



TEXAS STATE AFFORDABLE HOUSING CORPORATION  
2011 ANNUAL ACTION PLAN

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## 2011 ANNUAL ACTION PLAN

### 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 2011 State Low Income Housing Plan (“SLIHP”) prepared by the Texas Department of Housing and Community Affairs (“TDHCA”).

In accordance with Section 2306.0722(b), TDHCA will provide the needs assessment information compiled for the SLIHP report to the Corporation. In addition to addressing the needs in general, the Corporation’s plan must include specific proposals to help serve rural and other underserved areas of the state.

### 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 the 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 Board of Directors appointed by the Governor, with the advice and consent of the Senate, oversees the business of the Corporation. In addition, the Corporation has a four-member 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 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 \$600 million in single family and approximately \$540 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 Program
- Development

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

## CORPORATION OBJECTIVE

In conjunction with the Association of Rural Communities in Texas (ARCIT), the Corporation conducted a Rural Housing Survey of 1,400 rural government officials in 2010. Although the response rate was just under 10%, the respondents provided insight on housing challenges in their communities, such as the need for affordable single family homes.

A review of the housing analysis included in the annual State Low Income Housing Plan and other published studies on housing needs provides a picture of the critical need for affordable housing throughout Texas. The housing analysis provides statistical information on the housing challenges faced by special needs and underserved populations.

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. However, given its relatively small size and limited funding sources, the Corporation determined in 2010 it could be more effective in meeting its mission 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.

The Corporation's next objective is to explore ways it can modify current programs to help serve more people with disabilities and those living in rural areas.

## PROGRAM DESCRIPTIONS AND IMPLEMENTATION PLANS

### FIRST-TIME HOMEBUYER PROGRAMS

The Corporation administers the Professional Educators, Homes for Texas Heroes, and Home Sweet Texas Loan Programs. These programs are the Corporation's Single Family Mortgage Revenue Private Activity Bond Programs. The first two programs were established by the Legislature in 2001 and 2003, respectively, and are allocated 10 percent of the State's Private Activity Bond Cap for the exclusive 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 the Corporation created the Home Sweet Texas Loan Program which is funded by applying for mortgage revenue bonding authority not used by other bond issuers after a specified date. 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 first-time 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 credit worthiness. The borrower must also occupy the purchased home as his or her primary residence.

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

Since the inception of the Professional Educator Home Loan Program in 2001, the Homes for Texas Heroes Home Loan Program in 2003, and the Home Sweet Texas Loan Program in 2006, the Corporation has seen the demand for these programs steadily increase. Over 3500 individuals and families have become homeowners by utilizing these programs.

Given the volatility of the bond market in 2008 and 2009, the Corporation was not able to issue mortgage revenue bonds for its first-time homebuyer programs. In an effort to continue serving homebuyers, the Corporation established the Mortgage Credit Certificate (MCC) Program by converting its bonding authority 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 is eligible to take a portion of the annual interest paid on the mortgage as a special tax credit, up to \$2,000 each year that they occupy the home as their principal residence. An MCC has the potential of saving the homebuyer thousands of dollars over the life of the loan. And although the MCC Program is not a home loan program, the homebuyer is required to have a fixed rate mortgage. To date, the Corporation has served 980 first-time homebuyers under the MCC Program.<sup>1</sup>

Every homebuyer who utilizes one of the Corporation's first-time homebuyer programs must complete a homebuyer education course prior to closing on the purchase of their home.

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<sup>1</sup> As of December 10, 2010.

## 2011 IMPLEMENTATION PLAN

In 2011 the Corporation plans to continue to offer its programs for first-time homebuyers, which entails developing a bond financing structure that is appealing to bond investors but also minimizes the programs' mortgage interest rates and offers the best possible down payment assistance to the borrowers. Although conventional mortgage rates have reached historic lows, we find that down payment assistance is still especially critical to the demographic we serve.

If, due to market conditions, the Corporation is unable to issue bonds for the home loan programs in 2011, then other avenues to assist first-time homebuyers will be explored. Given the success and demand for the Mortgage Credit Certificate Program, the Corporation will continue to provide this program as another alternative for homebuyers.

Above and beyond the statutory requirements of the programs, the Corporation plans to explore ways to increase homeownership for households in which one or more members have a disability and for those households in rural areas of the state. Discussions are planned with different stakeholders, such as lenders and nonprofits who work with underserved populations, as to how best to increase homeownership in those two demographics.

The Corporation also 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.

Given the widespread demand for first-time homebuyer programs, the Corporation will continue to submit applications to the Texas Bond Review Board requesting additional mortgage revenue bonding authority.

## DIRECT LENDING PROGRAMS

The Corporation 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 in rural and underserved communities. All homes or apartments built using the Corporation's funding must be affordable to households earning 80% or less of the area median income and must be constructed to meet the Corporation's housing construction standards.

