their mortgage interest rate by up to 2% during the first 48 months of their mortgage loan. Borrowers will receive a reduction of 50 basis points (.5%) in

their mortgage interest rate for every 12 months of on-time payments.

Ameriquest and the Corporation believe home buyer education is an essential component to success in home ownership. Under the Program, borrowers will be provided pre and post-closing Home Buyer Education Training provided by ACORN Housing. Additionally, borrowers will have intervention assistance available to them during the life of the mortgage loan.

With fifteen mortgage loans closed under the pilot program, including the first borrower to receive the 50 basis point reduction reward for 12 monthly on-time payments, the Corporation and Ameriquest are currently coordinating with local organizations, new homebuilders, and for-profit mortgage lenders, throughout Texas, in an effort to expand the availability of the program to Texans statewide.

The Corporation and Ameriquest believe the Program has created an option that can overcome certain barriers and turn the dream of homeownership into a reality for many Texans and future generations of Texans.

Topics for Discussion:

- Broker Lender Application & Participation
 - Underwriting Guidelines
 - Program Expansion
-

Other Single Family Programs

Topics for Discussion:

- Innovative Ideas

Private Activity Bond Program

The Corporation offers financing options to multi-family developers through three different programs in an effort to achieve our commitment to provide safe, decent, and affordable housing to Texans who rent.

In 2003, the Texas Legislature allocated 10 percent of the multifamily private activity bond cap to the Corporation so that local governments could be more involved in assessing and addressing their own local multifamily housing needs and at the same time could use the expertise of the state to issue the bonds. The available amount for funding in 2004 was approximately \$39 million.

Nonprofit and for profit developers can use the PAB program to finance acquisition and rehabilitation or new construction. Developers are required to leverage the private activity bond funds by using Low Income Housing Tax Credits (“LIHTC”) available through TDHCA.

The Program requires the Corporation to target areas (e.g. cities, metropolitan statistical areas, counties, etc.) with the greatest need that have expressed local support for affordable multifamily housing. Once selected, the Corporation issues requests for proposals to developers to provide the specific

housing development requested by the local target area. Tax-exempt private activity bond financing will be provided to the highest-scoring developer whose proposal meets the housing needs of the target area, subject to available allocation.

During 2004, the Corporation issued requests for proposals for Corpus Christi, McAllen, El Paso, and San Antonio. As a result, the Corporation received applications for developments in San Antonio. The Board authorized the development known as Providence at Marshall Meadows in San Antonio and in January 2005 issued bonds in the amount of \$14,260,000 to finance the development. Marshall Meadows will be a 250-unit multifamily apartment complex with sixty percent (60%) of the units set aside for low income residents.

During 2005, the Corporation issued requests for proposals for Corpus Christi, El Paso, and Arlington. As a result, the Corporation received an application for a development in Corpus Christi. The Corporation has not yet applied for a reservation for allocation of private activity bonds for this development.

Topics for Discussion:

- “Target Areas” has been interpreted in past programs to be geographic only. Adding target areas of housing need might be a way to make the 2006 PAB program more successful and to reach more Texans who need affordable housing. For example, TSAHC could issue requests for proposals from developers for rehabilitation projects statewide, or for proposals for a rural pool transaction, or for green-building developments statewide, or to public housing authorities statewide. The board would need to decide how to determine what areas of housing need to target and would need to determine how TSAHC would ensure that local and community support for a development has been achieved.
 - TSAHC staff has spoken with many developers over the last two program cycles of the Private Activity Bond Program, and all have said that some type of financial assistance would be needed to make most of these transactions feasible. The developers have also suggested that the financial assistance should be offered in the request for proposal. TSAHC needs to decide what types of financial assistance we should pursue for this program (Federal Home Loan Bank, HUD grant funds, Foundation funds), whether we should offer it at the request for proposal stage, and how that would affect the timeline for the 2006 PAB Program.
-

Direct Lending Program

The Direct Lending Program offers permanent long-term financing to developers focusing on increasing and/or preserving the stock of affordable multifamily housing, specifically in rural Texas, small cities, other underserved and difficult to develop areas. The direct lending program focuses on filling the existing financing gaps.

Financing for the program is facilitated through the Corporation's existing relationships with real estate investment companies that invest in affordable multifamily housing, specifically the Community Development Trust in New York ("CDT") and Federal Home Loan Bank.

The Program is available to for-profit and nonprofit developers, municipalities, housing authorities, limited liability companies,

corporations, partnerships, owner-builders, and others engaged in affordable housing development.

Affordable rental housing projects must offer at least 24 units. Projects may be comprised of scattered-sites, senior apartments, affordable assisted living, limited-equity cooperatives, single family rental units and other non-traditional, multifamily, rental housing. All projects must satisfy Community Reinvestment Act ("CRA") criteria. The Program is available year-round.

TSAHC has helped finance five multifamily properties in small cities around the state through this program.

