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TEXAS

State Affordable Housing Corporation

December Board Meeting

To be held via Webinar Located:

https://webinar.ringcentral.com/webinar/register/WN_E0ctWwihRl-HwHbJC7F_NQ

Dial-in number: +1 (888) 391-5458

Webinar ID: 149 943 5206

Participant ID: Receive Upon Registration

Wednesday, December 16, 2020

10:30 a.m.

TEXAS STATE AFFORDABLE HOUSING CORPORATION
BOARD MEETING
AGENDA

The Governing Board of the Texas State Affordable Housing Corporation (TSAHC) will meet ONLINE:

December 16, 2020
10:30 A.M.

MEETING LOCATION:

Considering the March 13, 2020, disaster declaration by the Office of the Governor, and the subsequent waivers of portions of Tex. Gov't Code, Ch. 551*, this meeting of the TSAHC governing Board will be accessible to the public via the telephone and web link information, below. In order to engage in two-way communication during the meeting, persons must first register (at no cost) to attend the webinar via the link provided. Anyone who calls into the meeting without registering online will not be able to ask questions or provide comments, but the meeting will still be audible. A recording of the meeting will be made available to the public as soon as possible following the meeting.

GOVERNING BOARD WEBINAR REGISTRATION:

Location: https://webinar.ringcentral.com/webinar/register/WN_E0ctWwihRl-HwHbJC7F_NQ
Dial-in number: +1(888) 391-5458**, Webinar ID:** 149 943 5206; **Participant ID:** Received upon registration. (Persons who use the dial-in number and access code without registering online will only be able to hear the Board Meeting and will not be able to ask questions or provide comments). Note, this meeting will be proceeding as a teleconference under Tex. Gov't Code §551.125, as modified by waiver, and video will not be available.

CALL TO ORDER
ROLL CALL **Bill Dietz, Chair**
CERTIFICATION OF QUORUM

Pledge of Allegiance – **I pledge allegiance to the flag of the United States of America, and to the Republic for which it stands, one Nation under God, indivisible, with liberty and justice for all.**

Texas Allegiance – **Honor the Texas flag; I pledge allegiance to thee, Texas, one state under God, one and indivisible.**

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

PUBLIC COMMENT

AUDIT COMMITTEE REPORT **Valerie Cardenas, Committee Chair**

PRESIDENT'S REPORT **David Long**

Tab A: Homeownership Finance Report
Tab B: Development Finance Report
Tab C: Monthly Financial Reports

ACTION ITEMS IN OPEN MEETING:

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on November 12, 2020.

Tab 2 Presentation, Discussion and Possible Approval of the Annual Independent Financial Audit for the Fiscal Year Ending August 31, 2020.

Tab 3 Presentation, Discussion and Possible Approval of the Fiscal Year 2021 Investment Policy.

Tab 4 Presentation, Discussion and Possible Approval for Publication and Public Comment of the Draft of the Texas State Affordable Housing Corporation's 2021 Annual Action Plan.

Tab 5 Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Marshall Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

Tab 6 Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Fawn Ridge Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

Tab 7 Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Pine Terrace Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

Tab 8 Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Trinity Oaks Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

Tab 9 Presentation, Discussion and Possible Approval of the Guidelines, Scoring Criteria and Targeted Housing Needs for the Allocation of Qualified Residential Rental Project Tax Exempt Bonds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2021.

CLOSED MEETING:

Consultation with legal counsel on legal matters – Texas Government Code § 551.071
Deliberation regarding purchase, exchange, lease, or value of real property – Texas Government Code § 551.072
Deliberation regarding prospective gift or donation to the state or Texas State Affordable Housing Corporation – Texas Government Code § 551.073
Personnel Matters – Texas Government Code § 551.074
Implementation of security personnel or devices – Texas Government Code § 551.076
Other matters authorized under the Texas Government Code

ACTION ITEMS IN OPEN MEETING:

Action in Open Meeting on Items Discussed in Closed Executive Session

ANNOUNCEMENTS AND CLOSING COMMENTS

ADJOURN

A Board member of the Corporation may participate in a Board meeting by video conference pursuant to Section 551.127 of the Texas Government Code. A quorum of the Board will meet at the Texas State Affordable Housing Corporation's headquarters located at 6701 Shirley Avenue., Austin Texas, 78752.

Individuals who require auxiliary aids or services for this meeting should contact Rebecca DeLeon, ADA Responsible Employee, at 512-220-1174 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that the appropriate arrangements can be made.

Section 46.035 of the Texas Penal Code prohibits handgun licensees from carrying their handguns at government meetings such as this one. This prohibition applies to both concealed carry and open carry by handgun licensees. Handgun licensees are required by law to refrain from carrying their handguns at this meeting.

Texas State Affordable Housing Corporation reserves the right to recess this meeting (without adjourning) and convene at a later stated time, if and to the extent allowed by law. If Texas State Affordable Housing Corporation adjourns this meeting and reconvenes at a later time, the later meeting will be held in the same location as this meeting. Texas State Affordable Housing Corporation also reserves the right to proceed into a closed meeting during the meeting in accordance with the Open Meetings Act, Chapter 551 of the Texas Government Code. If permitted by the Open Meetings Act, Chapter 551 of the Texas Government Code, any item on this Agenda to be discussed in open meeting may also be discussed by the Board (and any other authorized persons) in closed meeting.

President's Report

Tab A

Homeownership Finance Report

tsahc TEXAS State Affordable Housing Corporation

Homeownership Programs with Down Payment Assistance
January 1 to September 30, 2020

Month	Closed	# of Loans	% Total
January-20	$ 129,004,758	682	6.2%
February-20	$ 138,652,626	717	6.7%
March-20	$ 189,705,945	967	9.1%
April-20	$ 206,897,793	1059	10.0%
May-20	$ 222,125,130	1131	10.7%
June-20	$ 254,889,623	1298	12.3%
July-20	$ 294,558,676	1494	14.2%
August-20	$ 311,465,626	1562	15.0%
September-20	$ 326,625,583	1636	15.7%
Totals	**$2,073,925,760**	**10546**	**100%**
Lender	***Closed***	***# of Loans***	***% Total***
Fairway Independent Mortgage Corporation	$128,147,582	674	6.2%
Guild Mortgage Corporation	$124,849,947	646	6.0%
Everett Financial, dba Supreme Lending	$117,465,532	588	5.7%
DHI Mortgage Company, Ltd.	$84,552,721	367	4.1%
Academy Mortgage Corporation	$81,151,258	438	3.9%
PrimeLending	$80,397,705	423	3.9%
Gateway Mortgage Group, a division of	$79,198,090	418	3.8%
loanDepot.com LLC	$70,666,747	364	3.4%
Movement Mortgage, LLC	$56,907,126	295	2.7%
CMG Mortgage, Inc. dba CMG Financial	$51,562,766	241	2.5%
Ark-La-Tex Financial (Benchmark Mtg.)	$50,267,448	240	2.4%
Cardinal Financial Company	$44,744,573	226	2.2%
Stearns Lending, LLC	$40,823,168	186	2.0%
Cornerstone Home Lending, Inc.	$36,628,511	180	1.8%
Amcap Mortgage, LTD	$34,612,438	188	1.7%
Thrive Mortgage, LLC	$34,232,914	177	1.7%
Hometrust Mortgage Company	$31,543,923	173	1.5%
Southwest Funding, LP	$29,898,351	152	1.4%
Pulte Mortgage LLC	$29,688,511	133	1.4%
Guaranteed Rate	$28,789,673	150	1.4%
Wallick and Volk, Inc.	$27,628,996	140	1.3%
Security National Mortgage Company	$27,214,768	151	1.3%
SFMC, LP (Service First Mortgage)	$25,740,352	125	1.2%
NTFN, Inc.	$24,279,591	119	1.2%
Nations Reliable Lending, LLC	$24,151,536	120	1.2%
Highlands Residential Mortgage	$22,803,173	112	1.1%
Caliber Home Loans, Inc.	$21,150,256	109	1.0%
American Pacific Mortgage Corporation	$21,098,157	112	1.0%
Town Square Mortgage & Investments, Inc.	$20,841,361	105	1.0%
Network Funding, LP	$17,605,530	91	0.8%
SWBC Mortgage Corporation	$17,380,080	94	0.8%
Republic State Mortgage Co.	$17,287,482	70	0.8%
Great Western Financial Services, Inc.	$16,943,947	89	0.8%
Gardner Financial Services, Ltd.	$16,656,025	79	0.8%
Inspire Home Loans, Inc.	$15,267,974	74	0.7%
Mortgage Financial Services, LLC	$14,631,683	88	0.7%
Interlinc Mortgage Services, LLC	$14,006,305	62	0.7%
Cherry Creek Mortgage Co., Inc.	$13,233,544	62	0.6%
Directions Equity, LLC	$12,935,983	75	0.6%
Waterstone Mortgage Corporation	$12,678,912	58	0.6%
First Bank	$12,445,293	58	0.6%
Independent Bank	$12,407,304	58	0.6%
Primary Residential Mortgage, Inc.	$12,192,207	61	0.6%
First Continental Mortgage, Ltd.	$11,853,615	44	0.6%
Gold Star Mortgage Financial Group	$11,667,640	62	0.6%
City First Mortgage Services, LLC	$10,992,143	57	0.5%
First Community Mortgage	$10,887,906	67	0.5%
LeaderOne Financial	$10,679,863	58	0.5%
BancorpSouth Bank	$10,320,104	52	0.5%
Michigan Mutual, Inc.	$10,313,881	48	0.5%
CLM Mortgage, LLC	$10,293,290	44	0.5%
American Financial Network, Inc.	$10,271,788	50	0.5%
Synergy One Lending, Inc.	$8,996,257	44	0.4%

At a Glance	
Average Annual Income	$62,106
Average Purchase Price	$200,603
Average Loan Amount	$196,655
Average Household Size	2
Average Interest Rate	3.759%
Program	***%***
Home Sweet Texas	**83.59%**
Homes for Texas Heroes	**16.41%**
Active Military	*0.53%*
Allied Health Faculty	*0.11%*
Corrections Officer	*0.89%*
County Jailer	*0.10%*
EMS Personnel	*0.44%*
Fire Fighter	*0.88%*
Peace Officer	*1.50%*
Professional Nurse Faculty	*0.62%*
Public Security Officer	*0.32%*
School Counselor	*0.10%*
School Librarian	*0.01%*
School Nurse	*0.07%*
Teacher	*9.24%*
Teacher Aide	*0.23%*
Veteran	*1.37%*
New/Existing Home	
Existing	78.46%
New	21.54%
Type of Loan	
Conventional - Purchase	10.78%
FHA - Purchase	85.09%
USDA-RHS Purchase	1.27%
VA - Purchase	2.85%
Ethnicity	
American Indian/Alaskan Native	0.24%
Asian/Pacific Islander	1.21%
Black	13.83%
Hispanic	37.86%
Not Defined	7.33%
Other	1.94%
White	37.55%
Top 20 Originating Counties*	***# Households***
Harris	1656
Tarrant	1340
Dallas	952
Bexar	831
Denton	426
Williamson	343
Fort Bend	292
Collin	268
Montgomery	255
Travis	232
El Paso	220
Ellis	195
Kaufman	194
Bell	173
Hays	162
Lubbock	154
Brazoria	148
Johnson	148
Galveston	118
Cameron	118

*Top 20 of all counties statewide. All remaining counties served 2321 households.

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Homeownership Programs with Down Payment Assistance
January 1 to September 30, 2020

First United Bank & Trust	$8,902,285	44	0.4%
DAS Acquisition Company, LLC	$8,835,263	40	0.4%
America's Choice Home Loans, LP	$8,739,959	45	0.4%
Patriot Mortgage Company	$8,386,647	55	0.4%
Texas Bank Mortgage Company	$8,237,714	44	0.4%
Hometown Lenders, Inc.	$8,151,628	42	0.4%
Loan Simple, Inc.	$7,967,233	40	0.4%
Certainty Home Loans, LLC	$7,897,081	45	0.4%
Texas Tech Federal Credit Union	$7,674,945	48	0.4%
First Financial Bank, N.A.	$7,399,261	48	0.4%
Lennar Mortgage, LLC	$7,335,688	34	0.4%
Willow Bend Mortgage Company, LLC	$7,043,468	34	0.3%
Infinity Mortgage Holdings, LLC	$6,651,239	35	0.3%
University Federal Credit Union	$6,294,824	29	0.3%
Happy State Bank	$6,241,753	40	0.3%
Crosscountry Mortgage, LLC	$6,120,271	30	0.3%
Summit Funding, Inc.	$5,977,992	28	0.3%
First National Bank Mortgage	$5,972,898	36	0.3%
HomeBridge Financial Services	$5,969,802	33	0.3%
American Mortgage & Equity Consultants	$5,882,873	33	0.3%
First Bank & Trust	$5,734,169	31	0.3%
Bank of England	$5,574,882	25	0.3%
Trinity Oaks Mortgage	$5,509,561	24	0.3%
Nations Lending Corporation	$5,315,614	28	0.3%
Pilgrim Mortgage, LLC	$5,065,228	25	0.2%
Loan Leaders of America, Inc.	$4,974,649	26	0.2%
Sente Mortgage Inc.	$4,932,835	26	0.2%
Legacy Mortgage, LLC	$4,771,205	31	0.2%
Panorama Mortgage Group, LLC	$4,706,879	24	0.2%
Goldwater Bank, N.A.	$4,606,725	27	0.2%
First Home Bank	$4,455,819	25	0.2%
Home Financing Unlimited, Inc.(Mission)	$4,332,994	16	0.2%
Southwest Bank	$4,189,376	26	0.2%
LHM Financial Corp., dba CNN Mortgage	$4,076,907	21	0.2%
FBC Mortgage LLC	$3,931,580	21	0.2%
New American Funding (Broker Solutions)	$3,852,959	21	0.2%
Texana Bank, N.A.	$3,759,172	17	0.2%
American Neighborhood Mortgage	$3,744,347	19	0.2%
Mortgage Solutions of Colorado, LLC	$3,741,218	17	0.2%
Mid America Mortgage, Inc.	$3,614,214	19	0.2%
Guaranteed Rate Affinity, LLC	$3,424,986	17	0.2%
Prosperity Home Mortgage, LLC	$3,413,533	16	0.2%
Origin Bank	$3,176,399	16	0.2%
Associated Mortgage Corporation	$2,878,756	19	0.1%
Paramount Residential Mortgage Group	$2,533,932	14	0.1%
First State Bank	$2,470,229	11	0.1%
Cadence Lending Group, Inc.	$2,418,138	16	0.1%
Churchill Mortgage Corporation	$2,409,925	12	0.1%
Evolve Bank & Trust	$2,408,424	15	0.1%
Affiliated Bank	$2,372,655	13	0.1%
Planet Home Lending, LLC	$2,239,978	14	0.1%
Sun West Mortgage Company, Inc.	$2,085,741	10	0.1%
M/I Financial, LLC	$2,081,880	9	0.1%
Amerifirst Financial, Inc.	$2,005,070	10	0.1%
Rocky Mountain Mortgage Company	$1,947,455	12	0.1%
NFM, INC.	$1,657,346	8	0.1%
K Hovnanian American Mortgage, LLC	$1,485,114	6	0.1%
Midwest Mortgage Associates Corp.	$1,432,631	8	0.1%
First Centennial Mortgage Corporation	$1,429,968	8	0.1%
1st Preference Mortgage Corporation	$1,428,726	8	0.1%
International Bank of Commerce	$1,405,717	9	0.1%
University Lending Group, LLC	$1,401,541	9	0.1%
Homevantage Mortgage	$1,248,467	5	0.1%
Geneva Financial, LLC	$1,242,648	6	0.1%

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Homeownership Programs with Down Payment Assistance
January 1 to September 30, 2020

First Choice Loan Services, Inc.	$1,229,636	6	0.1%
First Horizon Bank	$1,221,785	7	0.1%
Residential Wholesale Mortgage, Inc.	$1,152,325	5	0.1%
On Q Financial, Inc.	$1,130,460	5	0.1%
Wells Fargo Bank, N.A.	$1,051,549	6	0.1%
Hancock Mortgage Partners, LLC	$964,357	5	0.0%
Hamilton Group Funding, Inc.	$963,211	6	0.0%
Lend Smart Mortgage, LLC	$888,045	4	0.0%
Finance of America Mortgage, LLC	$870,635	5	0.0%
Open Mortgage LLC	$861,137	4	0.0%
Victorian Finance LLC	$860,622	5	0.0%
Colonial Savings, F.A.	$843,803	4	0.0%
Moria Development/Peoples Mortgage Co	$818,752	5	0.0%
ClosingMark Home Loans, Inc.	$792,280	3	0.0%
Guardian Mortgage	$759,109	4	0.0%
Bay Equity LLC	$712,667	4	0.0%
Finance Home America	$706,367	3	0.0%
Commerce Home Mortgage, Inc.	$674,451	4	0.0%
The Home Loan Expert, LLC	$670,627	3	0.0%
Mason McDuffle Mortgage Corporation	$658,844	3	0.0%
Union Home Mortgage	$657,666	4	0.0%
V.I.P. Independent Mortgage, Inc.	$535,526	3	0.0%
Capstar Lending, LLC	$534,833	2	0.0%
Jefferson Bank	$460,895	3	0.0%
BM REAL ESTATE SERVICES, INC.	$383,425	2	0.0%
Guaranty Bank & Trust, N.A.	$348,388	2	0.0%
Central Bank	$346,775	2	0.0%
NOVA Financial & Investment Corporation	$273,620	2	0.0%
Amarillo National Bank	$272,815	2	0.0%
JNC Mortgage Company, Inc.	$259,168	1	0.0%
Envoy Mortgage	$220,924	1	0.0%
The Federal Savings Bank	$196,377	1	0.0%
American Bank, N.A.	$191,468	1	0.0%
Citywide Home Loans, a Utah Corporation	$176,739	1	0.0%
Northpointe Bank	$168,884	1	0.0%
Cstone Mortgage, Inc.	$160,047	1	0.0%
American Nationwide Mortgage Company	$155,200	1	0.0%
Vantage Bank	$144,045	1	0.0%
Residential Bancorp, Inc.	$140,409	1	0.0%
Encompass Lending Group, LP	$131,572	1	0.0%
Peoples Bank	$122,686	1	0.0%
Aim Bank	$55,290	1	0.0%
Grand Total	**$2,073,925,760**	**10546**	**100%**

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Mortgage Credit Certificate Program
January 1 to September 30, 2020

