Dear Partners:

On behalf of the Board of Directors, Advisory Council members and staff of the Texas State Affordable Housing Corporation (TSAHC), I would like to thank you for your support and continued partnership. Like many organizations, at the start of each new year we often reflect on what we accomplished the previous year. Over the years we have worked continuously to improve and expand our programs and services to help meet the affordable housing needs in Texas, and 2013 was no exception. I am honored to work alongside such dedicated and talented staff.

Of course, TSAHC couldn’t do what it does without the support of our partners. Many of our accomplishments are a direct result of the support we receive from numerous donors, financial institutions, nonprofit housing organizations, Realtors, lenders and our partners in the affiliated affordable housing industry who share our passion for improving the lives of Texans through access to decent and affordable housing.

With their help, we were able to help 2,071 low and moderate-income families buy a home, most of them becoming homeowners for the first time. As a result of our partnership with Bank of America and the National Community Stabilization Trust, 35 veterans were able to become homeowners by buying homes that were previously vacant or foreclosed. Over 90 housing and financial counselors in Texas received high quality but affordable continuing education by attending trainings coordinated by TSAHC. We facilitated the construction or rehabilitation of 69 homes by our nonprofit partners. Sixteen housing nonprofits across the state were able to provide supportive housing services and critical home repairs to 1,500 very low-income individuals and families through our direct financial support. And we helped multifamily developers secure financing for the construction of 180 units that will provide affordable rental housing.

I invite you to review our annual report to learn more about our programs and new initiatives. We sincerely thank you for your partnership and support in 2013. We are looking forward to working with you to accomplish even more in 2014.

Sincerely,

David Long
President
In 2008 TSAHC created the Affordable Communities of Texas (ACT) program, Texas’ first statewide land bank and land trust initiative. Through this program TSAHC acquires foreclosed and vacant properties from financial institutions and local government entities, and then partners with more than 25 local housing developers (Local Partners) to redevelop these properties into affordable housing.

By focusing our acquisition efforts on foreclosed and vacant properties, TSAHC is helping stabilize neighborhoods heavily impacted by the foreclosure crisis while creating housing that is affordable to low and moderate-income families.

In partnership with Bank of America and the National Community Stabilization Trust, TSAHC has also created the ACT-Veterans Housing Initiative (ACT-VET), which provides renovated foreclosed homes donated by Bank of America to U.S. military veterans who are disabled and/or low and moderate income.

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**2013 Success**

- Acquired 61 properties in 2013, bringing total properties acquired to **560**
- Sold 67 homes to low and moderate-income families, including **33** through the ACT-VET Initiative
- Donated 2 homes through the ACT-VET Initiative
This home is a dream that has come true...it is truly a gift for me and my family.

SSG Moises Solorio
US Military Veteran
Donated Home Recipient
TSAHC’s Direct Lending program provides financing to developers to construct or rehabilitate single family or multifamily housing for low-income families and individuals. TSAHC provides developers with revolving lines of credit to acquire and redevelop single family homes or rental units, permanent long-term loans to finance rental units, and lines of credit for gap financing.

TSAHC funds the Direct Lending program with program-related investments awarded by private investors including Wells Fargo and the Meadows Foundation, as well as revenue from its affordable housing programs. Using this funding strategy, to date TSAHC has provided nearly $12 million in financing to developers to construct or rehabilitate more than 2,000 single family homes and multifamily rental units.

2013 Success

- **5 homes constructed or rehabilitated**
- Increased existing lines of credit by **$3.1 million** to finance additional construction and rehabilitation
Above: Home constructed by Legacy in Groves, Texas; Left: Home constructed by Builders of Hope in Dallas, Texas.
Private Activity Bonds

TSAHC issues tax-exempt bonds (also known as private activity bonds) to housing developers to finance the construction or rehabilitation of multifamily affordable housing developments. The bonds are purchased by private investors and are not a debt of the state.

Each year TSAHC targets multifamily projects that meet specific housing needs identified by our Board of Directors. In 2013 these housing needs were: 1) the preservation and rehabilitation of at-risk multifamily housing, 2) multifamily housing serving rural and smaller urban housing markets, 3) senior and supportive housing developments, and 4) disaster relief housing.

2013 Success

- Issued $11.5 million in private activity bonds to finance the construction of Gateway Northwest Apartments by developer Texas Housing Foundation. The development will provide 180 new affordable rental units in Georgetown, Texas.
Asset oversight and compliance monitoring of multifamily properties financed through multifamily tax-exempt bonds is required by many bond issuers, including TSAHC. TSAHC also requires asset oversight and compliance monitoring of multifamily properties financed through our Direct Lending Program. We believe these reviews are one of the best ways to ensure properties are providing safe and decent affordable housing to their residents.