Since 2003 the Corporation has approved more than \$9.9 million in loans for rental home development, and more than \$1.4 million for development of single-family homes. In 2007, the Corporation committed \$2 million for a revolving loan fund and has since focused its efforts on providing loans leveraging additional funds from the Federal Home Loan Bank of Dallas (\$2.1 million), Wells Fargo Bank (\$1.9 million), the Meadows Foundation (\$500,000) and the Community Development Trust (\$4.1 million).

Loan Production	FY 2010	Total
Loans in Portfolio	3	15
# of Single Family Homes	11	72
# of Rental Units	103	1,906
Total Amount of Loan Funds Approved	\$1,913,125	\$9,933,865
Total Value of Constructed Properties	\$9,568,000	\$139,532,000
Estimated Jobs Created <sup>2</sup>	102	1,484

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<sup>2</sup> Using estimate of \$94,000 per job created, the mid-point of the federal range formula for calculating job creation (\$92,000 - \$96,000)

## 2011 IMPLEMENTATION PLAN

The Corporation's direct lending programs have experienced steady growth over the past three years. With its current sources of funding, the Corporation has kept up with demand from developers seeking short-term loans. The Corporation is expecting loan repayments in 2011 which will be redeployed to provide additional direct lending loans. However, a rise in lending activity is expected in 2011, so the Corporation will be working to secure additional program related investments to expand the size of its loan fund.

Several developments receiving assistance from the Corporation's direct lending programs are in rural areas or provide housing for people with disabilities. However, the Corporation will investigate how it can encourage even more housing activity that assists those underserved populations.

## AFFORDABLE COMMUNITIES OF TEXAS PROGRAM

The Affordable Communities of Texas ("ACT") program works to stabilize communities experiencing high levels of foreclosures by working with nonprofit and government agencies in Texas to acquire and redevelop foreclosed homes, vacant land and tax foreclosed properties. The Corporation has created a network of local nonprofit partners which grew from three in 2009 to 16 in 2010. These local partners identify available foreclosed properties in their communities, complete due diligence, and, using funds from the Corporation, facilitate the purchase of the target properties. The Corporation becomes the owner of the properties and works with the local partners to complete redevelopment or construction of homes which will be sold to low and very-income households.

The ACT program was launched with \$100,000 committed by the Corporation's Board in December 2008. The Corporation has received a \$25,000 grant for program operations from the F.B. Heron Foundation, and more than \$6.2 million through the federally-funded Neighborhood Stabilization Program (NSP) administered by TDHCA in Texas.

The Corporation has purchased more than 100 homes and vacant lots thus far in 2010 and has an additional 200 homes and vacant lots under contract.

The ACT program also operates a Buyer's Agent initiative, wherein the Corporation provides to local partners foreclosed property listings available through our participation in the National Community Stabilization Trust (NCST). The Corporation is the only statewide coordinating agency in Texas for NCST.

## 2011 IMPLEMENTATION PLAN

The ACT program has far exceeded its original program targets for funding utilization and unit acquisitions, but continual changes to federal and state NSP program guidelines have slowed the process of property acquisitions significantly. The Corporation expects to continue to work with the local partners to conclude the purchase of the 200 homes currently under contract.

Despite its challenges, the ACT program is a good model for creating affordable housing for low and very-income families, strengthening the capacity of nonprofit local partners and providing a viable alternative to traditional property acquisition strategies. Several local partners are in rural areas of the state or provide housing for people with disabilities, and the Corporation will work to encourage even more housing activity that assists those two underserved populations through the ACT program.

## MULTIFAMILY BOND PROGRAMS

The Corporation's Multifamily Bond program encourages private investment in the construction or rehabilitation of affordable rental housing through the issuance of tax exempt private activity bonds ("PAB"). As a conduit issuer (i.e., the Corporation does not invest its or the State's funds in developments) it receives 10 percent of the State's multifamily PAB allocation each year (approximately \$49 million in 2010).

The Corporation also has the ability to issue 501(c)(3) bonds for the construction or rehabilitation of multifamily rental housing; however, the Corporation has not issued this type of bond since 2002. The primary reasons for inactivity include statutory limits on available property tax exemptions for nonprofit developments, lack of alternative equity sources and a history of financial failures of 501(c)(3) bond financed properties in Texas and nationally.

## 2011 IMPLEMENTATION PLAN

Over the last two years there has been limited new activity in the Corporation's multifamily bond programs. Nationally, bond market conditions, tax credit equity pricing and the overall health of the housing market have reduced investor demand for housing bonds.

Still, the Corporation released an RFP for the 2011 PAB program in late 2010 with the following target areas of housing need identified by the Corporation's board:

- Preservation of Existing Affordable Rental Housing
- Housing in Rural Communities
- Senior and Assisted Living Developments
- Rental Housing in Communities Affected by a Federally-declared Disaster

In 2010, the Corporation received an application to issue new bonds to acquire and rehabilitate more than 1,700 units of affordable housing using private activity bonds. The Corporation's board has approved an inducement resolution and staff is working with the developer to finalize details for a reservation application to the Texas Bond Review Board. If final approval is granted, the Corporation expects to close on this private activity bond transaction in 2011.