Month	Closed	# of Loans	% Total
Jan	$ 28,889,499	155	8%
Feb	$ 34,039,978	172	9%
Mar	$ 36,519,024	188	10%
Apr	$ 37,091,200	188	10%
May	$ 36,348,717	180	10%
Jun	$ 44,690,889	224	12%
Jul	$ 49,331,850	245	14%
Aug	$ 49,102,355	242	13%
Sep	$ 49,098,804	246	13%
Totals	***$365,112,316***	***1840***	***100%***
Lender	***Closed***	***# of Loans***	***% Total***
Everett Financial, dba Supreme Lending	$27,260,048	140	7.6%
Fairway Independent Mortgage Corporation	$22,961,439	117	6.4%
Guild Mortgage Corporation	$20,519,401	106	5.8%
PrimeLending	$15,932,006	84	4.6%
DHI Mortgage Company, Ltd.	$14,880,420	66	3.6%
Cardinal Financial Company	$14,235,460	72	3.9%
Gateway Mortgage Group, a division of	$13,828,139	76	4.1%
Movement Mortgage, LLC	$13,510,431	72	3.9%
loanDepot.com LLC	$12,660,687	67	3.6%
Pulte Mortgage LLC	$12,476,818	57	3.1%
Stearns Lending, LLC	$9,355,105	38	2.1%
Hometrust Mortgage Company	$8,307,259	47	2.6%
Thrive Mortgage, LLC	$7,992,525	38	2.1%
CMG Mortgage, Inc. dba CMG Financial	$7,829,598	37	2.0%
Nations Reliable Lending, LLC	$7,318,704	38	2.1%
Guaranteed Rate	$6,708,659	37	2.0%
First Continental Mortgage, Ltd.	$6,331,306	24	1.3%
Ark-La-Tex Financial (Benchmark Mtg.)	$6,096,153	28	1.5%
NTFN, Inc.	$6,010,695	32	1.7%
Academy Mortgage Corporation	$5,996,697	34	1.8%
SFMC, LP (Service First Mortgage)	$5,975,359	28	1.5%
Amcap Mortgage, LTD	$5,637,072	29	1.6%
Southwest Funding, LP	$5,065,760	24	1.3%
Texas Bank Mortgage Company	$4,738,445	26	1.4%
Caliber Home Loans, Inc.	$4,528,741	22	1.2%
Cornerstone Home Lending, Inc.	$4,327,554	22	1.2%
Security National Mortgage Company	$4,082,143	20	1.1%
BancorpSouth Bank	$4,004,868	22	1.2%
Town Square Mortgage & Investments, Inc.	$3,776,169	21	1.1%
CLM Mortgage, LLC	$3,765,415	16	0.9%
Interlinc Mortgage Services, LLC	$3,430,124	14	0.8%
Bank of America, N.A.	$3,169,563	16	0.9%
Inspire Home Loans, Inc.	$3,149,933	15	0.8%
American Financial Network, Inc.	$2,990,086	15	0.8%
Independent Bank	$2,930,503	13	0.7%
Highlands Residential Mortgage	$2,841,934	14	0.8%
University Federal Credit Union	$2,757,102	13	0.7%
Crosscountry Mortgage, LLC	$2,661,164	13	0.7%
American Pacific Mortgage Corporation	$2,499,095	12	0.7%
Republic State Mortgage Co.	$2,286,649	9	0.5%
Wallick and Volk, Inc.	$2,179,287	12	0.7%
American Mortgage & Equity Consultants	$2,088,853	13	0.7%
Guaranteed Rate Affinity, LLC	$1,977,900	11	0.6%
America's Choice Home Loans, LP	$1,838,866	9	0.5%
Barton Creek Lending Group	$1,668,974	7	0.4%
Gardner Financial Services, Ltd.	$1,546,554	8	0.4%
City First Mortgage Services, LLC	$1,514,350	7	0.4%
Trinity Oaks Mortgage	$1,452,947	6	0.3%
Network Funding, LP	$1,352,987	8	0.4%
Summit Funding, Inc.	$1,346,602	6	0.3%
1st Preference Mortgage Corporation	$1,333,404	7	0.4%
Willow Bend Mortgage Company, LLC	$1,314,234	6	0.3%
First Bank	$1,264,594	6	0.3%

At a Glance	
Total Amount Originated	$365,112,316
Average Annual Income	$57,426
Average Purchase Price	$204,440
Average Loan Amount	$198,431
Average Household Size	2
Average Interest Rate	3.712%
Program	***%***
Home Sweet Texas	***80.38%***
Homes for Texas Heroes	***19.62%***
Active Military	*0.38%*
Allied Health Faculty	*0.05%*
Corrections Officer	*0.54%*
County Jailer	*0.05%*
EMS Personnel	*0.43%*
Fire Fighter	*0.65%*
Peace Officer	*1.58%*
Professional Nurse Faculty	*0.92%*
Public Security Officer	*0.43%*
School Counselor	*0.05%*
School Librarian	*0.05%*
School Nurse	*0.05%*
Teacher	*12.28%*
Teacher Aide	*0.49%*
Veteran	*1.63%*
New/Existing Home	
Existing	72.77%
New	27.23%
Type of Loan	
Conventional - Purchase	23.64%
FHA - Purchase	69.02%
USDA-RHS Purchase	4.73%
VA - Purchase	2.61%
Ethnicity	
American Indian/Alaskan Native	0.05%
Asian/Pac Isle	4.53%
Black	14.89%
Hispanic	35.12%
Not Defined	8.52%
Other	2.00%
White	34.88%
Top 20 Originating Counties*	***# of Loans***
Harris	325
Tarrant	241
Bexar	180
Dallas	176
Williamson	141
Travis	104
Denton	72
Collin	53
Fort Bend	52
Hays	49
Montgomery	42
Bell	29
Kaufman	23
Brazoria	22
Johnson	20
El Paso	19
Ellis	19
Guadalupe	18
McLennan	17
Galveston	15

*Top 20 of all counties statewide. All remaining counties served 223 households.

Mortgage Credit Certificate Program
January 1 to September 30, 2020

Bank of England	$1,205,190	6	0.3%
Amerifirst Financial, Inc.	$1,062,252	5	0.3%
Infinity Mortgage Holdings, LLC	$1,056,653	6	0.3%
Mid America Mortgage, Inc.	$1,053,866	6	0.3%
Envoy Mortgage	$1,004,607	5	0.3%
First National Bank Mortgage	$1,000,395	6	0.3%
Sente Mortgage Inc.	$969,469	5	0.3%
Synergy One Lending, Inc.	$867,772	5	0.3%
Certainty Home Loans, LLC	$838,758	5	0.3%
NFM, INC.	$785,508	4	0.2%
Mortgage Financial Services, LLC	$762,224	4	0.2%
Primary Residential Mortgage, Inc.	$754,576	4	0.2%
LOANPEOPLE, LLC	$752,630	3	0.2%
Geneva Financial, LLC	$708,499	4	0.2%
Waterstone Mortgage Corporation	$629,306	3	0.2%
SWBC Mortgage Corporation	$612,109	3	0.2%
LHM Financial Corp., dba CNN Mortgage	$588,094	3	0.2%
Hometown Lenders, Inc.	$584,580	4	0.2%
Paramount Residential Mortgage Group	$563,111	3	0.2%
Evolve Bank & Trust	$540,565	4	0.2%
Capstar Lending, LLC	$520,890	2	0.1%
LeaderOne Financial	$516,372	3	0.2%
K Hovnanian American Mortgage, LLC	$508,596	2	0.1%
Jefferson Bank	$460,895	3	0.2%
Lennar Mortgage, LLC	$459,193	2	0.1%
Pilgrim Mortgage, LLC	$413,659	2	0.1%
Directions Equity, LLC	$406,402	2	0.1%
FBC Mortgage LLC	$406,240	2	0.1%
Hancock Mortgage Partners, LLC	$402,474	2	0.1%
Gold Star Mortgage Financial Group	$389,317	2	0.1%
Affiliated Bank	$388,886	2	0.1%
Associated Mortgage Corporation	$378,818	3	0.2%
Bay Equity LLC	$371,953	2	0.1%
Victorian Finance LLC	$371,153	2	0.1%
Guardian Mortgage	$366,847	2	0.1%
Hamilton Group Funding, Inc.	$358,492	2	0.1%
American Neighborhood Mortgage	$358,388	2	0.1%
Texana Bank, N.A.	$350,041	2	0.1%
Rocky Mountain Mortgage Company	$349,074	2	0.1%
Goldwater Bank, N.A.	$314,918	2	0.1%
First Choice Loan Services, Inc.	$301,842	2	0.1%
ClosingMark Home Loans, Inc.	$282,782	1	0.1%
NOVA Financial & Investment Corporation	$273,620	2	0.1%
Cherry Creek Mortgage Co., Inc.	$260,200	1	0.1%
Lozano 813, LLC DBA FMC Services	$229,696	1	0.1%
BM REAL ESTATE SERVICES, INC.	$216,997	1	0.1%
Home Financing Unlimited, Inc.(Mission)	$216,800	1	0.1%
K&G Capital Mortgage, LLC	$210,296	1	0.1%
New American Funding (Broker Solutions)	$207,178	1	0.1%
Panorama Mortgage Group, LLC	$203,152	1	0.1%
First State Bank	$194,000	1	0.1%
Prosperity Home Mortgage, LLC	$190,486	1	0.1%
The Federal Savings Bank	$184,103	1	0.1%
Minter Mortgage, Inc.	$171,830	1	0.1%
Nations Lending Corporation	$166,822	1	0.1%
Union Home Mortgage	$162,993	1	0.1%
Elite Financing Group	$161,029	1	0.1%
Planet Home Lending, LLC	$158,831	1	0.1%
American Nationwide Mortgage Company	$155,200	1	0.1%
Happy State Bank	$144,400	1	0.1%
Finance Home America	$137,365	1	0.1%
Homevantage Mortgage	$136,482	1	0.1%
HomeBridge Financial Services	$134,518	1	0.1%
First Centennial Mortgage Corporation	$132,554	1	0.1%
Legacy Mortgage, LLC	$119,790	1	0.1%

Mortgage Credit Certificate Program
January 1 to September 30, 2020

Guaranty Bank & Trust, N.A.	$117,645	1	0.1%
University Lending Group, LLC	$100,152	1	0.1%
Total Committed	***$365,112,316***	***1840***	***100%***

Tab B

Development Finance Report

Affordable Communities of Texas Program (ACT)

Staff continues to prepare for several NSP home sales with local partners Affordable Homes of South Texas, Inc. and Community Development Corporation of Brownsville that include four home sales in the month of December. As previously mentioned, due to the upcoming end of TSAHC's involvement in the NSP program, local partners have been focused on clearing application backlogs and ensuring the maximum number of homebuyers can be assisted before our NSP portfolio is transferred back to TDHCA. Staff is actively working with TDHCA on the NSP portfolio transfer.

Here is a summary of these past months' portfolio activity:

Program	Portfolio as of November 1, 2020	Acquired	Sold	Portfolio as of December 1, 2020	Current Portfolio Value
ACT Land Bank	28			28	$288,887.00
ACT Land Trust	1			1	$650,000.00
Texas NSP	150			150	$2,043,863.12
Totals	179			179	$2,982,750.12

Our current pipeline report:

- 17 homes under contract with eligible buyers
- 26 homes listed for sale
- 3 homes under construction
- 18 properties in predevelopment

Texas Housing Impact Fund

At this month's loan committee meeting, staff is presenting for review and possible approval a $225,000 10-year deferred forgivable loan as part of the Affordable Housing Partnership to the Housing Authority of Travis County to construct the Manor Town Apartments Phase II - 20-units of affordable multifamily rental housing for seniors in Manor.

The Affordable Housing Partnership is a pilot program developed in partnership with the Health and Human Services Commission in order to increase the availability of affordable, accessible and integrated housing for older adults and people with disabilities. Manor Town Apartments Phase II will include three units set-aside for individuals eligible for Medicaid Long-Term Services and Supports.

Multifamily Bond Program

This month, the Board will be reviewing four final bond resolutions. All four projects were induced in August of this year and are now ready to move forward with closing. If approved, each will be submitted to the Texas Bond Review Board for final approval. Here is a list of four projects.

- Fawn Ridge Apartments in The Woodlands, Texas
- Marshall Apartments in Austin, Texas
- Trinity Oaks Apartments in Sulphur Springs, Texas
- Pine Terrace Apartments in Mt. Pleasant, Texas

Tab C

Monthly Financial Reports

TEXAS STATE AFFORDABLE HOUSING CORPORATION
STATEMENT OF NET POSITION (unaudited)
As of October 31, 2020

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	15,541,261
Restricted Assets:		
Cash and Cash Equivalents		6,947,365
Accrued Interest		76,400
Custodial Cash and Cash Equivalents		185,987
Investments, at Fair Market Value		37,076
Accounts Receivable & Accrued Revenue		858,944
Accrued Interest Receivable		72,954
Loans Receivable, Current Portion		73,704
Notes Receivable, Current Portion		1,864,296
Down Payment Assistance		167,547
Prepaid Expenses		319,426
Total Current Assets:		26,144,960
Noncurrent Assets		
Loans Receivable, Net of uncollectible amounts of $5,703		336,002
Notes Receivable		40,207,012
Investments, at Fair Market Value		15,015,526
Mortgage Servicing Rights, Net of Accumulated Amortization of $2,568,533		159,528
Fixed Assets, Net of Accumulated Depreciation of $937,869		1,216,366
Owned Real Estate, Federal & Other Programs Net of Amort $904,794		15,087,416
Down Payment Assistance		1,177,634
Restricted Investments Held by Bond Trustee, at Fair Market Value		58,402,963
Total Noncurrent Assets:		131,602,447
TOTAL ASSETS	$	157,747,407

(continued)

TEXAS STATE AFFORDABLE HOUSING CORPORATION
STATEMENT OF NET POSITION (unaudited)
As of October 31, 2020

LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Expenses	**$**	350,491
Notes Payable, Current Portion		58,415
Custodial Reserve Funds		185,987
Due to Federal Programs		1,562,821
Other Current Liabilities		662,219
Payable from Restricted Assets Held by Bond Trustee:		
Bonds Payable, Current Portion		1,105,000
Accrued Interest on Bonds		346,454
Total Current Liabilities:		4,271,387
Noncurrent Liabilities		
Notes Payable		2,361,652
Revenue Bonds Payable		55,496,401
Unearned Revenue		3,527,233
Total Noncurrent Liabilities:		61,385,286
Total Liabilities:		65,656,673
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue		163,457
Total Deferred Inflows of Resources		163,457
NET POSITION		
Invested in Capital Assets		1,216,366
Restricted for:		
Debt Service		6,486,951
Other Purposes		3,336,414
Unrestricted		80,887,546
Total Net Position:	**$**	91,927,277

TEXAS STATE AFFORDABLE HOUSING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (unaudited)
for the 2 months ending October 31, 2020

Operating Revenues		
Interest and Investment Income	$	518,305
Net Increase (Decrease) in Fair Value of Investments		(205,690)
Single Family Income		9,572,639
Asset Oversight and Compliance Fees		54,327
Rental Program Income		100,983
Multifamily Income		96,265
Land Bank Income		18,971
Public Support		
Federal & State Grants		1,318
Contributions		27,194
Other Operating Revenue		9,239
Total Operating Revenues	$	10,193,551
Operating Expenses		
Interest Expense on Bonds and Notes Payable	$	292,192
Program and Loan Administration		12,546
Foundation Fund/Rebuild Texas Grants		74,000
Salaries, Wages and Payroll Related Costs		537,510
Professional Fees and Services		69,562
Depreciation & Amortization		80,503
Office and Equipment Rental and Maintenance		11,912
Travel and Meals		1,621
Other Operating Expenses		59,707
Total Operating Expenses	$	1,139,553
Net Income		9,053,998
Total Net Position, Beginning		82,873,279
Total Net Position, Ending	$	91,927,277

Texas State Affordable Housing Corporation
Budget Report
October 31, 2020

	Annual Budget	Actual	Percent of Annual Budget	Reference
Revenue				
Servicing Revenue	116,000	14,395	12%	
Single Family Program Revenue	7,759,000	2,830,797	36%	①
Multifamily Program Revenue	695,000	81,866	12%	
Texas Housing Impact Fund	1,951,000	133,871	7%	
Affordable Communities of Texas Program	185,000	31,898	17%	
Grants, Donations & Other Awards	550,000	27,194	5%	
Federal & State Grants	2,549,000	77	0%	
Tenant Rental Income	618,000	101,483	16%	
Investment Revenue	750,000	275,276	37%	
Total Revenue	**15,173,000**	**3,496,857**	23%	
Expenditures				
Salaries & Payroll Related Expenditures	3,500,000	537,510	15%	
Program & Corporate Expenditures	10,085,000	1,317,686	13%	
Professional Services	530,000	69,562	13%	
Principal & Interest on Notes Payable	155,000	20,805	13%	
Marketing	149,000	24,012	16%	
Insurance	186,000	24,246	13%	
Travel & Meals	113,000	1,621	1%	
Furniture, Equipment & Software	77,000	8,918	12%	
Building Maintenance	101,000	4,697	5%	
Professional Dues, Conferences & Training	46,000	3,088	7%	
Bank Fees & Charges	15,000	2,714	18%	
Sponsorships	20,000	3,100	16%	
Communication	22,000	3,779	17%	
Printing & Office Supplies	9,000	2,230	25%	②
Publications, Subscriptions & Other	30,000	3,457	12%	
Freight, Delivery & Postage	12,000	2,117	18%	
Total Expenditures	**15,050,000**	**2,029,542**	13%	
Net Budgeted Income	**123,000**	**1,467,315**		

Average Expected Percent Received/Expended = 16.67%

Explanations

① Single Family Revenue exceeds budget estimates due to the unusually high volume of home loans closed under the Corporation's TBA Program.

② Printing costs are higher than budgeted due to the purchase of new stationary and envelopes displaying the Corporation's new mailing address. This cost was anticipated and we expect this line item to be on budget by year end.

Tab 1

Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on November 12, 2020.

BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION

The Governing Board of the Texas State Affordable Housing Corporation (TSAHC) met ONLINE:

November 12, 2020, at 10:30 a.m.

Summary of Minutes

Call to Order
Roll Call
Certification of Quorum

The Board Meeting of the Texas State Affordable Housing Corporation (the "Corporation") was called to order by Valerie Cardenas, Vice Chair, at 10:30 a.m., on November 12, 2020, at the offices of Texas State Affordable Housing Corporation, 2200 E. Martin Luther King Jr. Blvd., Austin, TX 78702. Roll Call certified that a quorum was present.

Members Present remotely via teleconferencing

Valerie Cardenas, Vice Chair
Andy Williams, Member
Courtney Johnson-Rose, Member
Lali Shipley, Member

Guests Present remotely via teleconferencing

Blake Roberts, PFM
Linda Patterson, Patterson & Associates
Thomas Lastrapes, PFM
W. Routt Thornhill, Coats Rose

Public Comment

No Public Comment was given.

President's Report **David Long**

See page 4 in the official transcript.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on October 14, 2020.

Ms. Rose made a motion to approve the minutes of the Board meeting held on October 14, 2020.
Ms. Shipley seconded the motion. Ms. Cardenas asked for public comment and none was given. A vote was taken, and the motion passed unanimously.

See page 9 in the official transcript.

Tab 2 Presentation and Discussion by Patterson & Associates, Investment Advisors.

Presented by Melinda Smith, Chief Financial Officer; Linda Patterson, Patterson & Associates

No action taken.

See page 10 in the official transcript.