As part of the oversight, staff performs an annual on-site inspection of each property, monitors the financial and physical health of the properties and provides suggestions for improvement to property owners and managers. Each month, staff monitors whether property owners and managers are providing the required number of affordable units to income-eligible households and that quality resident services are being provided. An annual report for each property is submitted to property owners, managers, and other stakeholders and is available on TSAHC’s website.

In 2013 TSAHC performed asset oversight and compliance reviews for 31 bond-financed properties and 1 direct lending property, which totaled 5,906 units.
Single Family Rental Program

TSAHC recognizes that families for whom homeownership is not the best option at certain times in their lives will need safe and decent rental housing. In May 2013, TSAHC created as a pilot the Single Family Rental Program to provide eligible low-income families who are not ready for homeownership with affordable, below-market rental homes in high opportunity neighborhoods in the Austin Metropolitan Statistical Area (MSA).

Homes available as part of the program are all in areas with higher than average median incomes, with access to good schools, transportation and other services nearby.

The program has received an extraordinary number of applications for the homes TSAHC has purchased for the program. The program aims to serve individuals and families that earn 80% of the area median income or less by providing them with the opportunity to rent a home at significantly less than market rate rents. In addition to verification of income, TSAHC screens each applicant for rental, credit, and criminal history. TSAHC hopes to increase the number of homes available under the program.

2013 Success

- 3 homes purchased and rented to qualifying, low income families in the Austin MSA.
Homeownership

Since 2001 thousands of low and moderate-income families across Texas have been able to achieve the dream of purchasing a home through the homeownership programs offered by TSAHC. In 2013, over 2,000 families were assisted through TSAHC’s Home Sweet Texas Home Loan Program and the Homes for Texas Heroes Home Loan Program.

Eligible home buyers are offered a 30-year fixed-rate mortgage loan, a grant of up to 5% of the loan amount for down payment and closing cost assistance and a federal income tax credit known as a mortgage credit certificate.

TSAHC ensures that all individuals eligible for the homeownership programs are financially stable enough to maintain a mortgage by requiring that all home buyers meet income and home purchase price limits, demonstrate creditworthiness and complete a HUD-approved home buyer education course. Since 2005 only 0.12% of home buyers who have utilized our homeownership programs have suffered foreclosure.

2013 Success

Type of Assistance

| DPA grants | $11,400,000 |
| MCC Tax Credits | $24,300,000 |

Total Mortgage Loans $255,000,000

Total Homeowners Assisted 2071
Hector Gutierrez, an Austin area teacher, and his wife, Idalia, had dreamed of purchasing a home for many years. As parents of a young son, they desired a home that would provide him with a solid foundation for a lifetime of memories while establishing a conducive environment for academic excellence.

Their situation was similar to what many other young families who are in the early years of their professional careers face; purchasing a home seemed impossible without a significant amount of money saved for a down payment.

Through word of mouth, Hector heard about the Homes for Texas Heroes Home Loan Program, and after learning more he and his wife were able to take advantage of the many benefits and the down payment assistance provided to them through the program. The Gutierrez family closed on their home in October of 2013 and they are enjoying their new lives as homeowners!
TSAHC is committed to home buyer education. We recognize the positive impact a quality home buyer education course can have on home buyers by preparing them for the responsibilities that come with owning a home. TSAHC is also committed to educating and certifying those who teach home buyer education in Texas.

In partnership with TDHCA, TSAHC administers the Texas Statewide Homebuyer Education Program (TSHEP) which is a continuing education program for housing counselors who teach home buyer and financial education to consumers.

TSAHC contracts with NeighborWorks America to provide continuing education courses to counselors at least twice a year, enabling them to provide the latest information to consumers. All TSHEP courses meet the requirements of the National Industry Standards for Homeownership Education and Counseling, and TSHEP is the only ongoing training program for housing counselors in Texas. In 2013 nearly 3,000 families in Texas received access to impartial financial and home buyer education through TSHEP trained counselors.

2013 Success

- 93 counselors representing 57 organizations across Texas participated in training
This training will arm us with the knowledge to begin the process of transforming lives all around El Paso County.