## ASSET OVERSIGHT AND COMPLIANCE

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

Through the activity of asset oversight, the Corporation monitors the financial and physical health of a property and provides suggestions to property owners and managers for improvement. 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 at [www.tsahc.org](http://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 bonds are followed.

In 2010, the Corporation provided asset oversight and compliance reviews for 38 bond-financed properties totaling 6,766 units.<sup>3</sup>

## 2011 IMPLEMENTATION PLAN

The Corporation will continue to provide asset oversight and compliance monitoring services to the properties in its current portfolio. The Corporation's compliance policy was updated in late 2010, and the Corporation will continue to regularly review its programs and policies to identify ways increase the performance of the properties under review.

The Corporation plans to continue to market its asset oversight and compliance capabilities to other organizations and public agencies.

## TEXAS FOUNDATIONS FUND

The Corporation created the Texas Foundations Fund (TFF) in early 2008 to make grants aimed at improving the living standards of Texas residents of very low income and extremely low income, specifically those at 50 percent or below of the area median family income. Funding for the TFF comes from the Corporation's own income and private funds raised.

TFF provides grants of up to \$50,000 to nonprofit organizations and rural governmental entities (or their instrumentalities) for (i) the construction, rehabilitation, and/or critical repair of single family homes for Texas homeowners, with a particular emphasis on serving people with disabilities and rural Texans and (ii) the provision of supportive housing services for residents of multifamily rental units.

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

The Corporation has completed three award cycles of the Texas Foundations Fund. Fourteen applicants have been awarded \$50,000 each to carry out eligible activities, totaling \$700,000. Four of the fourteen awards were given to entities specifically for the purpose of assisting individuals who experienced damage due to Hurricanes Ike and Dolly.

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<sup>3</sup> As of December 10, 2010



## 2011 IMPLEMENTATION PLAN

Prior to a funding round, the Corporation's Board of Directors determines the amount available for grants based on income and private funding received. The Corporation anticipates conducting a funding round in 2011. A notice of funding availability likely will be released in the first or second quarter of 2011.

### FORECLOSURE PREVENTION

The Corporation is a founding member of the Texas Foreclosure Prevention Task Force ("Task Force") and supports the efforts of the Task Force by providing such services as fundraising and program administration. Since 2008, the Corporation has raised approximately \$925,000 to support foreclosure prevention counseling sessions for delinquent borrowers, foreclosure counseling training for HUD-approved housing counselors, and other Task Force initiatives. These initiatives include producing and distributing the Texas Foreclosure Intervention Resource Guide, implementing an application process to provide funding support to local foreclosure prevention initiatives, hosting foreclosure prevention outreach events, and creating a loan modification scam alert initiative to help homeowners avoid mortgage loan modification scams.

The Corporation also administers the National Foreclosure Mitigation Counseling ("NFMC") Program for TDHCA. The NFMC Program is a federal program that provides funding for foreclosure counseling services.

In 2010, the Corporation raised and administered funds to local HUD-approved housing counseling agencies to support approximately 2,600<sup>4</sup> foreclosure prevention counseling sessions for Texas homeowners struggling to make their mortgage payments.

## 2011 IMPLEMENTATION PLAN

The Corporation will continue to provide fundraising and administrative support for the Task Force's foreclosure prevention initiatives. This support includes fundraising to support foreclosure prevention counseling sessions and administering these funds to participating HUD-approved counseling agencies. The Corporation will also continue to administer the Task Force's loan scam mitigation outreach initiative to help vulnerable homeowners identify, avoid, and report loan modification and foreclosure rescue scams. Finally, the Corporation will support new initiatives adopted by the Task Force's leadership committee in 2011.

The Corporation is also assisting TDHCA in preparing an application to NeighborWorks America for NFMC Round 5 funding. The Corporation will administer these funds to local HUD-approved housing counseling agencies partnering with TDHCA.

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<sup>4</sup> As of December 13, 2010

## DEVELOPMENT

As a 501(c)(3) nonprofit entity, the Texas State Affordable Housing Corporation actively pursues grants and other investments from corporations, private foundations and government entities. The Corporation's development program, which was established in 2006, works to fundraise for programs such as the Texas Foundations Fund, direct lending, and Affordable Communities of Texas. In addition, the Corporation actively fundraises for other initiatives, such as the Texas Foreclosure Prevention Task Force and the Texas Statewide Homebuyer Education Program administered by TDHCA.

In December 2010, the Corporation reached an important fundraising milestone of over \$1 million in grants received from corporations, individuals and foundations.

In addition to grants, the Corporation actively pursues program-related investments (PRIs), which are low-cost loans and equity investments provided at below-market rates by foundations and financial institutions to support charitable activities. The Corporation has received PRIs totaling over \$1.5 million in support of our direct lending programs from Wells Fargo and the Meadows Foundation.

## 2011 IMPLEMENTATION PLAN

The Corporation will continue to apply for grants and program-related investments from existing supporters, as well as investigate potential new funding sources that can further its ability to assist underserved populations in attaining affordable housing. And with the assistance of its Advisory Council, the Corporation may explore the possibility of fundraising from individuals.