



TEXAS STATE AFFORDABLE HOUSING CORPORATION
2015 ANNUAL ACTION PLAN

Approved February 12, 2015

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INTRODUCTION

This plan is prepared in accordance with Texas Government Code, Section 2306.566, which requires the Texas State Affordable Housing Corporation (“Corporation”) to develop a plan to address the state’s housing needs. According to Section 2306.0721(g), the Corporation’s Annual Action Plan must be included in the 2015 State Low Income Housing Plan (“SLIHP”) prepared by the Texas Department of Housing and Community Affairs (“TDHCA”).

CORPORATION OVERVIEW

The Texas State Affordable Housing Corporation, created in 1994 at the direction of 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 cannot access comparable housing options through conventional financial channels. The Corporation’s enabling legislation can be found in Texas Government Code, Chapter 2306, Subchapter Y, Sections 2306.551 et seq.

The Corporation’s office is located in Austin, Texas. A five-member volunteer Board of Directors, appointed by the Governor, oversees the policies and business of the Corporation. The Board of Directors also appoints a 10-member Advisory Council to assist with fundraising activities and review and recommend to the Board the funding of grant applications under the Texas Foundations Fund program. None of the Corporation’s programs and operations are funded through the State’s appropriations budget process.

The Corporation is statutorily authorized to issue mortgage revenue bonds and other private activity bonds to finance the purchase and creation of affordable housing. Over the course of its history, the Corporation has utilized over \$1.2 billion in single family bonding authority and approximately \$647 million in multifamily bonding authority. Bond issuances are used to finance the creation and preservation of affordable multifamily housing and the following home buyer programs:

- § Homes for Texas Heroes Home Loan Program
- § Home Sweet Texas Home 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
- § Single Family Rental
- § Texas Foundations Fund
- § Home buyer Education & Foreclosure Prevention
- § Asset Oversight and Compliance

CORPORATION OBJECTIVE

Since its inception, the Corporation's mission has been to serve the housing needs of low, very low and extremely low-income Texans and other underserved populations, such as people with disabilities and people living in rural areas of the state where access to services and programs is limited.

In 2015, the Corporation's objective is to continue to implement innovative approaches to fulfill its mission while maintaining the success of its current programs.

PROGRAM DESCRIPTIONS AND IMPLEMENTATION PLANS

HOMEOWNERSHIP PROGRAMS

Over the last decade research has consistently shown that homeownership has a positive impact on the socioeconomic status of a household and their community. Areas with high rates of homeownership often see lower crime rates, better educational outcomes for children and significant rates of community involvement. For example, a study conducted in 2014 found that children in a stable environment, created by living in an owner-occupied home, exhibit lower high school dropout rates and an increased likelihood of college attendance.¹

The Corporation currently administers the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs, which provide home loans and down payment assistance to low and moderate-income families and individuals. Traditionally the Corporation has funded these programs through the tax-exempt bond market by issuing mortgage revenue bonds available under its statutory authority. All of the Corporation's bond issuances are subject to oversight by the Texas Bond Review Board.

The Homes for Texas Heroes Home Loan Program, established by the Legislature in 2003, is allocated 10 percent of the State's private activity bond cap for the purpose of making mortgage loans to:

- § Public School Classroom Teachers
- § Public School Teacher's Aides
- § Public School Librarians
- § Public School Nurses
- § Public School Counselors
- § Faculty Members of an Allied Health or Professional Nursing Program
- § Paid Firefighters
- § Emergency Medical Services Personnel
- § Peace Officers
- § Corrections Officers
- § Juvenile Corrections Officers
- § County Jailers
- § Veterans
- § Public Security Officers

In 2006 the Corporation created the Home Sweet Texas Home Loan Program by utilizing mortgage revenue bond cap not used by other bond issuers by an annual deadline set by the Legislature. The Home Sweet Texas Home Loan Program is not profession-specific and is

¹ Source: Michal Grinstein-Weiss, Trina R. Williams Shanks, and Sondra G. Beverly, "Family Assets and Child Outcomes: Evidence and Directions" The Future of Children-Princeton University and the Brookings Institute, 2014

available statewide to those with incomes at or below 80 percent of the area median family income.