Hope Jackson
HOPE Institute
El Paso, Texas
Through the Texas Foundations Fund, TSAHC funds nonprofit and rural government organizations that provide very low-income families with critical home repairs and supportive services, such as drug counseling and job training, at affordable housing developments.

TSAHC selects award recipients through an annual application process and awards grants ranging from $15,000 to $50,000 to support and expand recipients’ eligible housing programs.

Since the creation of the Texas Foundations Fund in 2008, TSAHC has provided $1.55 million in grants to support critical housing services for more than 6,000 very low-income families and individuals in communities throughout Texas. TSAHC funds this program through generous donations from individuals and corporations, combined with revenue from other TSAHC programs.

2013 Success

- Awarded $300,000 in grants to 16 nonprofit organizations serving 37 counties throughout Texas
- Nonprofit awardees will use their Texas Foundations Fund awards to serve more than 1,500 very low-income households during their one-year grant term.
Growing up in Houston’s Fifth Ward, Freddie always had his eye on a better life. As an adult, he set about making his dream come true. “I had it all,” he says. “A good job, a house in the suburbs, three wonderful kids, a beautiful wife. Then I was introduced to crack cocaine. I thought it was harmless, but I lost my family and everything I had.”

For 20 years, Freddie’s life spiraled out of control. When Freddie was arrested for the fifth time, he was assigned to a strict 90-day rehab program. It was the break he needed, and it turned his life around. When Freddie became eligible for Social Security at 62, he was able to move into New Hope Housing’s 2424 Sakowitz permanent supportive housing facility. In 2013 TSAHC awarded New Hope Housing a $30,000 grant to provide supportive services that help residents like Freddie maintain their housing stability.

Program Story

Growing up in Houston’s Fifth Ward, Freddie always had his eye on a better life. As an adult, he set about making his dream come true. “I had it all,” he says. “A good job, a house in the suburbs, three wonderful kids, a beautiful wife. Then I was introduced to crack cocaine. I thought it was harmless, but I lost my family and everything I had.”

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I fell in love with it here.
For some people, New Hope is a stepping stone, but I’m happy right here.
The Advisory Council is comprised of 10 community leaders representing various geographic regions of Texas. Advisory Council members serve as ambassadors for TSAHC by raising awareness for TSAHC programs with investors, community leaders, nonprofits and the general public.

The Advisory Council lends its expertise in affordable housing and philanthropy by reviewing grant applications on behalf of TSAHC’s Texas Foundations Fund program and making recommendations for awards to the TSAHC Board of Directors.

Advisory Council members also promote the Texas Foundations Fund to eligible nonprofits and rural government entities in their communities.

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Advisory Council

Edwina Carrington, Chair
Central Texas Region

Bill Albers
North Texas Region

Julian Alvarez
Rio Grande Valley Region

Christopher J. Bergmann
Southeast Texas Region

Steve Carriker
At-Large

Kenneth Olson
South Central Region

Russell Vandenburg
West Texas Region

Liz Bayless
Corporate Member

Jerry Romero
TSAHC Board Member
Donors and Investors

The Texas State Affordable Housing Corporation values the support we receive from our generous funders. Investments in our affordable housing programs have allowed TSAHC to continue to expand our services and assist even more families and organizations. We are immensely grateful for the support we received in 2013 from funders who have been with us for several years. And we are thankful and excited to have new supporters who contributed to TSAHC for the first time in 2013. Whether the contribution was monetary, in-kind or a property donation, the support we received is critical to our programs’ continued success.

TSAHC would like to thank the following corporations, foundations and individuals for their support in 2013.

- Bank of America
- Frost Bank
- Insperity
- Texas Financial Education Endowment
- The Meadows Foundation
- Wells Fargo Housing Foundation
- Wells Fargo Priority Markets Initiative
- Amelia Valdez
- James Washington
- Jasmin Sanchez
- Demetrius Ethley
- Jerry Romero
- Edwina Carrington*
- Chris Bergmann*
- Russell Vandenburg*
- Kay Haggard
- Barry Cryer

*Individual donation was $5000 or more.
TSAHC’s financial statements for the fiscal year ending August 31, 2013, 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.