Tab 3 Presentation, Discussion and Possible Approval of a Resolution Regarding the Submission of one or more Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with Proceeds of Future Debt for The Crest Apartments.

Presented by David Danenfelzer, Senior Director, Development Finance

Ms. Rose made a motion to approve a Resolution Regarding the Submission of one or more Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with Proceeds of Future Debt for The Crest Apartments. Ms. Shipley seconded the motion. Ms. Cardenas asked for public comment and none was given. A vote was taken, and the motion passed unanimously.

See page 23 in the official transcript.

Tab 4 Presentation and Discussion of the Texas State Affordable Housing Corporation's Fiscal Year 2020 and 2021 Strategic Plans.

Presented by Janie Taylor, Executive Vice President
The Program Directors and Managers talked through their respective department's Strategic Plans.

Presenters included:

- Katie Claflin- Director, Communications and Development
- Dave Danenfelzer- Senior Director, Development Finance
- Joniel, LeVecque- Director, Homeownership Programs
- Tim Almquist- Director, Single Family Compliance
- James Matias- Senior Manager, Asset Oversight and Compliance
- Janie Taylor- Executive Vice President

No Action required.

See page 30 in the official transcript.

Announcements and Closing Comments

Mr. Long and Board Members tentatively scheduled the next Board Meeting for December 16, 2020, at 10:30am.

Adjournment

Ms. Cardenas adjourned the meeting at 11:48 am.

Respectfully submitted by_____
Rebecca DeLeon, Corporate Secretary

Tab 2

Presentation, Discussion and Possible Approval of the Annual Independent Financial Audit for the Fiscal Year Ending August 31, 2020.

December 16, 2020

To the Board of Directors of
Texas State Affordable Housing Corporation:

We have audited the financial statements of the business-type activities of the Texas State Affordable Housing Corporation (the "Corporation") as of and for the year ended August 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated September 14, 2020. Professional standards also require that we communicate to you the following information related to our audit.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2020. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's estimates of the allowance for doubtful loans receivable and the useful lives of capital assets used to calculate depreciation expense. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements identified during the audit.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the attached management representation letter dated December 16, 2020.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

ISSUES RELEVANT TO THE OVERSIGHT OF THE FINANCIAL REPORTING PROCESS

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the Corporation's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time. The Corporation is actively managing its operations to maintain its cash flow and management believes that the Corporation has adequate liquidity.

OTHER MATTERS

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplemental data required by the U.S. Department of Housing and Urban Development ("HUD") ("supplementary information"), which is not RSI. With respect to this supplementary information required by HUD, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information required by HUD to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the schedule of operating revenues and operating expenses by activity, which accompanies the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

RESTRICTION ON USE

This information is intended solely for the use of the Board of Directors and management of the Corporation and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,

Enclosure 1: Management Representation Letter

Texas State Affordable Housing Corporation

Financial Statements and Supplemental Information as of and for the Year Ended August 31, 2020 and Independent Auditors' Report

Texas State Affordable Housing Corporation

Table of Contents

Independent Auditors' Report

Independent Auditors' Report

The Board of Directors of
Texas State Affordable Housing Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Texas State Affordable Housing Corporation (the "Corporation"), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Corporation as of August 31, 2020, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and the schedule of revenues and expenses by activity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole

The schedule of revenues and expenses by activity has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Austin, Texas
December 16, 2020

Management's
Discussion and Analysis

Texas State Affordable Housing Corporation
Management's Discussion and Analysis

Fiscal Year Ended August 31, 2020

This discussion and analysis of Texas State Affordable Housing Corporation's (the "Corporation") financial performance provides an overview of the Corporation's financial activities for the fiscal year ended August 31, 2020. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- At August 31, 2020 the Corporation's total assets equaled $152.6 million; of this amount $66.8 million represents assets associated with the single-family bond program; $29.3 million represents unrestricted cash, cash equivalents and investments; $34 million consists of loans and notes receivable; and $14.7 million represents real estate held under the Neighborhood Stabilization Program ("NSP"), the Affordable Communities of Texas ("ACT") Program, and the Rental Program. Total assets increased approximately $32.2 million during 2020 primarily due to the increase in second lien notes receivable associated with the Single Family TBA Program.

- The Corporation's liabilities totaled $69.5 million of which $60.4 million relates to the single-family bond program, $2.3 million consists of notes payable and $1.6 million represents NSP funds owed to the Texas Department of Housing and Community Affairs. Total liabilities decreased approximately $7.3 million in 2020 resulting primarily from the payment of the Corporation's single-family bond debt.

- At the close of the fiscal year ending August 31, 2020 the Corporation's assets exceeded its liabilities by $82.9 million. Of this amount, $71.7 million may be used to meet the Corporation's ongoing obligations to the public and creditors, $10 million is restricted and $1.2 million is invested in capital assets.

- The Corporation's operating revenues for 2020 totaled $48.3 million and operating revenues exceeded operating expenses by approximately $39.4 million. The major revenue sources were interest and investment income totaling $6 million, single family program income equaling $36.5 million, and grants/contributions of $3.5 million. Revenue increased in 2020 by approximately $35.1 million due to an increase in income from Single Family programs. The Corporation follows the provisions of GASB Statements No. 31 and 72, which require that certain types of investments be reported at fair value on the balance sheet.

- Operating expenditures for fiscal year 2020 consist primarily of interest expense on bonds and notes payable of $2.2 million, salary expense of $3.1 million, and Foundations Fund/Rebuild Texas Grants of $1.2 million.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Corporation as prescribed by GASB Statement No. 34.

The Corporation operates as a single enterprise fund; therefore the basic financial statements presented are the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. As with all proprietary funds, the financials are presented using the economic resources measurement focus.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Corporation as a whole. These statements include *all* assets, liabilities and deferred inflows of resources of the Corporation using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report the Corporation's *net position* and changes in it. Net position is the difference between assets and liabilities, which is one way to measure the Corporation's financial health, or *financial position*. Over time, *increases or decreases* in the Corporation's net position are one indicator of whether its *financial health* is improving or deteriorating.

The Corporation's activities are accounted for as a special purpose government, or single enterprise fund.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The Financial Statements

Statement of Net Position

	2020	2019	Increase (Decrease) Amount	Increase (Decrease) Percentage
Assets:				
Current assets	$ 32,469,376	$ 49,573,004	$ (17,103,628)	(34.50%)
Noncurrent assets	120,087,270	70,828,178	49,259,092	69.55%
Total assets	152,556,646	120,401,182	32,155,464	26.71%
Liabilities:				
Current liabilities	5,391,932	4,783,174	608,758	12.73%
Noncurrent liabilities	64,126,309	72,003,728	(7,877,419)	(10.94%)
Total liabilities	$ 69,518,241	$ 76,786,902	$ (7,268,661)	(9.47%)
Deferred Inflows of Resources-				
Deferred Revenue	$ 165,126	$ 177,987	$ (12,861)	(7.23%)
Net Position:				
Invested in capital assets	1,214,725	1,220,452	(5,727)	(0.47%)
Restricted for debt service	6,623,541	5,022,860	1,600,681	31,87%
Restricted for other purposes	3,309,346	3,905,995	(596,649)	(15.28%)
Unrestricted	71,725,667	33,286,986	38,438,681	115.48%
Total net position	$ 82,873,279	$ 43,436,293	$ 39,436,986	90.79%

The Corporation's net position increased from $43.4 million to $82.9 million in fiscal year 2020. Of this amount, restricted assets totaled $10 million, capital assets equaled $1.2 million and the remaining balance of $71.7 million was unrestricted and available for corporate programs, payment of obligations, and fulfillment of the Corporation's public purpose.

The Corporation's total assets increased from $120.4 million to $152.6 million during fiscal year 2020. The largest single factor contributing to this increase was the issuance of second lien notes receivable in the Corporation's single-family program.

As of August 31, 2020, the Corporation's current assets totaled $32.5 million and current liabilities equaled $5.4 million resulting in available net working capital of $27.1 million.

Noncurrent assets consisted of restricted investments held by the bond trustee of $61 million; owned real estate totaling $14.7 million; noncurrent investments of $9.5 million; notes and loans receivable of $32.3 million; and capital assets net of accumulated depreciation of $1.2 million.

Noncurrent liabilities consisted of bonds payable totaling $58.3 million; notes payable of $2.3 million; and unearned revenue of $3.6 million.

Statement Revenues, Expenses and Changes in Net Position

	2020	2019	Increase (Decrease) Amount	Increase (Decrease) Percentage
Revenues:				
Interest and investment income	$ 3,489,217	$ 2,330,852	$ 1,158,365	49.70%
Net increase in fair value of investment	2,518,590	1,733,232	785,358	45.31%
Single family income	36,489,699	6,836,845	29,652,854	433.72%
Asset oversight & compliance fees	837,352	251,715	585,637	232.66%
Land bank income	130,640	273,292	(142,652)	(52.20%)
Public support	3,529,768	706,937	2,822,831	399.30%
Other	1,258,739	1,000,567	258,172	25.80%
Total income	$ 48,254,005	$ 13,133,440	$ 35,120,565	267.41%
Expenses:				
Interest expense on bonds & notes payable	2,236,052	1,450,318	785,734	54.18%
Salaries, wages & payroll related costs	3,091,966	2,823,336	268,630	9.51%
Program and loan administration	761,099	1,366,577	(605,478)	(44.31%)
Foundations fund/ Rebuild Texas grants	1,164,000	1,223,000	(59,000)	(4.82%)
Other	1,563,902	1,616,874	(52,972)	(3.28%)
Total expenses	$ 8,817,019	$ 8,480,105	336,914	3.97%
Net income	39,436,986	4,653,335	34,783,651	747.50%
Beginning net position	43,436,293	38,782,958	4,653,335	12.00%
Ending net position	$ 82,873,279	$ 43,436,293	$ 39,436,986	90.79%

Interest and investment income increased $1.2 million from the previous year. This resulted primarily from the increase in interest earned on general investments. The Corporation's investments consist primarily of mortgage-backed securities. The increases and decreases associated with mortgage-backed securities represent unrealized gains and losses and are required to be recorded in compliance with the provisions of GASB Statements No. 31 and 72.

The Corporation experienced an increase in overall revenue of $35 million during fiscal year 2020 resulting primarily from a $29.7 million increase in single family income. The increase can be attributed to the addition of a second lien loan program.

Land bank income decreased approximately $143,000 from the previous year resulting primarily from a decrease in activity related to the ACT Program. Public Support increased approximately $2.8 million from the previous fiscal year. This was due to the receipt of a Capital Magnet Fund grant.

Interest expense on bonds and notes payable increased $786,000 from the previous year. This is a direct result of the increase in single family bond activity.

Other expenses are comprised of professional fees, amortization, office and equipment rental and maintenance, travel, depreciation and grant expenditures.

Business Type Activities

For the purposes of financial reporting, the Corporation is a special purpose government operating as a single enterprise fund. All activities of the Corporation are categorized as business type activities and are accounted for in the financial statements.

Budgetary Highlights

The Corporation is not required to adopt a legal budget and has not done so, therefore, no budgetary highlights or comparison are required.

Relevant Decisions and Economic Factors

Public Purpose - The Corporation is organized, operated and administered exclusively for the promotion of social welfare, and is a section 115 and 501(c)(3) nonprofit corporation under the Internal Revenue Code of 1986, as amended. The Corporation's mission is to serve the housing needs of moderate- and lower-income Texans who are not afforded housing finance options through conventional lending channels.

Legislative Reporting Requirements

The number and amount of private grants, donations, or other funds applied for and received by the Corporation during fiscal year 2020, as well as the use of these funds, were as follows:

FY 2020 Grant Applications Submitted	Status	Amount Requested	Amount Received	Program/ Activity
BBVA	Received	$ 5,000	$ 5,000	Housing Connection Program
BBVA	Received	$ 5,000	$ 5,000	HEART Disaster Recovery Grant Program
BBVA	Received	$ 5,000	$ 5,000	PSH Institute
Wells Fargo	Received	$ 15,000	$ 5,000	Housing Connection Program
Frost	Received	$ 5,000	$ 5,000	Housing Connection Program
Insperity	Received	$ 5,000	$ 5,000	PSH Institute
Money Follows the Person/ Affordable Housing Partnership	Received	$ 2,458,736	$ 2,314,999	Texas Housing Impact Fund
Austin Community Foundation	Received	$ 10,000	$ 10,000	Texas Housing Impact Fund
Texas Capital Bank	Received	$ 45,000	$ 15,000	Texas Housing Impact Fund and PSH Institute
Rebuild Texas Fund	Received	$ 1,100,000	$ 550,000	HEART Disaster Recovery Grant Program

The number, amount, and purpose of loans provided to affordable housing developers during fiscal year 2020 were as follows:

- Loan in the amount of $812,829 was provided to a non-profit developer for the purpose of financing interim construction on single family homes.

- Loan in the amount of $303,737 was provided to a non-profit developer for the purpose of financing interim construction on single family homes.

- Loan in the amount of $388,403 was provided to a non-profit developer for the purpose of financing interim construction on a multi-family project.

- Loan in the amount of $3,500,000 was provided to a non-profit developer for the purpose of financing interim construction on multi-family projects.

The amount and source of funds deposited into a fund created by the Corporation for the purpose of providing grants and the number, amount and purpose of any grants provided during fiscal year 2020 were as follows:

- $504,000 was set aside in the Texas Foundations Fund for the purpose of making grants to nonprofit organizations and rural government entities for the costs associated with the construction, rehabilitation, and/or critical repair of single-family homes, as well as, the provision of supportive housing services within multifamily housing. During the year, twenty-four (24) such grants were made in the aggregate amount of $504,000.

- $100,000 was set aside in FY2018 for the HEART (Housing and Economic Assistance to Rebuild Texas) Program for the purpose of providing funding to organizations that are helping with the Hurricane Harvey relief effort. During the FY2020 fiscal year, the remaining $40,000 of these funds were spent.

The total amount of revenue earned by the Corporation in excess of its expenditures equaled $39,436,986 for fiscal year 2020.

There were no significant changes to operations due to COVID-19 during the pandemic.

Continuance Subject to Review

Under the Texas Sunset Act, the Corporation will be abolished effective September 1, 2023 unless continued in existence as provided by the Act.

Contacting the Corporation's Financial Management

This financial report is designed to provide our customers, investors, and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Texas State Affordable Housing Corporation at 6701 Shirley Avenue, Austin, Texas 78752, phone 512-477-3555.

Basic Financial Statements

Texas State Affordable Housing Corporation

Statement of Net Position
As of August 31, 2020

Assets

Current assets:		
Cash and cash equivalents	$	13,334,546
Restricted assets:		
Cash and cash equivalents		7,854,348
Accrued interest		76,400
Custodial cash and cash equivalents		181,431
Investments, at fair value		6,496,640
Accounts receivable and accrued revenue		2,370,440
Accrued interest receivable		72,508
Loans receivable, current portion		73,704
Notes receivable, current portion		1,600,246
Downpayment assistance, current portion		167,547
Prepaid expenses		241,566
Total current assets		32,469,376
Noncurrent assets:		
Loans receivable, net of uncollectible amounts of $5,703		344,430
Notes receivable		31,915,031
Investments, at fair market value		9,474,210
Mortgage servicing rights, net of accumulated amortization of $2,563,277		164,785
Capital assets, net of accumulated depreciation of $922,839		1,214,725
Owned real estate, federal & other programs, net of amortization of $868,076		14,721,538
Down payment assistance		1,214,869
Restricted investments held by bond trustee, at fair market value		61,037,682
Total noncurrent assets		120,087,270
Total assets	$	152,556,646

(continued)

The notes to the financial statements are an integral part of this statement.

Texas State Affordable Housing Corporation

Statement of Net Position (continued)
As of August 31, 2020

Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	$ 805,841
Notes payable, current portion	58,415
Custodial reserve funds	181,431
Due to federal programs	1,562,821
Other current liabilities	639,063
Payable from restricted assets held by bond trustee:	
Revenue bonds payable, current portion	1,105,000
Accrued interest on revenue bonds	1,039,361
Total current liabilities	5,391,932
Noncurrent liabilities:	
Notes payable	2,271,185
Revenue bonds payable	58,272,923
Unearned revenue	3,582,201
Total noncurrent liabilities	64,126,309
Total liabilities	69,518,241
Deferred Inflows of Resources	
Deferred revenue	165,126
Total deferred inflows of resources	165,126
Net Position	
Invested in capital assets	1,214,725
Restricted for:	
Debt service	6,623,541
Other purposes	3,309,346
Unrestricted	71,725,667
Total net position	82,873,279
Total liabilities and net position	$ 152,556,646

The notes to the financial statements are an integral part of this statement.

Texas State Affordable Housing Corporation

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended August 31, 2020

Operating Revenues:		
Interest and investment income	$	3,489,217
Net increase in fair value of investments		2,518,590
Single family income		36,489,699
Asset oversight and compliance fees		837,352
Rental program income		744,444
Multifamily income		436,713
Land bank income		130,640
Public support:		
Federal & state grants		2,889,188
Contributions		640,580
Other operating revenue		77,582
Total operating revenues	$	48,254,005
Operating Expenses:		
Interest expense on bonds and notes payable	$	2,236,052
Program and loan administration		761,099
Foundation Fund/Rebuild Texas Grants		1,164,000
Salaries, wages and payroll related costs		3,091,966
Professional fees and services		368,577
Depreciation and amortization		475,026
Office and equipment rental and maintenance		99,443
Travel and meals		68,743
Other operating expenses		552,113
Total operating expenses		8,817,019
Net income		39,436,986
Total net position, beginning		43,436,293
Total net position, ending	$	82,873,279

The notes to the financial statements are an integral part of this statement.

Texas State Affordable Housing Corporation

Statement of Cash Flows
For the Year Ended August 31, 2020

Cash Flows from Operating Activities	
Receipts from customers and users	$ 68,243,420
Payments to employees	(2,330,355)
Payments of benefits and other payroll related costs	(761,610)
Payments to suppliers of goods and services	(58,337,140)
Net cash provided by operating activities	6,814,315
Cash Flows from Non-Capital Financing Activities	
Proceeds from notes payable	200,000
Payments of principal on notes payable	(55,563)
Payments of principal related to bond maturities and calls	(7,764,359)
Net cash used in non-capital financing activities	(7,619,922)
Cash Flows from Capital and Related Financing Activities	
Payments for additions to capital assets	(78,440)
Purchase and rehabilitation of single family homes	(1,158,468)
Sale of single family homes	434,641
Sale of single family homes under ACT Program	1,257,019
Rehabilitation of single family homes under ACT Program	(596,486)
Rehabilitation of multifamily apartments	(208,683)
Purchase and rehabilitation of office building	(2,235,217)
Net cash used in capital and related financing activities	(2,585,634)
Cash Flows from Investing Activities	
Proceeds from sale and maturities of investments held by bond trustee	26,323,519
Purchase of investments held by bond trustee	(22,283,473)
Proceeds from sale of unrestricted investments	27,798,508
Purchase of unrestricted investments	(29,300,165)
Interest earned on investments	2,476,364
Net cash provided by investing activities	5,014,753
Net increase in cash and cash equivalents	1,623,512
Cash and cash equivalents at beginning of year	19,746,813
Cash and cash equivalents at end of year	$ 21,370,325

(continued)

The notes to the financial statements are an integral part of this statement.