The Need for Down Payment Assistance

Research conducted by the Federal Reserve Bank of Saint Louis shows that the percentage of American households who own their homes has steadily decreased from 69% in 2004 to 65.1% in 2013.² Citing research conducted by the New York-based firm Zelman and Associates, a Freddie Mac article published in June 2014 indicates that one of the main factors keeping people from purchasing a home is their belief that they do not have enough money for a down payment.³

To help bridge this gap, the Corporation's home loan with down payment assistance programs allow eligible borrowers to apply for a 30-year fixed-rate mortgage loan and receive down payment assistance in the form of a grant that does not require repayment when the home is sold or the mortgage loan is refinanced.

These programs are available statewide on a first-come, first-served basis to home buyers who wish to purchase a newly constructed or existing home. Home buyers must meet income and purchase price limits set by federal guidelines, while demonstrating creditworthiness and meeting standard mortgage underwriting requirements. Home buyers must also occupy the purchased home as their primary residence. The programs are accessible to eligible borrowers by directly contacting a participating mortgage lender.

Mortgage Credit Certificate Program

In 2008 the Corporation established the Mortgage Credit Certificate (MCC) Program as another option for eligible first-time home buyers. The MCC Program is made possible under IRS rules allowing the conversion of Single Family mortgage revenue bond cap into mortgage credit certificates. The Corporation's MCC Program serves the same populations eligible for the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs. Under the MCC Program, the qualified home buyer can take a portion of the annual interest paid on the mortgage as a special tax credit, up to \$2,000 each year that they occupy the home as their principal residence. An MCC has the potential of saving the home buyer thousands of dollars over the life of the loan. And although the MCC Program is not a home loan program, the home buyer is required to have a fixed-rate mortgage loan.

Since their inception, demand for these programs has increased. To date, the Corporation has served over 10,600 households under our home loan/down payment and MCC programs.

Current Funding Mechanism

As stated above, historically the Corporation has funded its home loan/down payment assistance programs through the tax-exempt bond market by issuing mortgage revenue bonds

² Source: Federal Reserve Bank of Saint Louis: "Homeownership Rate for the United States," accessed on 11/19/2014.

³ Source: Christina Boyle: "Down Payments: Today's Most Consistent Misconception about Mortgages," Freddie Mac, 2014

available under its statutory authority. Because the interest income from the bonds was exempt from federal income taxes, investors were willing to purchase the bonds at lower interest rates. These lower borrowing costs allowed the Corporation to use bond proceeds to make mortgage loans with down payment assistance grants to home buyers at or below market rates.

However, since “the great recession” financial market conditions continue to create an unusual environment in which taxable bond mortgage rates are lower than tax-exempt bond rates. As a result the Corporation’s cost of borrowing in the tax-exempt bond market is higher than the rate at which the Corporation could competitively offer mortgage loans and down payment assistance grants to home buyers.

To continue to fulfill its mission of providing mortgage loans and down payment assistance, since 2012 the Corporation has utilized the sale of mortgage backed securities instead of tax-exempt bonds to fund its home loan with down payment assistance programs. This funding mechanism enables the Corporation to provide home loans with down payment assistance to both first-time home buyers and non-first-time home buyers.