Topics for Discussion:

- TSAHC has used this program to serve the more underserved areas of the state where bond transactions are typically not feasible. We do not currently have a staff person who is trained by CDT or the Federal Home Loan Bank to perform the marketing and underwriting for this program, but have recently hired someone who has the expertise and experience to train for this program. TSAHC needs to evaluate whether the income and results from this program justify staff resources that would need to be used to pursue this program. In addition, the Federal Home Loan Bank requires the Corporation to keep 25 percent of the risk on each loan, whereas, CDT assumes 100 percent of the risk on each loan. As a result, we would also need to evaluate our cash reserves and determine how much, if any, we would want to use for the FHLB program.
-

501(c)(3) Bond Program

The Corporation's 501(c)(3) Multifamily Bond Program was created to finance the acquisition and rehabilitation, or new construction, of affordable multifamily housing units. Unlike the Corporation's Private Activity Bond Program, the 501(c)(3) Bond Program is not restricted by volume cap; however, 501(c)(3) financing may not be used in conjunction with low income housing tax credits.

The Program is available year-round to qualified non-profit developers, designated under the Internal Revenue Code as 501(c)(3) organizations, and may be used throughout the state of Texas.

Since 2002, the Corporation has not considered applications or issued bonds under the 501(c)(3)

program as a result of market changes and legislatively mandated changes requiring that any benefit of abated property tax be transferred dollar-for-dollar into a public benefit program. Because the market has softened for affordable housing in metropolitan areas, and because the program prevents the use of 4 percent tax credits, and also because the abated property taxes cannot be used to help pay off debt service, this program has become inactive.

Due to changes in Legislation that governs this program, its use has diminished, but new projects are being developed to fully utilize this program. During its use and prior to changes to the program, the Corporation generated in excess of \$ 400 million in bonds that produced over 7700 affordable housing units.

Topics for Discussion:

- As stated above, this program is not active currently for many different reasons. Should TSAHC try to find ways to revive this program? Should TSAHC leave the program in its business plan in hopes that the market for this type of program will come back?
-

Asset Oversight and Compliance

The Corporation accomplished many Asset Oversight and Compliance goals in 2004. One of the largest accomplishments was the creation of both an Asset Oversight and Compliance Manual. These manuals help the Corporation's staff to follow procedures and help property owners understand compliance requirements and monitoring procedures. The manuals explain what to do before, during, and after an audit in great detail including examples. It also covers using the online system for the monthly and quarterly reports. An additional manual was also created to aid in the Asset Oversight audits conducted for TDHCA.

In the fall a new online compliance system was launched. The system allows properties to report

all of their monthly compliance reports online, including resident services.

As of January 1, 2005, the Corporation assumed complete responsibility for performing Asset Oversight and Compliance monitoring of the Corporation's properties. This was due in part to the creation of an additional staff position in the summer of 2004.

The following charts show the numbers of portfolios, properties, units, revenue, site visits, and contracted site visits. Table 1 is in relation to the Corporation's properties and Table 2 is in relation to Third Party Asset Oversight Properties.

Topics for Discussion:

- Strategies for seeking more Asset Oversight and Compliance clients, including federal, state, and local government clients and multifamily affordable property owner clients.

Other Multifamily Programs

Topics for Discussion:

- Consider creating a program to help current HUD 202 program owners refinance their debt at a lower interest rate to rehabilitate their properties or to provide more services to their tenants.
 - Consider how TSAHC can partner with TDHCA on the Capital HUD Fund Financing Program.
 - Consider whether TSAHC should pursue taking on the developer role for multifamily projects, rather than just financing multifamily projects.
 - Consider whether TSAHC should pursue multifamily property management as a service that we could offer.
 - Consider creating a multifamily insurance pool program to help owners with escalating insurance costs.
-

Fundraising and Grant Program

Although the Texas State Affordable Housing Corporation is a 501(c)(3) nonprofit, it has not been a part of any previous business plan to include an active program for fundraising and grant program activities. However, it is becoming clear that our program fees cannot sustain the levels of contributions that we have been making and that we would like to continue to make to our single family and multifamily programs. As a result, developing a fundraising and grant program with specific goals is something the board should consider. TSAHC has joined Greenlights for Nonprofit Success, which is a nonprofit with the sole mission of helping other nonprofits do their jobs better. Greenlights staff could help TSAHC to develop an action plan for pursuing our fundraising and grant program goals. In addition, Greenlights also offers grant search and grant writing capabilities on a contract basis.

Topics for Discussion:

- Consider whether TSAHC should add a Fundraising and Grant Program strategy to our business plan.
- If TSAHC does decide to add a Fundraising and Grant Program strategy, how should we implement that strategy? Should the board be an integral part of our fundraising efforts? Should we focus on foundations, government grants, and corporate sponsorships? How should TSAHC pursue its partnership with Greenlights? Gregory Perrin with Greenlights will give the board an overview of how our Fundraising and Grant Program strategy could be structured, and the opportunities that could be available to us if we pursued this strategy.