Texas State Affordable Housing Corporation

Statement of Cash Flows (continued)
For the Year Ended August 31, 2020

Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Net income	$	39,436,986
Adjustments to reconcile to net cash provided by operations:		
Depreciation and amortization expense		475,026
Unrealized gain on investments		(2,518,590)
Accretion on restricted investments		(41,732)
Gain on sale of property		(265,248)
Provision for estimated losses and chargeoffs		3,160
In-kind grants		(18,130)
Amortization of down payment assistance		167,547
Amortization of bond premium		(98,276)
Changes in current assets and liabilities:		
Increase in accounts receivable and accrued revenue		(1,458,342)
Decrease in accrued interest receivable		189,324
Decrease in loans receivable		76,553
Increase in notes receivable		(29,847,304)
Decrease in down payment assistance loans		369,419
Decrease in prepaid expenses		32,861
Increase in accounts payable & accrued expenses		337,618
Increase in accrued interest payable on bonds		156,448
Increase in deferred revenue and other liabilities		40,973
Decrease in due to federal programs		(223,978)
Net cash provided by operating activities	$	6,814,315
Supplemental Disclosure of Noncash Transactions -		
Debt forgiven - Affordable Communities of Texas Veterans' Program	$	148,662

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Reporting Entity - Texas State Affordable Housing Corporation (the "Corporation") was incorporated on May 6, 1994 under the Texas Non-Profit Corporation Act, Article 1396.1.01 et seq., Vernon's Annotated Texas Civil Statutes as amended, and is legally separate from the State of Texas and does not receive State appropriated funding. Under Government Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, the Corporation is a special purpose government and a component unit of the State of Texas for financial reporting purposes. In addition, there are no component units included within the reporting entity of the Corporation.

The Governing Board consists of five directors, all of which are appointed by the Governor of the State of Texas. The public purpose of the Corporation is to perform such activities and services that the Corporation's Board of Directors determines will promote public health, safety, and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income, and to perform activities and services related to this purpose and for other purposes as set forth in Chapter 2306, Subchapter Y, of the Government Code, as amended.

The Corporation is a dual-purpose Section 115 governmental entity organized, operated and administered as a non-profit organization in accordance with Section 501(c)(3) of the Internal Revenue Code.

Dissolution of Entity - The Corporation is subject to Chapter 325 of the *Texas Government Code* (the "Texas Sunset Act"). Unless continued in existence as provided by the Texas Sunset Act, the Corporation will be abolished effective September 1, 2023.

Upon dissolution of the Corporation, title to or other interest in real or personal property or rights thereto owned by the Corporation shall be transferred pursuant to Chapter 2306, Subchapter Y of the Government Code.

Basis of Presentation - The accompanying financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles as prescribed by GASB. The Corporation presents its financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. For financial reporting purposes, the Corporation is considered a special purpose government.

Corporate Lines of Business

Servicing Operations - Servicing consists of the Corporation's activities as Master Servicer for the Texas Department of Housing and Community Affairs' (the "Department" or "TDHCA") single-family mortgage revenue bond program issues 52, 53, and 54, and servicer of the Corporation's own portfolio of single and multifamily loans. The Corporation subcontracts the servicing related to the Department's single-family mortgage revenue bond programs.

Asset Oversight and Compliance - These operations are used to account for asset oversight and compliance monitoring activities performed by the Corporation for multifamily bond properties for which the Corporation acted as conduit issuer.

Single Family Bond Program - Through the Single-Family Bond Program (SFB Program) the Corporation provides below market 30-year fixed rate mortgage loans to eligible first-time homebuyers through the issuance of tax-exempt single-family mortgage revenue bonds. The Corporation's SFB Programs provide down payment and closing cost assistance to the borrower in the form of a grant in an amount up to 5% of the loan amount.

Single Family Mortgage Credit Certificate Program - The Corporation also offers a single-family Mortgage Credit Certificate Program (the "MCC Program"). Under the MCC Program, qualified homebuyers are eligible to take a portion of the annual interest paid on their mortgage as a special tax credit, up to $2,000, each year that they occupy the home as their principal residence.

Single Family TBA Program - Under the TBA Program, the Corporation finances first-lien and second-lien mortgage loans to enable qualified borrowers to purchase single family residences in the State of Texas. The TBA program is a non-bond financing program which utilizes the conventional loan market through a third-party provider (the "TBA provider"). The TBA provider agrees to purchase mortgage loans (which have been pooled and securitized into mortgage-backed securities) from the Corporation for a period of approximately 90 to 120 days, at a specified price based on the interest rate of the mortgage loan. The TBA provider provides pricing each day based on market fluctuations in interest rates. The program is referred to as TBA (to be announced) because the specific mortgage-backed security to be delivered is not known at the time the trade is initially made but is "to be announced" at a later date before the trade is settled.

Affordable Communities of Texas - Using its statutory authority to own property tax-free, the Corporation has created the Affordable Communities of Texas Program (the "ACT Program") which is the first statewide land bank and land trust program in Texas. The land bank provides for the acquisition and temporary holding (up to ten years) of land or buildings for the purpose of redeveloping the properties for affordable housing. The land trust provides for the acquisition and long-term holding of land or buildings for the purpose of redevelopment for affordable housing. A property held by the land trust will be owned in perpetuity by the Corporation and leased for residential housing that benefits low-income households. The ACT Program is financed by the Corporation utilizing federal and private funding along with property donations.

Texas Housing Impact Fund - The Texas Housing Impact Fund ("THIF") provides financing for the acquisition, construction and redevelopment of single and multifamily housing units for low-income families in rural communities and high need areas. See Note 4.

Rental Program - The Corporation's Rental Program provides affordable, below-market rental homes and apartments in high opportunity neighborhoods in various Metropolitan Statistical Areas (the "MSA") to eligible low-income families. Additionally, the Corporation owns an office building, which it leases to other 501(c)(3) nonprofits.

Multifamily 501(c)(3) Bond Program - The Corporation acts as a conduit issuer of multifamily mortgage revenue bonds for qualified 501(c)(3) owners of multifamily housing developments. Each multifamily property owner must agree to restrict a certain number of the units so that they are affordable in their marketplace. Additionally, each property must provide significant resident and/or community services with excess revenues.

Multifamily Private Activity Bond Program - Under the Multifamily Private Activity Bond Program (the "MPAB Program"), the Corporation administers 10 percent of the State's volume cap allocation of private activity bonds for multifamily residential rental housing each year. For the 2020 program year, the amount available for issuance was approximately $80 million. The Corporation's MPAB Program provides financing for new construction, or acquisition and rehabilitation of existing multifamily rental properties. The Corporation is required by statute to target areas, such as cities and counties, and to issue requests for proposals to developers to provide the type of housing requested by the target area. In exchange for receiving the lower tax-exempt revenue bond interest rate, multifamily complexes financed through the MPAB Program must provide a minimum number of affordable units.

Significant Accounting Policies

Basis of Accounting - The Corporation prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred regardless of the timing of the related cash flows. GASB Statement No. 62, which was adopted in 2013, codifies all FASB and AICPA pronouncements issued before November 30, 1989 that do not conflict with GASB pronouncements. As a result, the Corporation no longer must consider pre-1989 FASB or AICPA pronouncements nor will it be permitted to apply "new" FASB pronouncements issued after November 30, 1989.

Cash and Cash Equivalents - For the purpose of reporting cash flows, cash and cash equivalents consist of cash and short-term investments with a maturity at the date of purchase of three months or less, which are highly liquid, and can be readily exchanged for cash at amounts equal to their stated value.

Investments - The Corporation's investment policies and types of investments are governed by Section 2256 of the Texas Government Code (the "Public Funds Investment Act"). The Corporation's management believes that it complied with the requirements of the Public Funds Investment Act and the Corporation's investment policy. The Corporation follows the provisions of GASB Statement No. 31 and 72, which requires certain types of investments to be reported at fair value on the statement of net position. The Corporation utilizes established quoted market prices for determining the fair value of its debt securities in reserve funds. The fair value of the Corporation's mortgage backed securities has been estimated by each bond issues' trustee using a pricing service.

In accordance with GASB Statement No. 31 and 72, changes in the fair value of investments are reported in the statement of revenues, expenses and changes in net position as a net increase or decrease in the fair value of investments.

Loans Receivable - Mortgage loans originated by the Corporation are carried at the unpaid principal balance outstanding, net of allowances for possible loan losses.

Mortgage loans purchased by the Corporation are carried at the amortized cost of loans acquired, net of allowances for possible loan losses.

Notes Receivable - Notes receivable is comprised of loans made under the ACT, THIF, MPAB and Single Family Second Lien Programs. Notes are carried at the unpaid principal balance outstanding.

Allowance for Possible Losses - Losses are charged to the allowance for possible loan losses when the loss occurs or when a determination is made that a loss is likely to occur. During the year, management estimates the level of future losses to determine whether the allowance is adequate to absorb anticipated losses in the existing mortgage loans. Based on these estimates, a provision for possible losses on loans is credited to the allowance in order to adjust the allowance to levels estimated to be adequate to absorb reasonably foreseeable losses.

While management uses available information to recognize losses in the loan portfolio, future adjustments may be necessary due to changes in economic conditions. However, it is the judgment of management that the allowances are currently adequate to absorb reasonably foreseeable losses in the existing portfolios.

Amortization of Bond Premium - As of August 31, 2020 the premium related to the SFB Programs totaled approximately $1,723,000. Bond premium amortization during fiscal year 2020 totaled approximately $98,000.

Deferred Outflows and Deferred Inflows of Resources - The Corporation complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the Corporation's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the Corporation's acquisition of net position applicable to a future reporting period.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 9 for additional information on deferred inflows of resources.

Fair Value Measurements - The Corporation complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Purchased Mortgage Servicing Rights - Purchase Mortgage Servicing Rights are recorded at cost and are amortized in relation to the remaining value of the related mortgage balances at the end of each period so that the value of the servicing rights equals the same percentage of the outstanding mortgage balance as when originally purchased. Amortization expense for fiscal year 2020 was approximately $31,000; accumulated amortization as of August 31, 2020 equaled approximately $2.6 million.

Capital Assets - All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated acquisition value on the date donated. Expenses for betterments that materially extend the useful life of an asset are capitalized at cost. Land owned by the Corporation is not depreciated. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, usually 3 to 5 years. The building is depreciated using the straight-line method over 30 years. The Corporation capitalizes assets with a cost greater than $1,500 and a useful life of more than one year.

Compensated Absences - Employees of the Corporation earn annual leave on a monthly basis. Each employee is entitled to earned but unused annual leave as compensation upon termination of employment. The total compensated absences accrued liability as of August 31, 2020 was approximately $296,000.

Reserve and Custodial Accounts - The Corporation holds certain cash reserves totaling approximately $181,000 as of August 31, 2020 for the benefit of two multifamily projects that are financed by the Corporation.

Net Position - When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Donated Property Valuation - When the Corporation receives donated property, a Broker's Price Opinion (the "BPO") is obtained, which estimates the acquisition value. The BPO typically offers a range of values. The property is booked at the lowest value in the range offered in the BPO.

Operating and Nonoperating Revenues and Expenses - Operating revenues and expenses generally result from providing services in connection with the bond programs, lending programs, and federal and other grants. Operating expenses are primarily related to interest expense on bonds and general administrative expenses. The Corporation considers all its revenues and expenses to be operating revenues and expenses.

Recently Issued Accounting Pronouncements - In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended August 31, 2022.

2. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents - Cash and cash equivalents at August 31, 2020 consisted of bank deposits totaling $1,203,858 and local government investment pool deposits totaling $12,130,688.

Restricted cash and cash equivalents at August 31, 2020 totaled $7,854,348. The bond trustee maintained $4,544,326 in money market mutual funds. The Corporation held $950,633 in a checking account, which was a grant received from the Capital Magnet Fund. The remaining $2,359,389 of restricted cash and cash equivalents was held in a local government investment pool. The Corporation also maintained two custodial accounts with a combined total of $181,431 pledged as reserves on two multifamily projects. These funds were maintained in interest bearing demand accounts.

Investments - GASB Statement 72 regarding *Fair Value Measurement and Application* for financial reporting purposes categorizes financial instruments within three different levels of risk dependent upon the measure of their fair value and pricing.

Because the investments are restricted by Policy and state law to active secondary market, the market approach is being used for valuation. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The *exit* or fair market prices used for these fair market valuations of the portfolio are all Level 1 and Level 2 and represent unadjusted quoted prices in active markets for identical assets and liabilities that have been accessed at the measurement date.

As of August 31, 2020, the *securities* to be priced in the portfolio are:

	Level 1	Level 2	Level 3	Total
US Agency Obligations	$ 2,499,848	$ -	$ -	$ 2,499,848
Municipal Obligations	6,358,960	-	-	6,358,960
Commercial Paper	-	3,996,640	-	3,996,640
US Agency MBS	-	3,115,402	-	3,115,402
Total Fair Value	$ 8,858,808	$ 7,112,042	$ -	$ 15,970,850
Investments not subject to GASB 72				-
Total Unrestricted Investments				$ 15,970,850

The Corporation's unrestricted investments consisted of the following at August 31, 2020:

Description/Maturity	Interest Rate	Cost	Fair Market Value	Unrealized Gain/(Loss)
Coca Cola CP	1.635%	$ 1,984,089	$ 1,998,844	$ 14,755
Pfizer CP	2.545%	1,975,476	1,997,796	22,320
FHLMC Call Note	0.500%	2,500,000	2,500,000	-
Total Short Term Investments		6,459,565	6,496,640	37,075
Pass through securities GNMA - 10/20/2034	5.971%	3,269	3,763	467
Pass through securities GNMA - 2036-2038*	5.49 - 6.10%	1,081,842	1,192,011	110,169
Pass through securities FNMA - 2035-2037	5.49 - 5.75%	677,806	712,839	35,033
Pass through securities FHLMC - 2036-2038	5.49 - 6.10%	1,087,669	1,206,637	118,968
Irving ISD	1.120%	2,156,582	2,139,500	(17,082)
Marshall ISD	1.090%	2,440,448	2,439,378	(1,070)
Texas State University	1.107%	1,777,011	1,780,082	3,071
Total Long Term Investments		$ 9,224,627	$ 9,474,210	$ 249,556
Total Investments		$ 15,684,192	$ 15,970,850	$ 286,631

*Pledged as collateral against cash advances from the Federal Home Loan Bank of Dallas. See Note 10.

Because the investments are restricted by Policy and state law to active secondary market, the market approach is being used for valuation. The *market approach* uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

Mortgage-backed securities are valued using Level 2 inputs that are based on market data obtained from independent sources. The investments are reported by the Corporation at fair value in accordance with GASB Statement No. 72.

As of August 31, 2020, the restricted *securities* to be priced in the portfolio were as follows:

	Level 1	Level 2	Level 3	Total
US Treasury Notes	$ -	$ -	$ -	$ -
US Agency MBS	-	61,037,682	-	61,037,682
Total Fair Value	$ -	$ 61,037,682	$ -	$ 61,037,682
Investments not subject to GASB 72				-
Total Restricted Investments				$ 61,037,682

The Corporation's restricted investments held by bond trustee consisted of the following at August 31, 2020:

Description/Maturity	Interest Rate	Cost	Fair Market Value	Unrealized Gain
GNMA/FNMA Investments - 2040/2042	3.5-4.75%	$ 26,233,157	$ 22,729,835	$ 1,496,678
GNMA/FNMA Investments - 2049	4.3-4.8%	34,770,726	38,307,847	3,537,121
Total Investments		$ 56,003,883	$ 61,037,682	$ 5,033,799

Interest income on investments held by the bond trustee includes the following amounts:

Single Family Mortgage Revenue Bonds Series 2009A, B/2011A, B/2013A	$ 998,871
Single Family Mortgage Revenue Bonds Series 2019A	1,742,827
	$ 2,741,698

Compared to the prior fiscal year, the fair value of investments held by the bond trustee as of August 31, 2020 has decreased by approximately $1.6 million. The Corporation follows GASB Statement No. 31 and 72, whereby investments are required to be reported at fair value at the statement of net position date rather than at cost, except for money-market investments and participating interest-earning investment contracts and certain external investment pools, which may be reported at fair value or at amortized cost, provided that the fair value of these investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. In addition, GASB Statement No. 31 also affects the way in which unrealized gains and losses are recognized for financial reporting purposes.

The Corporation holds approximately $61 million (valued under GASB Statement No. 72 at fair value) in mortgage-backed securities issued by Ginnie Mae ("GNMA"), Fannie Mae ("FNMA") and Freddie Mac ("FMCC") through the Corporation's SFB Programs. These securities have a face value of approximately $56 million and unrealized gain of approximately $5 million as of August 31, 2020. The Corporation is susceptible to risk that the market for such mortgage-backed securities could decline, which would eventually result in a loss of value for the investments held. Further, it is likely that the Corporation will only collect the face value of the mortgage-backed securities as the mortgages are repaid in the future.

Credit Risk - The primary stated objective of the Corporation's adopted "Investment Policy" is the safety of principal and avoidance of principal loss. Credit risk within the Corporation's portfolio, among the authorized investments approved by the Corporation's adopted Investment Policy, is represented only in time and demand deposits, repurchase agreements, commercial paper, municipal obligations and non-rated SEC registered money market mutual funds. In 2017, the Corporation received surplus funds from a bond buy-back and established a separate portfolio ("Surplus Funds") with the same authorized investments but a longer maximum maturity of ten (10) years for Collateralized Mortgage Obligations and thirty (30) years for mortgage-backed securities.

State law and the Corporation's adopted Investment Policy restricts both time and demand deposits, including certificates of deposit (CD), to those banks doing business in the State of Texas and further requires full insurance and/or collateralization from these depositories (banks and savings banks). Certificates of deposit are limited to a stated maturity of one year. Brokered CD's must be FDIC insured and delivered versus payment to the Corporation's depository with a further restriction on maximum maturity to one year. The FDIC insurance must be verified before purchase. On all time and demand deposits collateral at a 102% margin is required and collateral is limited to obligations of the US Government, its agencies or instrumentalities. Independent safekeeping for collateral is required outside the pledging bank's holding company with monthly reporting. Securities are priced at market on a daily basis as a contractual responsibility of the bank.

In accordance with the adopted policy and state law, repurchase agreements are limited to those with defined termination dates and executed with a primary dealer (as defined by the Federal Reserve). The agreements require an industry standard, written master repurchase agreement and a minimum 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed 90 days to stated maturity. Reverse repurchase agreements may not exceed 90 days after the term of the reverse and funds may be used only to acquire authorized investments matched to the reverse.

State law and the adopted Investment Policy require that municipal obligations have a maximum stated maturity of 3 years or less and be rated at least A or its equivalent by at least two nationally recognized rating agencies.