Home Buyer Education Requirement

In addition to meeting the program eligibility requirements, every home buyer who utilizes one of the Corporation’s homeownership programs must complete a home buyer education course prior to closing on the purchase of their home. Several studies show that pre-purchase counseling can significantly reduce the mortgage payment delinquency rate for homeowners who participate as well as improve their financial decision-making over time. Specifically, a study conducted by Neil Mayer and Associates in collaboration with Experian found that clients receiving home buyer education prior to purchasing a home are one-third less likely to become 90 or more days delinquent over the two years after receiving their loan as compared to borrowers who do not receive that pre-purchase education or counseling.⁴ A subsequent study conducted by the Federal Reserve Bank of Philadelphia notes that pre-purchase counseling can also help potential home buyers improve their creditworthiness to help them qualify for a mortgage.⁵

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Not every home buyer has the same needs, especially in this ever-changing housing market. We have found that some home buyers are interest rate sensitive, while others need more down payment assistance. In an effort to meet the varying needs of Texas home buyers, in late 2014 the Corporation started providing several different options to home buyers, offering varying rates, down payment assistance levels, and loan types—a program change the Corporation plans to continue in 2015. These new options allow home buyers, in discussions with their

⁴ Source: Neil S. Mayer and Kenneth Temkin, “Pre-Purchase Counseling Impacts on Mortgage Performance: Empirical Analysis of NeighborWorks America’s Experience,” Neil Mayer and Associates on behalf of NeighborWorks America, March 2013.

⁵ Source: Marvin M. Smith, Daniel Hochberg, and William H. Greene “The Effectiveness of Pre-Purchase Homeownership Counseling and Financial Management Skills,” Federal Reserve Bank of Philadelphia, 2014.

lenders and Realtors, to choose the best option for them. In addition, all forms of assistance can be used to purchase a home or refinance an existing current mortgage.

Furthermore, given the success and demand for the MCC Program, which is still funded by converting single family mortgage revenue bond cap into Mortgage Credit Certificates, the Corporation will continue to provide this program to home buyers. The funding mechanism for the MCC Program, tax-exempt bonds, does dictate that the home buyer must be a first-time home buyer. However, first-time home buyers have the unique benefit of being able to utilize both the MCC Program and the home loan with down payment assistance programs.

Above and beyond the statutory requirements of the programs, the Corporation will work to broaden the reach of the programs through the recruitment of additional lenders and marketing to Realtors, especially in areas of the state with low utilization of the programs. Barring any change in tax-exempt bond market conditions, the Corporation plans to continue utilizing the sale of mortgage backed securities to fund its home loan with down payment assistance programs in 2015.

HOME BUYER EDUCATION AND FORECLOSURE PREVENTION

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

In 2012, the Corporation expanded its online resources by creating the Texas Financial Toolbox (www.texasfinancialtoolbox.com). The Texas Financial Toolbox gives consumers an easy way to find nonprofit organizations or government entities that can help them achieve their financial and homeownership goals. Whether consumers want to learn how to better manage their money, find out if they're ready for homeownership, understand the home buying process and the programs that are available to help them buy a home, or learn how to avoid foreclosure, the Texas Financial Toolbox is a great place to start. Information about home buyer programs, home buyer education classes, financial education, foreclosure prevention and related events is available, all searchable by city. This is a tool that was not previously available in Texas, and the Corporation believes it is providing valuable information to Texas consumers.

Foreclosure Prevention Activities

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

mortgage loan modification scams.

One of the most important things a homeowner facing foreclosure can do is contact a U.S. Department of Housing and Urban Development (HUD) approved housing counselor for foreclosure prevention counseling. Statistics collected on the effectiveness of foreclosure prevention counseling show that counseling is an important tool in helping homeowners avoid foreclosure. In fact, a recent evaluation of the federal National Foreclosure Mitigation Counseling (NFMC) Program (which provides funding to support foreclosure prevention counseling) shows that homeowners who receive foreclosure counseling are nearly three times more likely to obtain a loan modification than homeowners who don't.⁶

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

In addition, since 2009 the Corporation has partnered with TDHCA to administer the State of Texas' federal NFMC Program. This program has provided nearly \$2.3 million to housing counseling organizations helping homeowners avoid foreclosure. A combination of private and NFMC funding has allowed participating housing counseling agencies to increase their capacity and ensure counseling services remain free for the homeowners who need them. And since 2009, housing counseling agencies have provided foreclosure prevention counseling to over 7,800 Texas homeowners at risk of foreclosure.

