

Message from the President

The recent economic collapse has had tremendous effects on families and individuals throughout Texas. We saw the demand for our programs increase as families across the state faced the threat of foreclosure coupled by the continuing need for safe and decent affordable housing.

In 2009 we adapted and expanded many of our programs to continue to provide affordable housing opportunities amidst the instability in the housing market. While we were unable to issue mortgage revenue bonds for our home loan programs in 2009 due to instability in the bond market, we converted our unused bonding authority to Mortgage Credit Certificates, which allowed us to offer an alternate financial tool to our first time homebuyers. TSAHC also allocated \$200,000 through a special Hurricane Relief Cycle of our Texas Foundations Fund to four nonprofit organizations who provided critical repairs to homes damaged by Hurricanes Ike and Dolly. Furthermore, in response to neighborhood instability caused by the statewide foreclosure crisis, TSAHC utilized \$5 million in Neighborhood Stabilization Program federal funding to expand our Affordable Communities of Texas land banking program. TSAHC also provided Asset Oversight and Compliance reviews on the properties financed through our Multifamily Bond and Direct Lending programs to ensure that these properties remain affordable for their residents. Finally, TSAHC engaged in foreclosure prevention efforts by raising funds to support foreclosure counseling sessions and other key foreclosure prevention initiatives.

TSAHC received a total of \$5.9 million in support of both our programs and statewide foreclosure prevention activities in 2009. In 2010 we continue to make fundraising a priority to expand the capacity of our programs and increase the services we provide to low income families throughout Texas.

I would like to thank our Board of Directors for their leadership as well as our skilled and dedicated staff for their efforts in 2009. Together we are making strides to fulfill our vision that every Texan has the opportunity to live in safe, decent and affordable housing.

David Long
President

Funders in 2009

Capital One

Citi Foundation

Fannie Mae

F.B. Heron Foundation

Freddie Mac

The Meadows Foundation

Neighborhood Stabilization Program

NeighborWorks America

Wells Fargo Housing Foundation

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Texas State Affordable Housing Corporation

2009 Annual Report

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Homeownership

Home Loan Programs

TSAHC administers the Professional Educators, Homes for Texas Heroes, and Home Sweet Texas Loan Programs. The first two Programs were established by the Legislature, and are allocated a portion of the State's annual Ceiling for Private Activity Bond Cap for the purpose of making single family mortgage loans to Texas Professional Educators and Fire Fighters, EMS Personnel, Law Enforcement Officers, Corrections Officers, and Public Security Officers who are first-time home buyers. In 2006, TSAHC created the Home Sweet Texas Loan Program which offers mortgage loans to first-time homebuyers at or below 80 percent of the area median family income (AMFI). There are no professional requirements for this program. All three programs offer 30-year fixed rate mortgage loans as well as down-payment assistance in the form of a grant. Since the inception of the programs, over 2800 individuals and families have become homeowners by utilizing these programs.

Program	# of Loans	Total Committed
Professional Educators Home Loan Program	1703	\$ 192,259,590.81
Homes for Texas Heroes Home Loan Program	623	\$ 65,858,137.99
Home Sweet Texas Loan Program	474	\$ 46,048,309.15
*Total	2800	\$ 304,166,037.95

*The numbers above reflect funding issued through 2007. Due to national financial market conditions, TSAHC's home loan programs were temporarily suspended in 2008.

Mortgage Credit Certificate Program

The Mortgage Credit Certificate (MCC) Program was created in 2008 and provides MCC's to first time homebuyers. An MCC is a federal income tax credit designed to assist persons of low to moderate income to better afford homeownership. Under the program, the homebuyer is eligible to claim a portion of the annual interest paid on the mortgage as a special tax credit, not to exceed \$2,000, each year for the life of the home loan. This potentially saves the homebuyer thousands of dollars over the life of their home loan.

The MCC Program is eligible to any borrower who qualifies under our Professional Educators, Homes for Texas Heroes, and Home Sweet Texas Loan Programs.

Program	# of Loans	Total Committed
Mortgage Credit Certificate Program - 2009	403	\$ 47,390,424
Total	403	\$ 47,390,424

Foreclosure Prevention

TSAHC is a member of the Texas Foreclosure Prevention Task Force and serves as the fundraising arm for the organization, raising approximately \$360,000 in 2009 to support foreclosure prevention counseling sessions for delinquent borrowers, foreclosure counseling training for HUD approved housing counselors, and other Task Force initiatives. TSAHC also administers the National Foreclosure Mitigation Counseling (NFMC) Program for the State of Texas. The NFMC Program is a federal program administered by NeighborWorks America that provides funding for foreclosure counseling services. In 2009, TSAHC raised and administered funds to local HUD approved housing counseling agencies to support approximately 1,800 foreclosure prevention counseling sessions for Texas homeowners struggling to make their mortgage payments.

# of Counseling Sessions Funded by Area	
Austin	759
Dallas/Fort Worth	447
Houston	341
San Antonio	127
El Paso	101
Other Areas	18
Total	1,793

Counseling Outcomes by Percentage	
Mortgage Modification, Forbearance, or Refinance	27%
Brought Mortgage Current (with or without rescue funds)	11%
Sold Home	3%
Withdrew from Counseling or Other Outcome	9%
Mortgage Foreclosed or Bankruptcy	3%
Still in Negotiation with Servicer	47%

Development Finance

Direct Lending Programs

TSAHC operates two lending programs that provide financing to developers for the construction or redevelopment of housing that serves the needs of low-, very low- and extremely low-income Texans who do not have comparable housing opportunities in rural and underserved communities. All homes or apartments built using TSAHC's funding must be affordable to households earning 80% of the area median income and must be constructed to meet TSAHC's housing construction standards. TSAHC funds our lending program by leveraging cash reserves with program investments from partners like Wells Fargo, the Federal Home Loan Bank of Dallas, and the Community Development Trust.