State law and the adopted Investment Policy require that commercial paper have a maximum stated maturity of 90 days or less and be rated A1/P1 or its equivalent by at least two nationally recognized rating agencies.

The adopted Investment Policy restricts money market mutual fund investment to SEC registered money market mutual funds striving to maintain a $1 net asset value and with a WAM of 90 days as further defined by state law. Neither the state law nor the Investment Policy requires a rating on money market funds.

Local government investment pools in Texas are required to be rated AAA, or equivalent, by at least one nationally recognized rating agency. The adopted Investment Policy further restricts investments to AAA-rated, "2a-7 like" (constant dollar) local government investment pools.

As of August 31, 2020, holdings in the General Portfolio and Surplus Portfolio had total fair market values of $29,508,120 and $3,111,639 respectively and included:

- A1/P1 commercial paper represented 12.25% of the total portfolio,
- funds held in a Federal Home Loan Bank account represented .96% of the total portfolio,
- funds invested in fully insured or collateralized bank accounts represented 5.66% of the total portfolio,
- holdings in a AAA-rated local government pool represented 44.42% of the total portfolio,
- holdings in state and local debt obligations represented 19.49% of the total portfolio,
- holdings in US Government agency securities represented 7.67% of the total portfolio, and
- holdings in US mortgage-backed securities represented 9.55% of the total portfolio

Concentration of Credit Risk - The Corporation recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The Corporation's adopted Investment Policy establishes diversification as a major objective of the investment program. The Investment Policy requires that no issuer or institution represent more than 50 % of the total portfolio with the exception of US Treasuries. Further diversification requirements established by the Investment Policy are:

	Max % of Portfolio
US Obligations	80%
Obligations of US Agencies	80%
Certificates of Deposit	60%
Certificates of Deposit By Institution	15%
Repurchase Agreements	30%
Money Market Mutual Funds	25%
Commercial Paper	30%
Commercial Paper By Issuer	10%
Local Government Stable Net Asset Value Pools	75%
Banking Accounts	80%

Interest Rate Risk - In order to limit interest and market rate risk from changes in interest rates, the Corporation's adopted Investment Policy sets a maximum stated maturity for US obligations of 3 years in the General Portfolio. The Investment Policy sets a maximum weighted average maturity of one (1) year.

Surplus bond funds have a maximum maturity limitation of ten (10) years for CMO and thirty (30) years for government obligations and mortgage-backed securities.

In the total portfolio certificates of deposit are restricted to a maturity of one (1) year and commercial paper 90 days. On 2/17/11, the Corporation received $22,957 in a GNMA participation certificate # 586163 as payment of an obligation due from the Federal National Mortgage Association. The stated maturity is 10/20/2034. State law does not require securities obtained in this manner to be liquidated and keeping the security until maturity is permitted.

As of August 31, 2020, the general portfolio, excluding the one GNMA, held no security with a stated maturity date beyond 1,046 days. With the inclusion of the one GNMA the dollar weighted average maturity of the total general portfolio was 237 days.

The Surplus Funds portfolio had a dollar weighted average maturity of 6,146 days and the longest security was 6,624 days.

As of August 31, 2020, the general portfolio contained one (1) MBS and one (1) US agency structured note (quarterly callable) which might be affected by interest rate risk. Their total fair market value was $2,499,848.

As of August 31, 2020, the Surplus Portfolio contained mortgage-backed securities which might be affected by interest rate risk.

Custodial Credit Risk - To control custody and safekeeping risk state law and the Corporation's adopted Investment Policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the Corporation and held in the Corporation's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of Financial Institutions Reform, Recovery, and Enforcement Act. The counter-party of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

The Corporation's portfolio disclosure as of August 31, 2020:

- the portfolio contained no repurchase agreements
- all bank demand deposits were fully insured and collateralized
- all pledged bank collateral for demand deposits was held by an independent institution outside the bank's holding company

3. Loans Receivable

Loans receivable are carried at the unpaid principal balance, net of loss allowances. A summary of loans receivable at August 31, 2020 were as follows:

Loans Receivable at September 1, 2019	$	497,476
Additions		-
Paydowns		(73,639)
Loans Receivable at August 31, 2020		423,837
Allowance for possible loan losses		(5,703)
Net Balance at August 31, 2020	$	418,134

The current portion of loans receivable at August 31, 2020 was $73,704; the remaining balance of $344,430 is classified as noncurrent loans receivable.

The activity for allowance for possible loan losses for fiscal year 2020 was as follows:

Balance at September 1, 2019	$	(2,789)
Current Year Addition		(2,914)
Loss Applied to the Allowance		-
Balance at August 31, 2020	$	(5,703)

The Corporation considers loans receivable to be delinquent when they become more than 60 days past due.

4. Notes Receivable

Notes receivable were comprised of loans made under the THIF Program, the ACT Program and the Single Family TBA Program. Under the ACT Veterans Housing Initiative, donated properties are sold to Veterans at 75% of the appraised value and the remaining 25% is carried as notes receivable which are forgiven over 10 years. Under the Single Family TBA Program, the second-liens are forgiven after three years if the homebuyers meet the criteria. Notes are carried at the unpaid principal balance outstanding.

A summary of activity for notes receivable for the year ended August 31, 2020 was as follows:

Balance at September 1, 2019	$	3,667,973
Additions		31,254,680
Collections		(1,370,400)
Accumulated Amortization		(36,976)
Balance at August 31, 2020	$	33,515,277

The current portion of notes receivable at August 31, 2020 is $1,600,246; the remaining balance of $31,915,031 is classified as non-current notes receivable. Management considers these loans fully collectible. Accordingly, no provision has been made for uncollectible amounts.

5. Capital Assets

Capital assets activity for the year ended August 31, 2020 consisted of the following:

	Cost or Basis In Property			
	Balance September 1, 2019	Additions	Deletions	Balance August 31, 2020
Land	$ 232,241	$ -	$ -	$ 232,241
Building	1,304,357	-	-	1,304,357
Vehicles	-	29,738	-	29,738
Furniture & Fixtures	522,619	48,702	93	571,228
Total	$ 2,059,217	$ 78,440	$ 93	$ 2,137,564

	Accumulated Depreciation			
	Balance September 1, 2019	Additions	Deletions	Balance August 31, 2020
Building	$ 397,473	$ 40,054	$ -	$ 437,527
Vehicles	-	206	-	206
Furniture & Fixtures	441,292	43,898	84	485,106
Total	$ 838,765	$ 84,158	$ 84	$ 922,839

Capital assets, less accumulated depreciation, at August 31, 2020 totaled $1,214,725.

6. Income Tax Status

The Corporation is a governmental entity and a non-profit corporation operating under section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal income taxes and, accordingly, no provision for income taxes is included in the financial statements. The Corporation is classified as a non-profit organization other than a private foundation. Tax returns for the past three years are open to examination by the Internal Revenue Service. There are no examinations currently in process. Management believes it has appropriate support for any tax position taken and as such does not have any uncertain tax positions that are required to be reported in these financial statements.

7. Operating Leases

Operating Leases - The Corporation leases certain office equipment under a three-year lease agreement which calls for monthly lease payments of $595 and any applicable overages. Lease expense under this agreement was $7,511.

The future minimum lease payments under the agreement are as follows:

Year Ended August 31,	Amount
2021	2,380
Total Minimum Future Rental Payments	$ 2,380

The Corporation owns rental property consisting of single family homes, a multifamily apartment complex and an office building.

Based on current agreements the future operating lease income is:

Year Ended August 31,	Amount
2021	$ 274,162
2022	38,270
2023	30,552
Total Future Rental Income	$ 342,984

Total operating lease income for the year ended August 31, 2020 was $577,012.

8. Custodial Reserve Funds

The Corporation holds certain cash reserves for the benefit of two multifamily projects that were financed by the Corporation through the THIF. See Note 4.

Reserve activity for the year ended August 31, 2020 was as follows:

Balance at September 1, 2019	$ 154,091
Deposits	27,340
Disbursements	-
Balance at August 31, 2020	$ 181,431

9. Deferred Inflows of Resources and Unearned Revenue

In a prior year, the Corporation received $679,800 from the Department's Housing Trust Fund for the origination of down payment and closing cost assistance loans for households who earn less than 60% of the area median family income. The Corporation established a loan receivable for each loan made with a corresponding offset to deferred revenue. Recognition of the deferred revenue occurs as loans are repaid. Revenue recognized during fiscal year 2020 totaled $12,861. The remaining deferred revenue for this portfolio was $165,126 at August 31, 2020.

The prepaid issuer fees from sixteen (16) multifamily bond portfolios are recognized as income throughout the year. As of August 31, 2020, unearned revenue related to these properties totaled $331,043.

In the fiscal year ended August 31, 2019, the Corporation received $3.75 million from the Capital Magnet Fund in the form of a grant. The revenue will be earned as it is expended, and $2.8 million was earned in the fiscal year ended August 31, 2020.

In the fiscal year ended August 31, 2020, the Corporation received $2.31 million from the Health & Human Services Commission in the form of a grant. The revenue will be earned as it is expended.

A summary of deferred inflows of resources and unearned revenue activity for fiscal year 2020 was as follows:

	Deferred Inflows of Resources	Unearned Revenue
Balance at September 1, 2019	$ 177,987	$ 3,901,845
Additions	-	2,958,482
Revenue Earned	-	(3,278,126)
Loan Payments Received	(12,861)	-
Balance at August 31, 2020	$ 165,126	$ 3,582,201

10. Notes Payable

As of August 31, 2020, notes payable consisted of:

Note Payable to Federal Home Loan Bank, installment note with equal payments of $2,568 monthly, 6.345% interest, due November 2023, secured by mortgage backed securities.	$ 275,753
Note Payable to Federal Home Loan Bank, installment note with equal payments of $4,086 monthly, 6.345% interest, due November 2023, secured by mortgage backed securities.	438,711
Note Payable to Federal Home Loan Bank, installment note with equal payments of $3,538 monthly, 2.993% interest, due October 2026, secured by note receivable.	665,136
Note Payable to Texas Community Bank, interest only at 2.00% payable quarterly, due in full May 2025, unsecured.	500,000
Note Payable to Texas Capital Community Development Corporation, interest only at 3.55% payable quarterly, due in full May 2022, unsecured.	200,000
Note Payable to Austin Community Foundation, interest only at 2.0% payable quarterly, due in full January 1, 2022, unsecured.	250,000
Total Notes Payable	$ 2,329,600
Current Portion of Notes Payable	58,415
Noncurrent Notes Payable	$ 2,271,185

The summary of notes payable activity for the year ended August 31, 2020 was as follows:

Balance at September 1, 2019	$ 2,185,163
Advances	200,000
Repayments	(55,563)
Balance at August 31, 2020	$ 2,329,600

The debt service requirements on notes payable for the next five years and thereafter are as follows:

Year Ended August 31,	Principal	Interest	Total
2021	58,415	86,012	144,427
2022	511,431	77,885	589,316
2023	64,620	67,707	132,327
2024	625,702	36,925	662,627
2025	525,768	23,360	549,128
2026 thru 2027	543,664	18,485	562,149
Total	$ 2,329,600	$ 310,374	$ 2,639,974

11. Bonded Indebtedness

The Corporation issues tax exempt revenue bonds to assist in financing the purchase of homes by, or the construction of rental housing for, families with low to moderate incomes.

Single Family Mortgage Revenue Bonds do not constitute a general obligation of the Corporation or the State of Texas. Single family bonds are collateralized and payable solely from revenues and other assets pledged under the bond indentures and held in trust by a Bond Trustee. Assets pledged consist primarily of mortgage-backed securities and investments. Interest on bonds is payable semiannually or monthly. There are a number of limitations and restrictions contained in the various bond indentures. The Corporation is in compliance with all significant limitations and restrictions at August 31, 2020.

Description	Interest Rate	Bonds Outstanding 9/1/19	Bonds Issued	Bonds Matured/ Retired	Bonds Refunded/ Extinguished	Bonds Outstanding 8/31/20	Amounts Due Within One Year
Single Family 2019							
Series 2019A	Fixed	$40,000,000	$ -	$3,040,000	$ -	$36,960,000	$ 520,000
Single Family 2009-2013							
Series 2011A	Fixed	3,845,000	$ -	1,080,000	$ -	2,765,000	290,000
Series 2009/2011B	Fixed	12,360,000	-	1,615,000	-	10,745,000	295,000
Series 2013A	Fixed	9,065,000	-	1,880,000	-	7,185,000	-
Total Principal		$65,270,000	$ -	$7,615,000	$ -	$57,655,000	$1,105,000
Unamortized Premium		1,872,282				1,722,923	
Total		$67,142,282				$59,377,923	

The current portion of bonds payable at August 31, 2020 was $1,105,000. The remaining balance of $58,272,923 is classified as noncurrent bonds payable.

The principal and interest expense requirements for the next five years and thereafter are summarized below:

Year Ended August 31,	Principal	Interest	Total
2021	$ 1,105,000	$ 2,069,379	$ 3,174,379
2022	1,155,000	2,030,993	3,185,993
2023	1,175,000	1,988,948	3,163,948
2024	1,235,000	1,944,543	3,179,543
2025	1,320,000	1,896,814	3,216,814
2026 thru 2030	7,525,000	8,680,391	16,205,391
2031 thru 2035	8,845,000	7,329,969	16,174,969
2036 thru 2040	13,280,000	5,596,762	18,876,762
2041 thru 2045	10,660,000	3,368,452	14,028,452
2046 thru 2050	11,355,000	1,321,219	12,676,219
Total	$ 57,655,000	$ 36,227,470	$ 93,882,470

The sources of pledged revenue to pay the principal and interest on the bonds is derived from the principal and interest collected from the GNMA, FHLMC and FNMA mortgage-backed securities as well as reserves set up at the bond closing. For fiscal year 2020, the debt service requirement equaled $7,615,000 in bond principal and $2,052,418 in bond interest expense, totaling $9,667,418. As of August 31, 2020, pledged revenue totaled $16,122,039.

12. ACT Veterans Housing Initiative

The ACT Veterans Housing Initiative is a pilot initiative funded primarily through the donation of foreclosed homes from banks and other mortgage servicers. The intent of the initiative is to provide low and no-cost housing to U.S. military veterans who are disabled or low-income. The Corporation coordinates the initiative on a statewide basis within Texas using the Affordable Communities of Texas Land Banking program. The Corporation currently has a network of more than twenty locally based non-profit housing providers that manage rehabilitation of the properties and qualification of eligible homebuyers within their local communities.

Properties are made available to qualified veteran households either at a significant discount or as a fully donated home. If discounted, the property is sold for 75% of its post-rehab appraised value with the Corporation placing a deferred forgivable second lien for the remaining 25% of value. If donated, the property is provided at no cost with the Corporation placing a deferred forgivable lien for 100% of the post-rehab appraised value.

13. Mortgage Credit Certificate Program

The MCC Program was created to assist low and moderate-income first-time homebuyers. Under the MCC Program, the homebuyer is eligible to claim a portion of the annual interest paid on the mortgage as a special tax credit each year for the life of the home loan. The Corporation must convert single family bond cap each year to issue MCCs. During the fiscal year ended August 31, 2020, the MCC Program revenue totaled approximately $1,523,000 and is included in single family income in the statement of revenues, expenses, and changes in net position.

14. Neighborhood Stabilization Program

The Corporation was awarded approximately $5 million in Neighborhood Stabilization Program ("NSP") funds in November 2009 by the Department. NSP's goal is to help stabilize communities hardest hit by foreclosures by working with locally based non-profit and government agencies to acquire and rehabilitate foreclosed homes, vacant land and tax foreclosed properties, which are then inhabited by low-income individuals and families. The funds used to acquire property must be returned to the Department when the property is sold along with any program income. As of August 31, 2020, the Corporation owed the Department NSP funds totaling $1,562,821.

15. Texas Foundations Fund

The Texas Foundation Fund program provides grants to non-profit 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. During the fiscal year ended August 31, 2020, the Corporation made Foundation Fund grants totaling $504,000.

16. Down Payment Assistance Program

Under various Single-Family Home Loan Programs, the Corporation provides 30-year fixed rate mortgage loans to eligible homebuyers. These programs provide down payment and closing cost assistance in the form of an interest-free loan that is paid back to the Corporation in the form of a higher interest rate. Down payment assistance is offered in amounts up to 5% of the home loan.

During the fiscal year ended August 31, 2020, the Corporation implemented a second lien down payment assistance loan to borrowers participating in the Single Family TBA Program. The loan is forgiven after three years if the homebuyer does not sell or refinance the home. As of August 31, 2020, second lien notes receivable totaled $25,749,710.

17. Related Party Transactions

The Corporation received federal grant awards passed through the Department for the NSP Program during fiscal year 2020. Receivables and payables related to this grant as of August 31, 2020 totaled $38,480 and $1,562,821, respectively. See Note 14.

18. Employee Benefits

The Corporation offers a defined contribution 403(b) retirement plan to its employees. Under the plan, the Corporation matches dollar for dollar the first three percent (3%) and one-half percent (.5%) of the fourth and fifth percent of the employee's annual gross salary contributed to the plan. The maximum employer contribution is 4%. Total employer contributions for the fiscal year ended August 31, 2020, were $77,141.

19. Conduit Debt

The Corporation is authorized to issue statewide 501(c)(3) tax-exempt multifamily mortgage revenue bonds under the Texas Government Code §2306.555. The 501(c)(3) bond program provides long-term variable or fixed rate financing to non-profit borrowers/developers of new or existing multifamily rental properties in order to generate and/or preserve affordable rental housing. The Corporation may finance single developments or pools of properties located throughout the State of Texas. Borrowers must agree to set aside a prescribed percentage of a property's units for rent to persons and families of low income.

Under the MPAB Program, the Corporation administers 10 percent or approximately $80 million of the State's volume cap allocation of private activity bonds for multifamily residential rental housing.

The 501(c)(3) and private activity revenue bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the Corporation, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of August 31, 2020, there were seventeen series of multifamily housing revenue bonds outstanding with an aggregate principal amount payable of approximately $276 million.

20. Risk Financing and Related Insurance Issues

The Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. For all such risks, the Corporation has purchased commercial insurance in varying amounts to mitigate the risk of loss.

21. Commitments and Contingencies

The Corporation participates in a number of federal financial assistance programs. Although the Corporation's grant programs have been audited in accordance with the provisions of the Uniform Guidance through August 31, 2020, these programs are subject to financial and compliance audits by the grantor agencies. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Corporation expects such amounts, if any, to be immaterial.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the Corporation's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time. The Corporation is actively managing its operations to maintain its cash flow and management believes that the Corporation has adequate liquidity.

22. Non-Cash Contributions

During the year ended August 31, 2020, Google, Inc. made an in-kind donation of $18,130 for advertising.