Texas Statewide Homebuyer Education Program

And finally, for many years the Corporation has promoted and supported successful homeownership by supporting the Texas Statewide Homebuyer Education Program (TSHEP), which provides continuing education to housing counselors who provide home buyer education to consumers, most of them low-income. TSHEP has historically been administered by the Texas Department of Housing and Community Affairs (TDHCA); however, effective September 1, 2012, the Corporation entered into an agreement with TDHCA to administer TSHEP.

In 2014 housing counselors across the state had the opportunity to attend three separate trainings that furthered their skills and certified many of the participants as home buyer education providers. The Corporation contracted with NeighborWorks America, the selected education provider, to teach housing counselors the principles and applications of comprehensive pre- and post-purchase home buyer education, lending basics, financial capability, and foreclosure counseling.

To date over 800 housing counselors have continued their education to either maintain or

⁶ Source: Kenneth M. Tempkin, Neil S. Mayer, Charles A. Calhoun, Peter A. Tatian, and Taz George "National Foreclosure Mitigation Counseling Program Evaluation, Final Report Rounds 3 Through 5" The Urban Institute, 2014.

obtain their home buyer education certification as a result of training they received through TSHEP.

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To support the increased demand for TSHEP training, the Corporation, with support from private funders and sponsors, anticipates conducting another three rounds of trainings in 2015. The Corporation plans to offer courses covering the following topics: home buyer education, credit counseling, advanced financial coaching and post-purchase education methods. These courses were requested specifically by Texas housing counselors in an annual survey conducted in summer 2014.

In its August 2014 National Foreclosure Report, the financial research firm CoreLogic reported that, although Texas' foreclosure rate is relatively low, Texas had more than 36,000 completed foreclosures last year, which ranks behind only Florida and Michigan on the list of states with the most foreclosures. Furthermore, both Houston and Dallas ranked in the top 10 metropolitan areas with the most foreclosures last year, with 8,524 and 6,054 foreclosures respectively. These statistics indicate that the risk of foreclosure is still very real for many Texas families.⁷

In response to these alarming statistics, the Corporation plans to continue to support foreclosure prevention counseling and other foreclosure prevention activities in Texas. The Corporation will continue to partner with housing counseling agencies and elected officials to hold community outreach events when requested. In addition, the Corporation will continue its efforts to directly reach homeowners facing foreclosure through direct mail and marketing online resources such as www.texasfinancialtoolbox.com, as well as stressing the importance of home buyer education prior to considering purchasing a home.

DIRECT LENDING PROGRAMS

The Corporation's Direct Lending Programs help provide safe, decent, and affordable housing with an emphasis on serving rural and underserved communities. Leveraging investments from private foundations and banks, the Corporation is able to provide both short-term and long-term affordable housing financing to developers. Applications for new loans are accepted on an ongoing basis, provided there is funding available for the program. The Corporation currently offers three types of loans:

- § Permanent financing for multifamily rental properties
- § Construction lines of credit for new single-family homes
- § Revolving lines of credit for acquisition/rehabilitation of single-family homes

⁷ Source: CoreLogic "National Foreclosure Report," August 2014.

Single Family Construction/Rehabilitation

In 2014 eight homes were rehabilitated or constructed by local partners using the Direct Lending Program's loan products. The Corporation also awarded one new loan in 2014 as a revolving line of credit.

Multifamily Family Construction/Rehabilitation

The Corporation's Direct Lending Program generally targets smaller multifamily developments in rural areas and underserved communities. Smaller developments generally depend on federal subsidies from USDA and HUD, and access to these funds has continued to be very limited. The average loan size for multifamily developments is \$580,000, and the average number of units is 72.