### 2013 Financial Statements

#### Current Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$3,099,267</td>
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<tr>
<td>Restricted Assets Held by Bond Trustee*:</td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$12,237,478</td>
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<tr>
<td>Accrued Interest</td>
<td>299,803</td>
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<tr>
<td>Custodial Cash and Cash Equivalents**</td>
<td>300,675</td>
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<tr>
<td>Investments, at Fair Market Value</td>
<td>3,511,917</td>
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<tr>
<td>Accounts Receivable &amp; Accrued Revenue, <em>Net of uncollectible amts.</em></td>
<td>515,811</td>
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<tr>
<td>Accrued Interest Receivable</td>
<td>55,106</td>
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<tr>
<td>Loans Receivable, Current Portion</td>
<td>81,000</td>
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<tr>
<td>Notes Receivable, Current Portion</td>
<td>194,924</td>
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<tr>
<td>Downpayment Assistance, Current Portion</td>
<td>2,710,129</td>
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<tr>
<td>Prepaid Expenses</td>
<td>67,339</td>
</tr>
</tbody>
</table>

Total Current Assets: $23,073,449

#### Noncurrent Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Receivable, <em>Net of uncollectible amounts of $91,726</em></td>
<td>747,005</td>
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<tr>
<td>Notes Receivable</td>
<td>3,773,930</td>
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<tr>
<td>Investments, at Fair Market Value</td>
<td>509,560</td>
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<tr>
<td>Mortgage Servicing Rights, <em>Net of Accumulated Amortization of $2,222,231</em></td>
<td>505,830</td>
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<tr>
<td>Fixed Assets, <em>Net of Accumulated Depreciation of $392,170</em></td>
<td>1,543,574</td>
</tr>
<tr>
<td>Owned Real Estate, Federal &amp; Other Programs</td>
<td>9,955,400</td>
</tr>
<tr>
<td>Bond Issuance Costs, <em>Net of Amortization of $4,273,812</em></td>
<td>2,980,626</td>
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<tr>
<td>Downpayment Assistance</td>
<td>4,005,273</td>
</tr>
<tr>
<td>Restricted Investments Held by Bond Trustee, <em>at Fair Market Value</em></td>
<td>189,702,251</td>
</tr>
</tbody>
</table>

Total Noncurrent Assets: $213,723,449

#### Total Assets

Total Assets: $236,796,898

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* Primarily represents initial proceeds of single family bonds issued by TSAHC
** Represents reserve accounts for TSAHC-financed multifamily properties
*** Represents mortgage-backed securities that collateralize single family bonds issued by TSAHC
## Liabilities and Net Assets

### Current Liabilities
- **Accounts Payable and Accrued Expenses** $ 334,519
- **Notes Payable, Current Portion** 541,375
- **Custodial Reserve Funds** 302,136
- **Other Current Liabilities** 67,345
- **Payable from Restricted Assets Held by Bond Trustee:**
  - **Bonds Payable, Current Portion** 2,619,020
  - **Accrued Interest on Bonds** 2,219,511
- **Total Current Liabilities:** 6,083,906

### Noncurrent Liabilities
- **Notes Payable** 3,295,247
- **Revenue Bonds Payable** 190,979,816
- **Due to Federal Programs** 4,195,370
- **Deferred Revenue** 367,983
- **Total Noncurrent Liabilities:** 198,883,416

### Total Liabilities:
- **Total Liabilities:** 204,922,322

### Net Position
- **Net Investment in Capital Assets** 1,543,574
- **Restricted for Debt Service** 16,252,887
- **Unrestricted** 14,078,115
- **Total Net Position** 31,874,576

### Graphs
- **Interest Expense on Bonds & Notes Payable:** $9,006,077
- **Net Decrease in Fair Value of Investments:** $11,403,663
- **Grant Expenditures:** $1,128,775
- **Program & Loan Administration:** $1,393,162
- **Other Program & Administrative Costs:** $4,411,075
- **Interest and Investment Income:** $10,000,892
- **Single Family Income:** $3,902,390
- **Asset Oversight and Compliance Fees:** $292,054
- **Loan Servicing Fees:** $191,059
- **Multifamily Income:** $195,062
- **Federal Grants:** $577,894
- **Contributions:** $6,601,892
- **Other Operating Revenue:** $621,563
Board of Directors

Bob Jones, Chair
Corpus Christi

Bill Dietz, Vice Chair
Waco

Jerry Romero
El Paso

Gerry Evenwel
Mount Pleasant

Alex Meade
Mission

Staff

Betsy Aldrich
Senior Accountant

Tim Almquist
Single Family Compliance Manager

Liz Bayless
Executive Vice President

Katie Claflin
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David Danenfelzer
Manager of Development Finance

Delia Davila
Single Family Compliance Specialist

Sarah Ellinor
Homeownership Programs Coordinator

Cynthia Gonzales
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Charlie Leal
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