23. Segment Information

See Note 1 for a description of the Corporation's operations. Segment financial information of the Corporation's only proprietary fund type at August 31, 2020 and for the year then ended is as follows:

Summary Financial Information	Amount
Operating Revenue	$ 48,254,005
Depreciation and Amortization	475,026
Net Income	39,436,986
Net Working Capital*	27,077,444
Total Assets	152,556,646
Total Net Position	82,873,279
Noncurrent Notes Payable	2,271,185
Noncurrent Bonds Payable	58,272,923
Deferred Inflows of Resources	165,126
Unearned Revenue	3,582,201
Capital Asset Additions	78,440

* Net Working Capital Calculation	Amount
Unrestricted Cash and Cash Equivalents	$ 13,334,546
Restricted Assets	7,930,748
Custodial Cash and Cash Equivalents	181,431
Investments, Short-Term	6,496,640
Accounts Receivable and Accrued Revenue, net	2,370,440
Accrued Interest Receivable	72,508
Loans Receivable, Current Portion	73,704
Notes Receivable, Current Portion	1,600,246
Downpayment Assistance, Current Portion	167,547
Prepaid Expenses	241,566
Payables:	
Accounts Payable and Accrued Expenses	(805,841)
Notes Payable, Current Portion	(58,415)
Custodial Reserve Funds	(181,431)
Due to Federal Programs	(1,562,821)
Other Current Liabilities	(639,063)
Bonds Payable and Accrued Interest on Bonds, Current Portion	(2,144,361)
Total Net Working Capital	$ 27,077,444

Other Supplemental Information

Texas State Affordable Housing Corporation

Schedule of Revenues and Expenses by Activity
For the Year Ended August 31, 2020

	Single Family	Multi Family	ACT/NSP	Asset Management	Other	Total
Revenues						
Interest and Investment Income	$ 2,789,196	$ 258,055	$ -	$ -	$ 441,966	$ 3,489,217
Net Increase in Fair Value of Investments	2,518,590	-	-	-	-	2,518,590
Single Family Income	36,489,699	-	-	-	-	36,489,699
Federal and State Grants	-	2,814,326	74,862	-	-	2,889,188
Other Operating Revenue	64,530	433,116	159,553	1,581,796	628,316	2,867,311
Total Revenues	41,862,015	3,505,497	234,415	1,581,796	1,070,282	48,254,005
Expenses						
Interest Expense on Bonds and Notes Payable	2,155,121	71,764	9,167	-	-	2,236,052
Salaries, Wages and Payroll Related Costs	1,709,227	140,656	175,271	512,805	554,007	3,091,966
Grant Expenditures	60,214	-	74,862	-	-	135,076
Other Expenditures	1,124,379	88,808	117,899	524,566	1,498,273	3,353,925
Total Expenses	5,048,941	301,228	377,199	1,037,371	2,052,280	8,817,019
Net Income						$ 39,436,986

Federal Awards

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors of
Texas State Affordable Housing Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Texas State Affordable Housing Corporation (the "Corporation"), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated December XX, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Austin, Texas
December XX, 2020

Independent Auditors' Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by The Uniform Guidance

The Board of Directors of
Texas State Affordable Housing Corporation:

Report on Compliance for the Major Federal Program

We have audited Texas State Affordable Housing Corporation's (the "Corporation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended August 31, 2020. The Corporation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on the Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2020.

Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Austin, Texas
December xx, 2020

Texas State Affordable Housing Corporation

Schedule of Expenditures of Federal Awards
Year Ended August 31, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Treasury			
Passed through the Community Development Financial Institutions:			
Capital Magnet Fund	21.011	181CM050456	$ 2,800,000
Capital Magnet Fund Administrative	21.011	181CM050456	12,929
Total CFDA 21.011			2,812,929
Total U.S. Department of Treasury			2,812,929
U.S. Department of Housing and Urban Development			
Passed through Texas Department of Housing and Community Affairs- Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii- Neighborhood Stabilization Program	14.228	7709003101	74,862
Total U.S. Department of Housing and Urban Development			74,862
U.S. Department of Health and Human Services			
Passed through Texas Department Health and Human Services Commission- Money Follows the Person Rebalancing Demonstration- Money Follows the Person	93.791	HHS000850100001	1,397
Total U.S. Department of Health and Human Services			1,397
Total Expenditures of Federal Awards			$ 2,889,188

The accompanying notes are an integral part of this schedule.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Texas State Affordable Housing Corporation (the "Corporation") under programs of the federal government for the year ended August 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Corporation.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Schedule includes the federal activity of the Corporation and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowed or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the financial statements.

The Corporation has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

The loan reported in the Schedule represents the value of the new loan made during the year ended August 31, 2020. The loan's outstanding balance at the end of the year totaled $2,800,000.

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over the major federal program:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for the major federal program-

Capital Magnet Fund Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ yes ☒ no

Identification of the major federal program-

CFDA Number(s)	Name of Federal Program or Cluster
21.011	Capital Magnet Fund

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

Section II - Financial Statement Findings

No findings required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2020 and 2019.

Section III - Federal Award Findings and Questioned Costs

No findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the year ended August 31, 2020. There was not an audit requirement for the year ended August 31, 2019.

Texas State Affordable Housing Corporation
Ginnie Mae Issuer Identification Number: 3747

HUD Audit

August 31, 2020

With Independent Auditors' Report

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Attachment J

Annual Submission of Financial Documents

The following information is being sent to maintain eligibility in the HUD Mortgage-Backed Securities (MBS) program.

A. Issuer name: Texas State Affordable Housing Corporation
B. Ginnie Mae issuer number: 3747
C. Auditor's contact person & telephone number: Jimmy Romell 512-370-3245
D. All Ginnie Mae waivers: Yes_____ No_____ Effective date or N/A ✓
(if available please provide a copy)
E. Please list all affiliates' names, addresses, and Ginnie Mae issuer numbers

Place a checkmark by item(s) submitted

1. ✓ Annual audited financial statement for period ended Date 08/31/2020
Auditor's report on
2. ___Consolidating balance sheet-statement of income (expense & income reported separately)
3. ___Internal controls
4. ___Compliance with specific requirements
Auditor's presentation on
5. ✓ Insurance coverage schedule
6. ✓ Adjusted net worth schedule for issuer
7. ___Adjusted net worth schedule for parent (if applicable)
8. ✓ Capital requirement schedule
9. ___Parent's capital requirement schedule (if applicable)
10. ✓ Liquid asset requirement schedule
11. ___Parent's liquid asset requirement schedule (if applicable)
12. ___Other reports submitted (please list)
_____
13. ___Current insurance certificate and endorsement of Ginnie Mae as loss payee
_____Fidelity bond _____ Lender's errors & omissions
_____Attestation of insurance compliance
14. ___Corrective action plan
15. ___Schedule of "other assets"
16. ___Schedule of "breakdown of depreciation and amortization expenses by asset class"

Issuer's point(s) of contact regarding the items being sent:

Name: Melinda Smith
Telephone: 512-904-1399
Email: msmith@tsahc.org
Item(s) #: 1, 5, 6, 8, 10

Name: _____
Telephone: _____
Email: _____
Item(s) #: _____

For requirements, report, and supplementary schedule templates, reference HUD Audit Guide chapters 2 and 6: http://www.hudoig.gov/reports-publications/audit-guides/consolidated-audit-guides

Signature:_____Date: 12/16/2020

Type or print name: David Long

Title: President

Independent Auditors' Report

The Board of Directors
Texas State Affordable Housing Corporation:

Report on Supplemental Data Required by the U.S. Department of Housing and Urban Development

We have audited the financial statements of the Texas State Affordable Housing Corporation (the "Corporation") as of and for the year ended August 31, 2020, and have issued our report thereon dated December 16, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying supplemental data required by the U.S. Department of Housing and Urban Development ("HUD"), which includes the computation of adjusted HUD net worth, computation of HUD capital requirement, computation of HUD liquid assets, and schedule of HUD insurance requirements, is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs*, issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental data required by HUD is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Austin, Texas
December 16, 2020

Texas State Affordable Housing Corporation
Ginnie Mae Issuer Identification Number: 3747
Computation of Adjusted HUD Net Worth
As of August 31, 2020

A. Adjusted Net Worth Calculations:		
Total Net Position at End of Reporting Period		$ 82,873,279
Less Itemized Unacceptable Assets:		
Purchased Mortgage Servicing Rights	$ (164,785)	
Prepaid Insurance, Maintenance Contracts & Subscriptions	(241,566)	
Total Unacceptable Assets		$ (406,351)
Adjusted Net Worth		$ 82,466,928
B. Required Net Worth Calculation:		
Unpaid Principal Balance of Securities Outstanding		$ -
Plus Outstanding Balance of Available Commitment Authority and Pools Funded		-
Total Outstanding Portfolio, Commitment Authority, and Pools Funded		$ -
Required Net Worth		$ 2,500,000
C. Excess (Deficit) Net Worth		$ 79,966,928

See Accompanying Independent Auditors' Report.

Texas State Affordable Housing Corporation
Ginnie Mae Issuer Identification Number: 3747
Computation of HUD Capital Requirement
As of August 31, 2020

A. Capital Requirement for Depository Institutions:	
(does not apply)	n/a
B. Capital Requirement for Nondepository Institutions:	
Total Adjusted Net Worth	$ 82,466,928
Total Assets	$ 152,556,646
Total Adjusted Net Worth/Total Assets	54.06%
Required Adjusted Net Worth/Total Assets	6.00%
	Meets Requirement?
	Yes

See Accompanying Independent Auditors' Report.

Texas State Affordable Housing Corporation
Ginnie Mae Issuer Identification Number: 3747
Computation of HUD Liquid Assets
As of August 31, 2020

A. Liquid Asset Calculation:

Required Net Worth Calculation	$ 2,500,000
Acceptable Liquid Assets -	
Cash and Cash Equivalents	$ 13,334,546
Commercial Paper - 9/14/2020	1,998,844
Commercial Paper - 9/17/2020	1,997,796
Total Liquid Assets	$ 17,331,186

B. Required Liquid Asset:

Single-Family Issuer Liquidity Requirement	$ 1,000,000
	Meets Requirement?
	Yes
All Other Issuer Types Liquidity Requirement *(does not apply)*	n/a
Multiple Program Participation *(does not apply)*	n/a

See Accompanying Independent Auditors' Report.

Texas State Affordable Housing Corporation
Ginnie Mae Issuer Identification Number: 3747
Schedule of HUD Insurance Requirements
As of August 31, 2020

A. Identification of Affiliated Ginnie Mae Issuers:	None
B. Required Insurance Calculation:	
Servicing portfolio:	
Ginnie Mae	$ -
Fannie Mae	-
Freddie Mac	-
Conventional (Other)	33,939,113
Remaining Principal Balance of Total Servicing Portfolio	$ 33,939,113
Required Fidelity Bond Coverage	$ 300,000
Required Mortgage Servicing Errors and Omissions Coverage	$ 300,000
C. Verification of Insurance Coverage:	
Fidelity Bond at End of Reporting Period	$ 1,000,000
Mortgage Servicing Errors and Omissions Coverage at End of Reporting Period	$ 1,000,000
D. Excess (Deficit) Insurance Coverage:	
Fidelity Bond Coverage	$ 700,000
Required Mortgage Servicing Errors and Omissions Coverage	$ 700,000
E. Policies Contain the Required Elements	
Fidelity Bond Coverage	Yes
Mortgage Servicing Errors and Omissions Coverage	Yes

See Accompanying Independent Auditors' Report.

Texas State Affordable Housing Corporation
Ginnie Mae Issuer Identification Number: 3747
Schedule of Findings, Questioned Costs, and Recommendations
As of August 31, 2020

Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

Texas State Affordable Housing Corporation
Ginnie Mae Issuer Identification Number: 3747
Schedule of the Status of Prior Year Audit Findings, Questioned Costs, and Recommendations
As of August 31, 2020

There were no findings from the prior year audit.

Tab 3

Presentation, Discussion and Possible Approval of the Fiscal Year 2021 Investment Policy.

RESOLUTION # _____

A RESOLUTION ADOPTING
INVESTMENT POLICY AND INVESTMENT STRATEGY

WHEREAS, the Public Funds Investment Act codified in the Texas Government Code Chapter 2256 governs local government investment; and

WHEREAS, the Public Funds Investment Act (Section 2256.005a), as amended, requires the Corporation to adopt an investment policy and investment strategies by rule, order, ordinance or resolution governing the investment of funds under its control; and

WHEREAS, the Public Funds Investment Act (Section 2256.005e), requires the governing body to review and adopt that investment policy and investment strategies by rule, order, ordinance or resolution, recording any changes made thereto; and

WHEREAS, the Corporation Board has reviewed the Policy and Strategy and decided to make the following change;

- Change requirement that ratings for state and municipal obligations be made by one nationally recognized rating agency instead of two nationally recognized rating agencies.

NOW, THEREFORE, BE IT RESOLVED

That the Corporation has complied with the requirements of the Public Funds Investment Act and hereby adopts the Corporation's Investment Policy and Investment Strategies, with the changes noted, as the Investment Policy and Strategy of the Corporation.

PASSED, ADOPTED AND APPROVED by the Board this the _____ day of _____, 2020.

APPROVED:

_____

ATTEST:

_____
Board Secretary

INVESTMENT POLICY

Fiscal Year 2021

TEXAS STATE AFFORDABLE HOUSING CORPORATION

INVESTMENT POLICY

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TEXAS STATE AFFORDABLE HOUSING CORPORATION

INVESTMENT POLICY

I. POLICY

It is the policy of Texas State Affordable Housing Corporation (the "Corporation") to invest public funds in a manner which will fulfill, by priority, the following objectives:

A. Safety of principal;

B. Sufficient liquidity to meet the Corporation's cash flow needs;

C. Diversification to reduce market and credit risk;

D. A market rate of return for the risk assumed; and

E. Compliance with all applicable state statutes governing the investment of public funds, including (i) the Corporation's enabling legislation, Texas Government Code, Section 2306, Subchapter Y, (ii) the Public Funds Investment Act (the "Act"), Texas Government Code, Section 2256, and (iii) any other applicable law.

II. SCOPE

This Investment Policy ("Policy") applies to all financial assets of the Corporation, except for any promissory notes payable to the Corporation. A separate portfolio is created for surplus bond funds which are received as a result of the early redemption of bonds. The long-term nature of these funds requires a distinct portfolio for the purpose of investment. The purpose of the funds is directed solely towards investment income. The fund's investment shall be in full compliance with all applicable state statutes governing the investment of public funds, including (i) the Corporation's enabling legislation, Texas Government Code, Section 2306, Subchapter Y, and (ii) the Public Funds Investment Act (the "Act"), Texas Government Code, Section 2256.

III. PRUDENCE

A. Prudent Person Standard - Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety and liquidity of their capital as well as the probable income to be derived.

B. The standard of prudence to be used by the Investment Officer shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio.

Investment Officers (hereinafter defined) acting in accordance with the Policy and written procedures and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. OBJECTIVES

The investment portfolio shall be designed with the objective of obtaining reasonable yield throughout budgetary and economic cycles commensurate with the Corporation's investment risk constraints and cash flow needs. A maximum dollar-weighted average maturity (WAM) will be one year which is based on the historic cash flows. The benchmarks for risk in the portfolio shall be the six-month and one-year U.S. Treasury Bills mirroring that WAM. The following are the primary objectives of investment activities in order of priority:

A. Safety of Principal

Preservation and safety of principal is the foremost objective of the investment program. Investments of the Corporation shall be undertaken in a manner that seeks to ensure the preservation of capital. The principal will be protected by limiting credit risk through purchase of high credit quality securities and limiting interest rate risk through a structured portfolio which addresses projected cash flow requirements.

B. Liquidity

Liquidity risk is the risk that funds will not be available to pay liabilities or the inability to sell a security for needed cash. To protect liquidity needs the Corporation will prepare a cash flow analysis to direct investments and limit its maximum final stated maturity to three years. The Corporation's investment portfolio shall contain a liquidity buffer to meet all unanticipated cash flow needs. In addition, securities with active secondary or resale markets will be used to meet unanticipated liabilities.

C. Diversification

The Corporation shall diversify its portfolio to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of investments. Investment shall always be selected that provide for stability of income and reasonable liquidity.

D. Yield

The Corporation's investment portfolio shall be designed with the objective of attaining a reasonable market yield throughout budgetary and economic cycles,

taking into account the investment risk constraints and cash flow needs of the Corporation. Return on investment is of less importance than the safety and liquidity of the investments. Reasonable yield shall be obtained through competitive bidding on all transactions and comparative analysis of all market alternatives available within the parameters of this Policy.

V. INVESTMENT STRATEGY

A. The Corporation may commingle its operating funds for maximum investment efficiency and economy of scale. Interest will be distributed as applicable among the funds. The authorized securities, investments or pools utilized for this portfolio will be of the highest credit quality and marketability supporting the Corporation's objectives of safety, liquidity, diversification, and yield.

B. Securities, when not matched to a specific liability, will be short-term and of a liquid nature to provide adequate cash flow for the Corporation. The portfolio shall be diversified to protect against credit and market risk in any one sector. Diversification requirements can be fully met through use of an authorized pool. The weighted average maturity on the pooled investment group will be no greater than one year. Because the funds are pooled for investment purposes, the portfolio will address the varying needs of all funds in the pooled fund.

C. Surplus funds of the Corporation) may be invested in certain longer term investments than those authorized for operating funds, as described in this paragraph. The maximum stated maturity (from the date of investment of such surplus funds) of such investments will be thirty (30) years. The permitted longer term investments are pass-through mortgage-backed securities guaranteed by GNMA (Government National Mortgage Association), FNMA (Federal National Mortgage Association) or FHLMC (Federal Home Loan Mortgage Corporation) and authorized as program investments under the Corporation's bond issues. Investment of surplus funds includes transfers to the Corporation of surplus investments released from a bond trust indenture established to secure bonds of the Corporation.

VI. DELEGATION OF AUTHORITY AND RESPONSIBILITY

A. Board of Directors

1. The Board of Directors of the Corporation (the "Board") shall establish the Corporation's Investment Policy, strategies and objectives, review and adopt the Policy and Strategies in accordance with State law annually, obtain such expert advice and assistance with respect to its actions as is necessary to exercise its responsibilities prudently, and monitor the actions of staff and advisors to ensure compliance with this Policy. It is the Board's intention that this Policy be carried out by those persons who are qualified and competent in their areas of expertise.

The Board shall also review and adopt the list of eligible broker/dealers annually and shall receive and review the quarterly investment report. The Board shall designate the Corporation's Investment Officer(s). Authority granted to a person to invest the Corporation's funds shall remain effective until rescinded by the Board or the termination of the Investment Officer's employment by the Corporation. The Board shall also provide for the training required for Investment Officers.

2. The delegation of authority as provided below in no way diminishes the Board's ultimate responsibility as the funds' fiduciary.

3. Each member of the Board shall attend at least one training session relating to the person's responsibilities under the Act within six months after taking office or assuming duties. Training under this section may be provided by the Texas Higher Education Coordinating Board and include investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, compliance with the Act and compliance with this Policy.

B. Investment Officer(s)

1. The authority to manage the Corporation's investment program is granted to the President. The President may delegate the responsibility for the operation of the investment program to the Chief Financial Officer and Controller as the Corporation's designated "Investment Officers".