Loan Production	2014	Total
Loans Made	1	21
# of Single Family Homes	8	100
# of Rental Units	0	1901
Amount of Loan Funds Approved	\$200,000	\$11,746,287
Value of Constructed Properties	\$1,193,595	\$151,721,362
Jobs Created	12	1,614 ⁸

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The construction of new homes has grown significantly in the past year, but most commonly in higher priced markets that are not affordable to Texans with lower incomes. According to an October 2014 article in the *Dallas Morning News*, rising home prices are making it more difficult for Texas households to afford a home. Citing research conducted by the Texas A&M Real Estate Center, the article indicates that Texas has seen double-digit home price increases over the past two years; however, income levels have remained relatively flat.⁹

To address this challenge, the Corporation plans to continue to provide flexible lines of credit to smaller developers. These loan products, leveraged with the Corporation's access to lower cost land through its Affordable Communities of Texas (ACT) land bank, will enable these developers to continue to construct and rehabilitate single family homes that are affordable for working families.

Additionally, the Corporation plans to continue to provide loans to small and rural markets for multifamily developments, helping local developers meet the housing needs of their communities without relying on federal or state tax credit subsidies.

⁸ Source: Estimates of Job Creation from the American Recovery and Reinvestment Act of 2009
<http://www.whitehouse.gov/administration/eop/cea/Estimate-of-Job-Creation>, 2009

⁹ Source: Steve Brown: "Higher home prices and rising interest rates could hassle Texas homebuyers," *Dallas Morning News*, 2014.

The Corporation will continue to seek additional program related investments from private investors to meet the growing need for the Direct Lending Program. Additionally, the Corporation plans to explore the opportunity to rebrand the Direct Lending Program as a loan fund in an effort to better explain the program’s purpose and attract new investors.

AFFORDABLE COMMUNITIES OF TEXAS PROGRAM

The Corporation created the Affordable Communities of Texas (ACT) Program, a land bank and land trust program, in 2008 to stabilize communities experiencing high rates of foreclosure. The Corporation works in partnership with nonprofit and government agencies across the state to acquire and redevelop foreclosed homes, vacant land and tax foreclosed properties, and then sell or rent the homes to low-income families.

The ACT Program, partnering with more than 25 organizations, has acquired a total of 587 properties and has redeveloped 162 of these properties to date. The ACT Program comprises four unique initiatives distinguished by source of funding and targeted use of properties:

- § ACT Land Banking – This is the Corporation’s general land banking program that includes properties that are either purchased by the Corporation or donated to the Corporation. Properties are redeveloped for affordable housing. If a property is not suitable for redevelopment (i.e. poor location, high cost of redevelopment or other extenuating circumstances), the property is sold and the funds reinvested in the ACT Program.
- § ACT Land Trust – Properties acquired are intended to be held in perpetuity by the Corporation. Homes built or redeveloped on land trust sites may be rented or sold to qualified low-income households.
- § Veterans Housing Initiative – This initiative is a partnership with Bank of America. The Corporation accepts higher value homes through donations from Bank of America that are redeveloped and sold at a minimum 25% discount to qualified U.S. military veterans in Texas. Veterans who are disabled and have low incomes may also qualify to receive a home as a donation.
- § Texas NSP – this category includes only those homes and properties that were acquired using Texas’s federal Neighborhood Stabilization Program (NSP) funding.

The ACT Program has acquired 587 Units over the life of the program and has a current portfolio of 409 lots and homes.

Program/Initiative	Acquisitions 2014	Sales 2014	Current Portfolio	Current Asset Value
ACT Land Banking	8	20	83	\$1,094,391
ACT Land Trust	0	0	60	\$650,000
Veterans Initiative	5	24	19	\$1,583,299
Texas NSP	0	15	247	\$4,793,721
Totals	13	59	409	\$8,121,411

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The ACT Program will continue to play an integral role in the Corporation's overall affordable housing strategy. Although the availability of foreclosed homes donated by banks and mortgage companies has decreased as home values have rebounded, the number of vacant and abandoned homes continues to be high in many urban and rural areas. The Corporation will continue to seek new avenues to acquire foreclosed and vacant properties, including working directly with local and regional governments.