2009 Direct Lending Program Highlights	
# of Applications Approved for Funding	2
# of Single Family Rental Homes	11
# of Multifamily Rental Units Approved	64
Total Amount of Loan Funds Approved	\$1,307,000
Loan Funds Leveraged	\$914,900
Total Value of Constructed Properties	\$5.4 million
Estimated Jobs Created	49

Affordable Communities of Texas Program

The Affordable Communities of Texas ("ACT") program stabilizes communities hardest hit by foreclosures by working with locally based nonprofit and government agencies to acquire and rehabilitate foreclosed homes, vacant land and tax foreclosed properties. The ACT program was awarded more than \$5 million in Neighborhood Stabilization Program funds in November 2009 from the State of Texas, and \$125,000 in additional funding commitments in 2009. Here is a list of other program highlights from 2009.

2009 ACT Program Highlights	
Total Funds Raised	\$5,149,100
Number of Acquired Properties	36
% of Funds Committed	10%
# of Local Partners Approved	14
# of Counties Served	20

Multifamily Bonds

TSAHC's Multifamily Bond programs support our mission by leveraging private investment in affordable rental housing with the issuance of tax exempt private activity bonds ("PAB") and 501 (c)(3) bonds. TSAHC receives 10 percent of the State's multifamily PAB allocation each year and utilizes an annual request for proposal process to identify targeted housing needs and accept applications for new projects.

The housing bond market was impacted significantly by the national financial crisis. As a result, TSAHC did not issue any multifamily bonds in 2009.

Asset Oversight and Compliance

Asset Oversight and Compliance of multifamily properties is required by many tax-exempt bond issuers, including TSAHC. Monitoring the financial and physical health of a property ensures not only the repayment of the bonds, but more importantly that the property provides safe and decent housing. Compliance monitoring ensures that IRS requirements, including providing the required number of affordable units, are being adhered to by property owners. Annual on-site inspections and resident file reviews of affordable units ensure that federal requirements relating to the tax-exempt status of the bonds are followed.

TSAHC's Asset Oversight and Compliance Department also monitors monthly and quarterly compliance and resident service reporting through its online reporting system.

	# of Portfolios	# of Properties	# of Units	Site Visits in 2009 (Compliance/ Asset Oversight)
TSAHC Properties	7	40	7,454	80
Third Party Properties	101	106	23,922	34

TSAHC staff reviews and monitors the monthly financial statements and annual audited financial statements of our direct lending and bond portfolios. We also administer withdrawal requests by the properties from their Replacement Reserve Accounts. Additionally, TSAHC has created an online compliance training program available at a low cost to our portfolios and other industry partners.

Texas Foundations Fund

The Texas Foundations Fund program provides \$50,000 grants to nonprofit organizations and rural government entities for the costs associated with the construction, rehabilitation, or repair of single family homes, or the provision of supportive housing services within multifamily housing.

2009 General Funding Cycle Recipients	Award Amount
Coastal Bend Center for Independent Living	\$50,000
New Hope Housing, Inc.	\$50,000
Motivation Education & Training, Inc	\$50,000
Easter Seals – Central Texas, Inc.	\$50,000
Foundation Communities	\$50,000
Total Awarded	\$250,000

In light of the devastation left behind by Hurricanes Ike and Dolly, TSAHC conducted a special Hurricane Relief Cycle of the Texas Foundations Fund. Four grant awards were made for the purpose of the rehabilitation and/or critical repair of owner-occupied single family homes located in the counties affected by Hurricanes Ike and Dolly.

Hurricane Relief Funding Cycle Recipients	Grant Awarded
Fort Bend CORPS	\$50,000
Southeast Texas Interfaith Organization	\$50,000
Self Help Housing of East Texas	\$50,000
Community Development Corporation of Brownsville	\$50,000
*Total Awarded	\$200,000

*Grants were approved and awarded on a first come, first served basis between January and May 2009.

Financial Overview

TSAHC's financial statements for the fiscal year ending August 31, 2009 were audited by Mikeska, Monahan & Peckham, LLP, Certified Public Accountants. The audit was conducted in accordance with generally accepted and government auditing standards. The Independent Auditors issued an unqualified report and there were no reportable conditions, audit findings or management letter comments.

2009 Statement of Net Assets	
Assets	
Current Assets	\$ 13,720,806
Noncurrent Assets	\$ 285,338,698
Total Assets	\$ 299,059,501
Liabilities & Net Assets	
Current Liabilities	\$ 4,929,244
Long-Term Liabilities	\$ 268,144,627
Total Liabilities	\$ 273,073,871
Invested in Capital Assets	\$ 476,668
Restricted Net Assets	\$ 17,413,901
Unrestricted Net Assets	\$ 8,095,061
Total Net Assets	\$ 25,985,630
Total Liabilities & Net Assets	\$ 299,059,501

2009 Statement of Revenues, Expenses and Changes in Net Assets	
Operating Revenue	\$ 28,463,254
Operating Expenses	\$ 16,986,819
Net Income	\$ 11,476,435
Total Net Assets –Beginning (Restated in FY2009)	\$ 14,509,195
Total Net Assets – Ending	\$ 25,985,630