2. The Investment Officer shall be responsible for all transactions undertaken and shall establish internal controls to regulate the activities of subordinate officials. Procedures should include reference to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures may include explicit temporary delegation of authority to persons responsible for investment transactions.

3. The Investment Officer shall establish written procedures for the operation of the investment program consistent with this Policy.

4. The Investment Officer shall attend ten (10) hours of training within twelve (12) months of assuming the position and every two fiscal years thereafter. Training is to include investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Act.

5. The Investment Officer may temporarily delegate investment responsibilities to subordinate staff. Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions.

6. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Investment Officer.

VII. ETHICS AND CONFLICT OF INTEREST

A. If an Investment Officer of the Corporation has a personal or business relationship with a business organization offering to engage in an investment transaction with the Corporation (as described in Section 2256.005(i) of the Act), the Investment Officer shall file a statement disclosing that personal business interest with the Board and the Texas Ethics Commission.

B. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Corporation shall file a statement disclosing that relationship with the Board and the Texas Ethics Commission.

VIII. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS

A. The Corporation shall maintain a list with a minimum of three qualified broker/dealers authorized to engage in investment transactions with the Corporation. This list of qualified broker/dealers shall be reviewed, revised and adopted at least annually by the Board.

B. Broker/dealers shall, at a minimum, provide information as required by the Investment Officer and provide evidence of Financial Industry Regulatory Agency (FINRA) membership. Information on the broker/dealers shall be maintained by the Investment Officer or non-discretionary Investment Adviser. The Corporation shall assure that every Corporation authorized broker/dealer is provided a current copy of the Corporation's Investment Policy.

C. Financial institutions used for time and demand deposits do not need the prior approval of the Board. The nature of competition for rates in financial institutions within Texas prohibits foreknowledge of applicable financial institutions. These institutions shall, however, fulfill all remaining requirements for authorization including depository/collateral contracts, as applicable.

D. Any business organization (defined as pools and contracted discretionary investment advisers) offering to engage in an investment transaction with the Corporation shall be provided a copy of this Policy for review and certification of that review (PFIA 2256.005(k)). Material changes to the Policy will require re-certification. The Corporation will utilize only a non-discretionary investment adviser to assure that cash-flow is monitored and protected.

A certification for business organizations in a form acceptable to the Corporation shall affirm that the business organization:

1. Has received and reviewed this Policy; and

2. Acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions that are not authorized by this Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entire portfolio or requires an interpretation of subjective investment standards.

E. The Investment Officer of the Corporation may not transact any business from a business organization (pool) which has not delivered the signed certification to the Corporation.

F. The brokerage subsidiary of the Corporation's depository banking services bank shall not be used for purchase of securities in order to perfect delivery versus payment (DVP) unless that DVP process can be clearly documented by the firm on all confirmations.

G. No less than every five years, the Corporation shall, through a competitive process chose a banking services institution to serve as its primary depository and a custodian for Corporation owned securities.

IX. AUTHORIZED INVESTMENTS

A. Notwithstanding any grant or program limitations to the contrary, the following are authorized investments of the Corporation:

1. **Obligations of the U.S. Government, its agencies and instrumentalities** including collateralized mortgage obligations (CMOs). Debentures shall have a stated maturity not to exceed three (3) years. CMOs shall have a stated maturity (i) not to exceed ten (10) years and (ii) pass the Federal Reserve's *bank shock test*. Surplus funds are authorized to be invested as described in Section V.C. above.

2. **Depository Certificates of Deposit** issued by any state or national bank doing business in the State of Texas or a credit union doing business in the State of Texas to include the CDARS program as defined by the Act and are:

    a. Guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor or the National Credit Union Insurance Fund or its successor;

    b. Secured by obligations of the US Government, its agencies and instrumentalities as further defined in this Policy; and

    c. Have a stated maturity not to exceed one year.

3. **Fully collateralized repurchase agreements** and reverse repurchase agreements which:

a. Have a defined termination date and are executed under the terms of a written Master Repurchase Agreement;

b. Are secured by collateral defined in this Policy and held by an independent safekeeping agent approved by the Corporation;

c. Require that the securities being purchased be held in the Corporation's name by an independent custodian approved by the Corporation; and

d. Are executed with a primary government securities dealer, as defined by the Federal Reserve;

The term of any reverse security repurchase agreement may not exceed 90 days after the date of the reverse. Money received by the Corporation from the reverse security repurchase agreement may be used to acquire authorized investments, but the maturity date of the investment acquired must not be later than the expiration date of the reverse

4. **AAA-rated, SEC registered money market mutual funds.**

   a. A money market mutual fund is an authorized investment if the fund:

      i. Is registered with and regulated by the Securities and Exchange Commission;

      ii. Has a dollar-weighted average stated maturity of 60 days or fewer; and

      iii. Includes in its investment objectives the maintenance of a stable net asset value of $1 for each share.

   b. The Corporation is not authorized to invest its funds or funds under its control in any money market mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund.

5. **Commercial Paper.** Commercial paper is an authorized investment if it:

   a. Has a stated maturity of two hundred-seventy (270) days or fewer to its stated maturity; and

   b. Is rated not less than A-1/P-1 or equivalent by at least two nationally recognized credit rating agencies,

6. **Uncollateralized Guaranteed Investment Contracts**. For funds that are pledged under a trust indenture for bonds issued by the Corporation, investment securities that are permitted under the terms of such trust indenture, including, but not limited to, uncollateralized investment agreements.

7. **Texas Local Government Investment Pools.** Permitted constant dollar investment pools, as defined by the Act, are authorized under this policy if the investment pool:

    a. Is created to function as a money market mutual fund, marks its portfolio to market daily and strives to maintain a $1 net asset value.

    b. If it is rated not less than AAA or V-1 or equivalent rating by at least one nationally recognized rating service.

8. **State and Municipal Obligations.** Obligations of any state and their sub-divisions rated A, or better, by at least one~~two~~ nationally recognized rating agency~~ies~~ with a stated maturity not to exceed three years.

9. **FDIC Insured Brokered Certificate of Deposit Securities. Brokered Certificate of Deposit Securities** from banks in any US state, delivered versus payment to the Corporation's safekeeping depository, not to exceed one year to maturity. Before purchase the Investment Officer or Investment Adviser must verify the status of the bank on www.fdic.gov to assure that the bank is FDIC insured.

10. **AAA-Rated. SEC Registered Ultra Short Term Duration Funds** if the mutual fund has an average weighted maturity of less than two years; and a) if the fund has a duration of one year or more is invested exclusively in obligations approved by this Policy; or b) if the fund has a duration of less than one year the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

B. No additional securities or investments are authorized for Corporation use until this Policy has been amended and the amended policy has been adopted by the Board.

C. All investment transactions shall require competitive bidding.

D. To minimize loss of principal, securities which are downgraded in credit or become unauthorized after purchase should be monitored daily and may be sold prior to maturity after a prudent analysis of market conditions.

E. Security swaps may be utilized for improvement in the quality, yield, or target duration in the portfolio but only if analysis proves a positive horizon value for the swap.

F. Any investment held prior to changes in this Policy that does not meet the guidelines of this Policy shall be exempted from the requirements of this Policy. The Corporation is not required to liquidate investments that were authorized at the time of purchase (Act Section 2256.017). However, at maturity or liquidation, such monies shall be reinvested only as provided by this Policy.

X. OTHER INVESTMENT POWERS.

In accordance with Section 2256.024(a) of the Act, the investment authority set forth in Section IX of this Policy is in addition to that granted to the Corporation by other applicable law. In accordance with Section 2256.024(b) and (c) of the Act, the Corporation may invest in mortgage pass-through certificates and individual mortgage loans that are originated in connection with authorized housing bond programs of the Corporation, subject to any limitations otherwise set forth in this Policy.

XI. UNAUTHORIZED INVESTMENTS

The following are not authorized investments:

A. Interest only obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (IO);

B. Principal only obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (PO); and

C. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years, except as otherwise authorized under this Policy.

D. Inverse floating collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index (Inverses).

XII. DIVERSIFICATION

The Corporation will diversify its investments by security type and institution. With the exception of U.S. Treasury securities, no more than 50% of the Corporation's total investment portfolio will be invested in a single security type or single issuer.

General diversification parameters will include:

Type of Obligation	Maximum Percentage of Total Portfolio
U.S. Obligations	80%
Obligations of U.S. Agencies	80%
Certificates of Deposit (total)	60%
Certificates of Deposit (by institution)	15%
Repurchase Agreements	30%
Money Market Mutual Funds	25%
Commercial Paper (total)	30%
Commercial Paper (by issuer)	10%
Local Government Pool	75%
Banking Accounts	80%

XIII. EFFECT OF LOSS OF REQUIRED RATING

An investment that requires a minimum rating under this Policy does not qualify as an authorized investment during the period the investment does not meet or exceed the minimum rating. The Corporation shall take prudent measures that are consistent with its Policy to evaluate possible liquidation of an investment that does not meet or exceed the minimum rating as market conditions dictate (Act Section 2256.021).

The Investment Officer or Investment Adviser shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer or Investment Adviser shall notify the President of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two weeks after the loss of the required rating.

XIV. COLLATERALIZATION

Collateralization will be required on all time and demand accounts above FDIC insurance levels and on repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization margin level will be 102%.

A. For time and demand deposits the following securities are authorized as pledged collateral. Preference to be given to pledged securities over letters of credit:

1. Obligations of the United States or its agencies and instrumentalities including mortgage backed securities meeting the bank test;

2. Direct obligations of the State of Texas or its agencies and instrumentalities;

3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of Texas or the United Sates or their respective agencies and instrumentalities; and

4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

5. FHLB Letters of Credit

B. For repurchase agreements, obligations of the U.S. Government, its agencies and instrumentalities including mortgage backed securities are authorized as collateral owned under the transaction. A letter of credit is not authorized for repurchase agreements.

C. Collateral for time and demand accounts shall always be held in safekeeping by an independent third party with whom the Corporation has a current custodial agreement executed under the terms of FIRREA (time and demand deposits). A clearly marked evidence of pledge or ownership must be supplied to the Corporation and retained. The Corporation shall grant the right of collateral substitution, subject to receiving prior approval from the Investment Officer.

D. It shall be the contractual liability of the counterparty pledging or selling the securities to monitor and maintain the appropriate 102% margin daily.

E. The custodian of the collateral shall provide an independent, detailed listing of the collateral on a monthly basis directly to the Corporation.

F. Any pooled collateral program proposed to the Corporation shall be reviewed by the Investment Officer(s) for risk/reward, but approval of the collateral pool will be by the Board.

XV. SAFEKEEPING AND CUSTODY

All securities owned by the Corporation will be held by an independent third-party custodian approved by the Corporation and under a current custody agreement.

All security transactions will be executed on a Delivery vs. Payment (DVP) basis. This ensures that securities are deposited prior to the release of funds. Securities will be held by an independent third-party custodian and evidenced by safekeeping receipts.

XVI. INTERNAL CONTROLS

A. Internal Controls

The Investment Officer is responsible for establishing and maintaining internal controls to ensure that the assets of the Corporation are protected from loss, theft, or misuse. The internal controls shall address the following points:

1. Control of collusion,
2. Separation of transaction authority from accounting and record keeping.
3. Custodial safekeeping.
4. Clear delegation of authority to subordinate staff members.
5. Written confirmation of all transactions.

In developing controls, the concept of reasonable assurance recognizes that:

1. The cost of control should not exceed the benefits likely to be derived; and

2. The valuation of costs and benefits requires estimates and judgments by management.

B. Compliance Audit

At least once every two years, the Corporation shall arrange for a compliance audit of management controls on investments and adherence to this Policy and the Act.

1. The compliance audit shall be performed by the Corporation's internal auditor or by a private auditor.

2. The results of the audit performed under this section shall be presented to the Board.

3. The Corporation shall report the results of the audit performed under this section to the Office of the State Auditor not later than January 1 of each even-numbered year. The report shall be prepared in a manner as prescribed by the Office of the State Auditor.

4. The Corporation shall also report to the Office of the State Auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to the Corporation's investment.

C. Wire Transfers

All wire transfers will be transacted under a written agreement and, if possible, require two signoffs. This agreement shall delineate controls, security provisions, and responsibilities of each party.

D. Monitoring FDIC Insurance

The Investment Officer or Investment Adviser shall monitor, on no less than a weekly basis, the status and ownership of all banks issuing brokered CDs owned by the Corporation based upon information from the FDIC. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the Investment Officer or Investment Adviser shall immediately liquidate any brokered CD which places the Corporation above the FDIC insurance level.

XVII. REPORTING

A. Quarterly Reports

At least quarterly, the Investment Officer shall prepare and present to the Board an investment report, including a summary that provides a clear picture of the status of the

current investment portfolio and transactions made over the last quarter. This investment report will be prepared in a manner, which will allow the Board to ascertain whether investment activities during the reporting period have conformed to the Policy. The report must:

1. Describe in detail the investment position on the date of the report;

2. Be prepared jointly by all Investment Officers;

3. Be signed by each Investment Officer;

4. Be prepared in compliance with Generally Accepted Accounting Principles (GAAP) for each fund that states:

    a. The stated maturity date and call or reset date of each security;

    b. The book value and market value of each security at the beginning and end of the reporting period by type and market sector;

    c. Additions and changes in market value during the period;

    d. Fully accrued interest and total earnings for the reporting period;

    e. State the fund or pooled group for which each individual investment was acquired; and

5. State the compliance of the investment portfolio as it relates to the investment strategy expressed in this Policy and the Act.

B. Audit Report

An independent auditor shall formally review the investment reports prepared by the Investment Officer under this Policy at least annually and that auditor shall report the result of the review to the Board.

C. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this Policy and the cash flow analysis. The maximum dollar weighted average maturity of the portfolio is one year. In order to measure performance and the level of risk in the portfolio, the benchmarks of the six-month and one-year Treasury Bills for the comparable period will be reported quarterly.

D. Market Value

The Investment Officer will obtain market prices used to calculate market value from independent, recognized published sources or from other qualified professionals.

E. Changes to Public Funds Investment Act

The Investment Officer shall present to the Board a report on changes to the Act no later than 180 days after the last regular session of the legislature.

XVIII. INVESTMENT POLICY ADOPTION

The Investment Policy shall be reviewed and adopted by resolution of the Board at least annually. The Board must approve and adopt any amendments made thereto. The Board shall adopt by written resolution a statement that it has reviewed the investment policies and strategies and note any changes made.

Tab 4

Presentation, Discussion and Possible Approval for Publication and Public Comment of the Draft of the Texas State Affordable Housing Corporation's 2021 Annual Action Plan.

TEXAS STATE AFFORDABLE HOUSING CORPORATION

DRAFT 2021 ANNUAL ACTION PLAN

DRAFT PREPARED FOR

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD OF DIRECTORS

TEXAS STATE AFFORDABLE HOUSING CORPORATION
2021 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 ("TSAHC") to develop a plan to address the state's housing needs. Texas Government Code, Section 2306.0721(g) requires TSAHC's Annual Action Plan to be included in the State Low Income Housing Plan ("SLIHP") prepared by the Texas Department of Housing and Community Affairs ("TDHCA").

TSAHC OVERVIEW

The Texas State Affordable Housing Corporation, created in 1994 at the direction of the Texas State Legislature, is a self-sustaining nonprofit entity whose purpose is to primarily 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. TSAHC's enabling legislation can be found in Texas Government Code, Chapter 2306, Subchapter Y, Sections 2306.551 et seq.

TSAHC's office is located in Austin, Texas. A five-member volunteer Board of Directors, appointed by the Governor of Texas, oversees the policies and business of TSAHC. None of TSAHC's programs or operations are funded through the State's budget appropriations process.

TSAHC is statutorily authorized to issue mortgage revenue bonds and other tax-exempt bonds to finance the purchase and creation of affordable housing. TSAHC also has the authority to use loans from banks, private mortgage companies, nonprofit organizations and other financial institutions to assist primarily low, very low, and extremely low-income Texans. Over the course of its history, TSAHC has utilized approximately $4 billion in single family bonding authority and approximately $982 million in multifamily private activity bonds.[1] 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

[1] 2020 TSAHC bond activity includes the closing of $89,045,000 in Multifamily Private Activity Bonds.

Using its statutory purpose and powers as guidance, TSAHC has developed the following additional programs, services, and initiatives to help meet the need for affordable housing in Texas:

- Home Buyer and Financial Education
- Texas Housing Impact Fund
- Affordable Communities of Texas
- Asset Oversight and Compliance
- Single Family Rental Program
- Multifamily Rental Program
- Texas Foundations Fund
- Housing and Economic Assistance to Rebuild Texas (HEART)
- Technical Assistance and Other Initiatives

TSAHC MISSION AND OBJECTIVE

TSAHC's mission is to serve the housing needs of moderate, low, very low, and extremely low-income Texans and other underserved populations through innovative programs. TSAHC accomplishes this mission by helping developers build housing for working families, and helping Texans achieve and sustain the dream of homeownership and improve their financial situation. TSAHC's programs and initiatives reflect our core belief that every Texan deserves the opportunity to live in safe, decent and affordable housing.

As Texas' population grows and the housing industry changes, the programs and services TSAHC administers continue to evolve and expand to meet these changing dynamics. TSAHC remains committed to the populations it has historically served, but is also active in responding to new challenges like creating supportive housing developments for Texas' most vulnerable residents, preserving housing in rural areas, expanding housing opportunities for Texans with complex health needs, and helping Texans rebuild after natural disasters. Moreover, TSAHC is committed to helping Texans remain stably housed during the ongoing COVID-19 pandemic.

TSAHC's objective in 2021 is to serve the evolving housing needs of Texans by implementing innovative solutions through its current programs while also exploring opportunities to establish new programs and initiatives to better assist underserved populations and respond to the housing instability issues due to the COVID-19 pandemic.

TSAHC'S RESPONSE TO COVID-19

This year was a year like no other with the global COVID-19 pandemic completely reshaping how Texans live and do business. TSAHC responded to the pandemic in a variety of ways explained below.

On March 20th, TSAHC launched a COVID-19 resources web page[2] with general important information and resources, and resources specific to homeowners, renters, rental housing professionals, homeless assistance providers, consumers and nonprofits. The web page was updated as new information and resources became available. In April 2020, TSAHC reached out to nonprofit partners through the Texas Foundations Fund and HEART program to see if there were any modifications needed to existing grants.

Per a March 13th disaster declaration and subsequent waivers of portions of Texas Government Code, Chapter 551, TSAHC Board of Directors meetings were held virtually beginning in May 2020 and continued as virtual meetings for the duration of 2020. Virtual Board of Directors meetings remained open to the public. Additionally, TSAHC moved all other public hearings to a virtual platform that provided the public the ability to participate.

In May 2020, TSAHC hosted a webinar entitled, "The CARES Act and Mortgage Relief: Understanding Your Options as a Homeowner" to educate homeowners on mortgage relief options if they had been impacted by COVID-19.