Additionally, the Corporation intends to continue working with its network of local partner developers to redevelop and sell properties currently in the ACT Program's portfolio. The Corporation has also committed additional funding for property acquisitions and redevelopment that will enable us to redevelop properties more quickly in markets where we cannot partner with a local developer.

MULTIFAMILY BOND PROGRAMS

The Corporation uses its statutory authority to issue tax-exempt multifamily private activity bonds (PAB) to help affordable housing developers construct or preserve multifamily rental units. As a conduit issuer, the Corporation is allocated 10 percent of Texas' multifamily PAB cap each year.

The Corporation makes available to developers its multifamily PAB allocation through an annual Request for Proposal application process. To be considered for multifamily PAB financing, multifamily developments must meet specific housing needs identified each year by the Corporation's Board of Directors. In 2014 those housing needs were:

- § Preservation and rehabilitation of at-risk affordable multifamily housing;
- § Rental housing in rural and smaller urban markets;
- § Senior or service enriched housing; and
- § Disaster relief affordable multifamily housing.

In 2014, the Corporation induced \$42 million in multifamily PABs to construct or rehabilitate 548 affordable rental homes in Houston and Midland.

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Market conditions for the development of affordable multifamily housing using PABs continue to improve. Occupancy rates in most urban markets continue to be very strong and average nearly 97% statewide, indicating a continued demand for multifamily housing.¹⁰

The Corporation's Board of Directors approved new program policies and a request for

¹⁰ Source: Texas A&M Real Estate Center http://www.recenter.tamu.edu/mdata/pdf/Austin_Apartmentdata.pdf, 2014.

proposal in November 2014. The Corporation anticipates continued interest and growth in our PAB program due to improved PAB market conditions, increased demand for affordable multifamily housing and the Corporation's straightforward application process and sound underwriting requirements.

ASSET OVERSIGHT AND COMPLIANCE

Asset oversight and compliance monitoring of multifamily properties financed through multifamily tax-exempt bonds is required by many bond issuers, including the Corporation. The Corporation also requires asset oversight and compliance monitoring of multifamily properties financed through our Direct Lending Program. The Corporation believes these reviews are one of the best ways to ensure properties are continuing to provide safe and decent affordable housing to their residents.

Asset Oversight

As part of the asset oversight review process, staff performs an annual on-site inspection of each property, monitors each property's financial and physical health, and provides suggestions for improvement to property owners and managers. Staff completes a report of each property and submits its reports to property owners, managers and other stakeholders. The reports are also available on the Corporation's website www.tsahc.org.

Compliance

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. By conducting these reviews on a monthly basis, the Corporation helps ensure that property owners and managers are following the federal affordability requirements relating to the tax-exempt status of the bonds. An annual report for each property is submitted to property owners, managers, and other stakeholders and is also available on the Corporation's website.

The Corporation also offers an online reporting system that allows each property manager to complete its monthly compliance reporting online. In 2014 the Corporation updated this online tool to help property managers complete their reports more efficiently.

In 2014 the Corporation performed asset oversight and compliance reviews for 26 bond-financed properties and Direct Lending Program properties, which totaled 3,868 units.

The Corporation also leverages its asset oversight and compliance experience by providing training to other housing organizations and public agencies as needed. In 2014 staff conducted multiple on-site trainings for properties in the Houston area to help property managers improve their internal compliance monitoring systems.

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The Corporation will continue to provide asset oversight and compliance monitoring services to the properties in its current bond and Direct Lending Program portfolios. In 2015 the Corporation anticipates adding a minimum of two properties (548 units) to the portfolio of bond-financed properties monitored by the Corporation's staff.

The Corporation will continue to review and update its policies and procedures as industry trends and changes in policy dictate. The Corporation will continue to closely monitor the financial health and physical condition of properties in its portfolio and offer specific strategies for improvement. In addition, the Corporation plans to continue marketing its asset oversight and compliance capabilities to other housing organizations and public agencies.

SINGLE FAMILY RENTAL PROGRAM

The cost of living in Austin continued to rise in 2014. According to Zillow, the median home price in Austin is now \$343,000 and the median monthly rent is now \$1450.¹¹ These prices are simply unaffordable for many low-income Austin families.

In May 2013, the Corporation created 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 the Corporation has purchased for the program.

The program aims to serve individuals and families that earn at or below 80% of the area median family income with the opportunity to rent a home at significantly less than market rate rents. In addition to verifying income, the Corporation screens each applicant for rental, credit, and criminal history. To date, the Corporation has purchased and leased 13 homes to qualifying, low-income families in the Austin MSA.

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The Corporation plans to continue to expand the Single Family Rental Program in the Austin area by purchasing three additional homes and offering them as rental homes to low-income families.

¹¹ Source: <http://www.zillow.com/austin-tx/home-values/>

TEXAS FOUNDATIONS FUND

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

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

The housing services listed below are eligible for support through the Texas Foundations Fund:

- The rehabilitation and/or critical repair of owner-occupied, single family homes to remedy unsafe living conditions. Critical repairs may also include accessibility modifications to assist household members with a disability. The Corporation will support the critical repair of single family rental homes only if the homes are owned and operated by the non-profit or government entity receiving funding and if the repairs enhance accessibility for renting households with an individual with a disability.
- The provision of supportive housing services for residents of housing units owned by the applicant receiving funding. The services supported by the Texas Foundations Fund must help individuals and families at risk of homelessness or unnecessary institutionalization gain and/or maintain their housing stability. Eligible supportive housing services include, but are not limited to: the provision of alcohol and drug counseling, adult education and/or job training, mental health counseling, case management and services provided by a health care provider.

The Corporation selected these services by conducting a survey asking its partner housing organizations to identify the greatest housing needs of very low-income Texans.

The Corporation funds its Texas Foundations Fund awards by blending private donations with earned revenue from its other housing programs. The Corporation's Board of Directors determines the amount available for each funding round based on revenue and private funding received.

Prior to each funding round, the Corporation publishes the Texas Foundations Fund Guidelines for public comment, giving stakeholders the opportunity to provide feedback prior to submitting a funding proposal. Partners are then selected through a competitive application process. Applications for funding are first considered by the Corporation's Advisory Council, whose members are appointed by the Corporation's Board of Directors, with final approval of selected partners determined by the Board of Directors. Since 2008 the Corporation has awarded nearly \$1.9 million in grants.

In 2014 the Corporation awarded a total of \$343,000 to 13 high performing non-profit organizations, which will enable them to provide critical repairs and supportive housing services to 1,800 very low-income Texans. In an effort to achieve greater geographic diversity with its Texas Foundations Fund awards, the Corporation divided the state of Texas into eight geographic regions and awarded at least one qualified applicant in each region.

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The Corporation anticipates accepting applications for the next Texas Foundations Fund award cycle beginning in mid-2015. Prior to the start of the application process, program staff and Advisory Council members will review feedback received from stakeholders to determine if any changes should be made to the Texas Foundations Fund Guidelines. This process helps the Corporation ensure that the Texas Foundations Fund continues to fulfill its purpose to address the critical housing needs of very low-income households in communities across Texas.

The Corporation's Advisory Council continues to play a vital role in identifying and cultivating prospective donors to support the Texas Foundations Fund. The Advisory Council is comprised of 10 community leaders who possess fundraising experience, who demonstrate commitment to affordable housing programs, and who represent geographic diversity within Texas. With support from the Advisory Council, the Corporation plans to increase the amount of funding available for Texas Foundations Fund awards in 2015.

In 2015, the Corporation will also continue to explore the feasibility of creating a sustainable funding source, such as an endowment, for the Texas Foundations Fund.