Since the onset of the pandemic, TSAHC has been working with tenants that reside in properties we own (Rollins Martin apartment complex and a portfolio of homes in our Single Family Rental Program). First, we took significant safety precautions when responding to work order requests. But more importantly, we implemented a rental assistance program for tenants and worked with tenants one-on-one to help them remain stably housed.

As part of the rental assistance program, TSAHC approved one tenant for rent relief for one month. We also set up payment plans for tenants experiencing financial hardships. Additionally, TSAHC suspended late fees through December 2020. Lastly, we automatically renewed leases for all tenants (unless they opted out of the lease) and froze rental rates for 2020 and 2021.

Throughout 2020, TSAHC continued to participate in internal and external meetings on virtual platforms, and we transitioned programs and initiatives that were formerly held in-person to virtual platforms. Those specific changes and other COVID-19 program modifications are discussed throughout this plan.

Texas Housing Stability Collaborative

In late summer 2020, TSAHC partnered with a collection of individuals and organizations

[2] https://www.tsahc.org/news/article/covid-19-resources-and-helpful-information

working to avert home mortgage foreclosures and rental evictions caused by COVID-19. This partnership, known as the Texas Housing Stability Collaborative,[3] is currently expanding its network and raising awareness about free mortgage and rental assistance options to Texas households provided by Texas' HUD-approved housing counseling agencies.

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. Homeownership remains financially better than renting as the average household wealth of a homeowner is $231,400 while the average household wealth of a renter is $5,200.[4]

In addition to financial benefits, there are social benefits to homeownership. Stable housing created by homeownership can lead to better educational achievement, health benefits, reduced crime, and improved civic participation.[5]

TSAHC currently administers the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs, which provide 30-year fixed-rate mortgage loans, tax credits, and down payment assistance to low and moderate-income families and individuals.

The Homes for Texas Heroes Home Loan Program established by the Legislature in 2003 for the purpose of making mortgage loans with down payment assistance 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

[3] https://texashousingstability.org/

[4] Source: Dayana Yochim, "What's your net worth, and how do you compare to others?" MarketWatch, January 23, 2020

[5] Source: "Social Benefits of Homeownership and Stable Housing," Richard J. Rosenthal Center for Real Estate Studies, October 2017

In 2006, TSAHC created the Home Sweet Texas Home Loan Program to serve home buyers not eligible for the Homes for Texas Heroes Home Loan Program. The Home Sweet Texas Home Loan Program is not for specific professions.

Down Payment Assistance Options

TSAHC offers down payment assistance through both the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs because a primary barrier for prospective buyers is that many cannot accumulate sufficient funds for a down payment.[6] This problem has worsened in recent years as increasing rents make it harder to save money and transition into homeownership.[7]

The down payment assistance is provided either in the form of a grant that does not require repayment or a second lien. To better serve Texas home buyers, in December 2019 TSAHC transitioned its second lien option from a repayable second lien to a three-year deferred forgivable second lien.

TSAHC's down payment assistance is 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.

Both the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs are available statewide to those with incomes at or below 115 percent of the area median family income (AMFI). Serving moderate income Texans – those between 80 and 115 percent AMFI – is an important component of meeting the state's housing needs, because those households are struggling to afford homes in the absence of assistance. For reference, the median home price statewide reached a record high of $268,000 in July 2020 and tapered off slightly to $265,000 by September 2020. For further context, the median home price in Texas was $248,000 at the end of 2019.[8]

Homeownership Programs Financing Mechanisms

TSAHC funds its mortgage loans with down payment assistance in two ways: by issuing mortgage revenue bonds available under its statutory authority, and by pooling loans on a regular basis and selling the mortgage-backed securities (known in the industry as the TBA program). TSAHC did not issue mortgage revenue bonds and funded its mortgage loans with down payment assistance exclusively through the TBA program in 2020.

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[6] Source: 2020 Annual Financial Literacy Survey, https://www.nfcc.org/resources/client-impact-and-research/2020-consumer-financial-literacy-survey/

[7] Source: "American Families Face a Growing Rent Burden," www.pewtrusts.org, April 19, 2018

[8] Source: https://www.recenter.tamu.edu/data/housing-activity/, accessed November 18, 2020.

Mortgage Credit Certificate Program

In 2008, TSAHC established the Mortgage Credit Certificate (MCC) Program as another way to assist first-time home buyers. The MCC Program is made possible under IRS rules that allow the conversion of single-family mortgage revenue bonds into MCCs. TSAHC's MCC Program serves the same populations eligible for the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs; however, the program is only available to first-time home buyers (defined as those who have not owned a home in three years.)

Under the MCC Program, the home buyer can take a portion of the annual interest paid on the mortgage loan as a special tax credit. 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, TSAHC requires the home buyer to obtain a fixed-rate mortgage loan. Home buyers can also combine the MCC Program with the mortgage loan and down payment assistance provided under the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs.

Home Buyer Education Requirement

Every home buyer who utilizes one of TSAHC's homeownership programs must complete an approved home buyer education course offered by a provider listed on the Texas Financial Toolbox website.[9] The providers listed on this site are generally nonprofit organizations or government entities who are either HUD-approved or certified to provide home buyer education.

TSAHC requires home buyer education to ensure households are well prepared for the responsibilities of owning a home. Research by the U.S. Department of Housing and Urban Development (HUD) revealed that home buyer education empowers individuals with the ability to make better financial decisions, understand their home buying options, improve their credit, save more money, and lower housing costs.[10]

Moreover, according to that same HUD publication, home buyer education can help mortgage borrowers avoid delinquencies and defaults. The HUD paper references the 2014 National Foreclosure Mitigation Counseling program that analyzed 240,000 loans and found that borrowers that took home buyer education were three times more likely to get a loan modification to avoid default.

[9] Texas Financial Toolbox, http://www.texasfinancialtoolbox.com/home-buyer-education
[10] Source: Evidence Matters, "The Evidence on Homeownership Education and Counseling," Spring 2016

2020 Homeownership Programs Changes

On May 4, 2020, the market uncertainty created by COVID-19 required TSAHC to implement a temporary overlay to our homeownership programs eligibility requirements. This overlay was imposed by TSAHC's master loan servicer. Until further notice, all government loans with total debt to income (DTI) ratios greater than 45% are required to have a minimum 700 credit score. We continue to communicate regularly with our master servicer on market conditions and will lift this requirement as soon as we have their approval.

Despite this temporary requirement, TSAHC served a record number of home buyers in 2020. To respond to this, TSAHC onboarded new homeownership compliance staff members. This allowed for TSAHC to promptly respond to the increase in home buying demand and continue to meet consumer and lender needs promptly and efficiently.

TSAHC also launched a podcast in June 2020 to reach more consumers, lenders and REALTORS® and provide content related to homeownership, home buying and other housing related issues. We also further engaged our Lender Advisory Council to gather their feedback on TSAHC's homeownership programs. TSAHC continues to stay abreast of any changes or developments in the mortgage industry and adjust to meet the needs of Texas' home buyers.

2020 Homeownership Programs Activity Synopsis

Through October 31, 2020, TSAHC's home buyer programs helped 12,131 households with their home purchase through down payment assistance, an MCC, or both.

In comparison, TSAHC assisted 9,397 households in 2019 and 9,347 households in 2018. To date, TSAHC has served more than 50,231 households under our homeownership programs.

2021 Implementation Plan

In 2021, TSAHC will continue to engage the Lender Advisory Council and potentially reduce the frequency of meetings which should generate more robust participation. TSAHC will continue to reach REALTORS® in areas where our programs are underutilized. Additionally, TSAHC will continue to market programs directly to home buyers in new and creative ways. For example, at the request of our Lender Advisory Council, TSAHC plans to release a video targeted to home buyers that explains how down payment assistance programs work.

Most importantly, TSAHC will continue to swiftly respond to increased home buying demand and use of TSAHC's homeownership programs. TSAHC will look to expand the reach of our homeownership programs by continuing to build upon relationships with current lenders and recruiting additional lenders to participate in our programs.

HOME BUYER EDUCATION AND FINANCIAL EDUCATION

Connecting Consumers with High Quality Housing and Financial Counselors

In 2012, TSAHC created the Texas Financial Toolbox (www.texasfinancialtoolbox.com) to give consumers an easy way to find nonprofit organizations or government entities that can help them achieve their financial and homeownership goals through home buyer education, credit counseling, or financial education.

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, and foreclosure prevention is available, all searchable by city. This is a unique tool TSAHC believes is providing essential information to Texas consumers.

In 2018, TSAHC expanded the Toolbox resource by creating a Loan Comparison Calculator[11] to help potential home buyers compare the different loans types and down payment assistance options offered by TSAHC. This tool is also available on TSAHC's website www.tsahc.org.

The Loan Comparison Calculator replaced an earlier down payment assistance calculator created in 2017 and a mortgage calculator created in 2010 that provided home buyers with an estimated interest rate based on their credit score.

The Toolbox also includes a step-by-step guide to help families and individuals gain a better understanding of the home buying process.

Housing Connection Training

TSAHC has offered home buyer and financial education training to Texas housing nonprofits since 2012. From 2012-2017, TSAHC administered the Texas Statewide Homebuyer Education Program (TSHEP), a housing and financial counselor training program, on behalf of the Texas Department of Housing and Community Affairs. In late 2017 TSAHC decided to expand the scope of the training services provided and opted not to continue our role as administrator of TSHEP.

In 2018, TSAHC introduced the Housing Connection training program. The Housing Connection training built upon the success of TSHEP by offering not only housing and financial counselor training but also training for nonprofits interested in affordable housing development.
The program's goal is to help both affordable housing and counseling organizations access trainings, promote themselves, and build capacity for their organizations and programs.

[11] http://www.texasfinancialtoolbox.com/mortgage-calculator

In 2020, the Housing Connection training originally included five days of in-person training in June, but due to the COVID-19 pandemic, all training was offered virtually with the choice of self-guided webinars or instructor-led virtual training. TSAHC contracted with NeighborWorks America, the selected education provider, to conduct the virtual training services.

The 2020 courses covered the following topics: foreclosure basics for homeownership counselors, foreclosure process for housing professionals, mortgage lending fundamentals for homeownership professionals, understanding credit reports and credit scoring, engaging older adults in financial capability programs, building skills for financial confidence, counseling clients to maximize energy savings, and an introduction to affordable rental housing development.

TSAHC, with support from private and public funders, made the training sessions as affordable as possible by providing 29 scholarships to cover tuition costs. In 2020, 34 housing counselors representing 24 organizations and 17 different cities received homeownership counseling and financial education training through the virtual training event. An additional 8 participants from 4 cities received the introduction to affordable rental housing development training.

To date, 642 individuals representing 239 organizations in 99 municipalities across Texas have attended trainings provided by TSAHC through either TSHEP (2012-2017) or Housing Connection (2018-2020). Additionally, TSAHC has provided 219 scholarships totaling $105,093 to participants.

2021 Implementation Plan

In 2021, TSAHC will once again provide a variety of courses for housing counselors and nonprofit housing professionals. Instructor-led courses will either be offered entirely virtually or in-person depending on the safety of in-person training. TSAHC also plans to offer self-guided webinars to supplement the instructor-led courses.

TSAHC will continue to make the training as affordable as possible by raising public and private funds to subsidize the costs of attending a training either virtually or in-person.

TEXAS HOUSING IMPACT FUND

The Texas Housing Impact Fund (THIF) helps provide safe, decent, and affordable housing with an emphasis on serving rural and underserved communities by providing flexible financing options to affordable housing developers.

Leveraging investments from private foundations and banks, TSAHC is able to provide both short-term and long-term affordable housing financing to developers through the THIF. This funding model has enabled TSAHC to steadily grow the fund over time, with applications for new loans accepted on an ongoing basis, provided there is funding available for the program.

To date, the Texas Housing Impact Fund has financed the construction or rehabilitation of 279 single family homes and 2,905 rental units for low and moderate-income households. These numbers include units currently under construction.

TSAHC currently offers five types of loans:

- Permanent financing loans
- Revolving lines of credit
- Construction loans
- NEW in 2020: Predevelopment loans (limited to Travis, Williamson, Bastrop, Hays and Caldwell counties)
- NEW in 2020: Deferred forgivable loans as offered through the Affordable Housing Partnership (limited to Dallas and Travis counties)

Single Family Construction/Rehabilitation

Homeownership is the primary means by which lower-income households create stability and build wealth for the future. As mentioned above, the average household wealth of a homeowner is $231,400 while the average household wealth of a renter is $5,200.

However, due to rising housing prices, many Texans cannot afford to purchase a home in their communities. For example, according to the Real Estate Center at Texas A&M University, as of July 2020, the median home price in Texas was a record high $268,000.[12] Escalating home prices are especially problematic in urban areas like Austin (median home price of $352,250), Dallas ($320,000), and Houston ($262,000).[13]

By financing the construction or rehabilitation of single-family homes that are affordable to well-qualified low and moderate-income home buyers, the Texas Housing Impact Fund is helping families and individuals achieve the dream of homeownership and build household wealth.

In 2020, TSAHC approved THIF loans and lines of credit to construct 54 homes for low- to moderate-income home buyers in Onalaska and Austin.

Multifamily Construction/Rehabilitation

TSAHC also recognizes that not all families and individuals are ready to become homeowners. Access to affordable and decent rental housing is what is most important to these households. By funding the construction or rehabilitation of affordable rental units, the Texas Housing Impact Fund helps households access safe and decent rental homes without having to sacrifice other basic needs, such as food, education, or medical care.

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[12] Source: https://www.recenter.tamu.edu/data/housing-activity/, accessed November 19, 2020.
[13] Source: https://www.recenter.tamu.edu/data/housing-activity/, accessed November 19, 2020.

TSAHC's Texas Housing Impact Fund generally targets smaller multifamily developments in rural areas and underserved communities. In 2019 TSAHC was awarded a $3.75 million grant from the Capital Magnet Fund, a program of the Community Development Financial Institutions (CDFI) Fund, specifically to support multifamily properties financed by THIF in rural and economically distressed communities.

In 2020, affordable housing developers were awarded THIF financing to help build rehabilitate or construct 902 affordable rental units. Many of the projects funded in 2020 were financed in part through our Capital Magnet Fund award. Of the 902 rental units financed, 802 are rural units originally financed by USDA's Section 515 program. These units are being rehabilitated as part of a 21-property portfolio transaction with developer Hamilton Valley Management, Inc.

Predevelopment Loans

In spring 2020, TSAHC partnered with the Austin Community Foundation to launch a predevelopment loan program targeted to small-scale or neighborhood-oriented nonprofit developers in the five-county Central Texas region. The program is designed for nonprofits that have a development project in mind but lack the resources to begin the development process, a common barrier for smaller capacity organizations.

In summer 2020, TSAHC made its first loan under the program to Chestnut Neighborhood Revitalization Corporation to support the construction of 49 condominiums as part of Phase II of The Chicon development located in Central East Austin.

Affordable Housing Partnership

TSAHC also launched the Affordable Housing Partnership (AHP) program in 2020 as part of the THIF suite of loan products. Thanks to a partnership with the Texas Health and Human Services Commission, TSAHC offers deferred forgivable loans to developers in Dallas and Travis counties to subsidize the construction of affordable, accessible, and community-integrated units designated for residents with long-term health needs. TSAHC is currently accepting loan applications for developers interested in using this product.

Texas Housing Impact Fund Loan Production

Loan Production	2020	2003 - 2019
Loans Approved	5	36
# of Single Family Homes Built or Under Construction	54	225
# of Rental Units	902	2003
Amount of Loan Funds Approved	$5,950,088[14]	$20,455,374

[14] Texas Housing Impact Fund loans are a revolving line of credit for single-family construction awarded to WOMAN, Inc.; a predevelopment loan to Chestnut Neighborhood Revitalization Corporation for single-family condominium construction; and loans for

2021 Implementation Plan

TSAHC plans to continue to provide flexible lines of credit to developers in targeted areas. These loan products, leveraged with TSAHC'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.

TSAHC forecasts sustained demand for THIF loans into 2021 as staff is currently reviewing four applications for single-family and multifamily developments around Texas.

In 2021, TSAHC plans to continue to explore lending opportunities to address housing needs for underserved populations including disaster impacted areas, small urban and rural markets, and urban areas that are rapidly changing and risk losing affordable housing. In 2021, there will be an emphasis on marketing predevelopment loans to address the rapidly rising cost of housing in Central Texas and marketing the Affordable Housing Partnership to address the housing needs of Texans with long-term health needs (an underserved population).

TSAHC will continue to grow the fund by pursuing grants, program related investments or equity equivalent investments from foundations, banks, and other lenders and investors.

TSAHC will also continue to publish an annual Texas Housing Impact Fund Investment Report to document the statewide impact of the program. This report enhances TSAHC's efforts to market the Texas Housing Impact Fund to developers and potential investors.

AFFORDABLE COMMUNITIES OF TEXAS PROGRAM

TSAHC 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. TSAHC works in partnership with 29 nonprofit organizations across the state to acquire and redevelop foreclosed homes, vacant land, and tax foreclosed properties in order to make these homes available for sale or rent to low-income families.

Over its history, TSAHC has acquired 572 properties through the ACT program and has created 296 homes for extremely low, very low, low, and moderate-income Texans. The ACT Program has a current portfolio of 179 lots and homes, and there are three active components of the program distinguished by source of funding and targeted use of properties:

- ACT Land Banking – This is TSAHC's general land banking program that includes properties that are either purchased by TSAHC or donated to TSAHC. 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 preservation and creation of multifamily units awarded to Project Transitions, Sagebrush Apartments, LC and Hamilton Valley Management, Inc.

the property is sold, and the funds are reinvested in the ACT Program.

- ACT Land Trust – Properties acquired are intended to be held in perpetuity by TSAHC. Homes built or redeveloped on land trust sites may be rented or sold to qualified low-income households.
- Texas NSP – This category includes those homes and properties that were acquired using Texas' federal Neighborhood Stabilization Program (NSP) funding.

Affordable Communities of Texas Portfolio

Program/Initiative	Acquisitions 2020	Sales 2020	Current Portfolio	Current Asset Value
ACT Land Banking / Land Trust	5	10	23	$938,887
Texas NSP	0	17	156	$2,043750

2021 Implementation Plan

The ACT Program will continue to play an integral role in TSAHC's overall affordable housing strategy. TSAHC plans to continue to form partnerships to acquire foreclosed and vacant properties, including working directly with local and regional governments.

Additionally, TSAHC intends to continue working with its network of local partner developers to redevelop and sell properties currently in the ACT Land Banking portfolio. TSAHC will also continue to implement new marketing strategies to sell properties and will continue to focus on selling homes in the Texas NSP portfolio as quickly and efficiently as possible.

TSAHC continues to explore the implementation of land trust mechanisms that allow TSAHC to deliver homeownership opportunities to low- to moderate-income home buyers and deeper levels of affordable rental housing.

MULTIFAMILY PRIVATE ACTIVITY BOND PROGRAM

TSAHC 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, TSAHC is allocated 10 percent of Texas' multifamily PAB cap each year.

TSAHC 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 TSAHC's Board of Directors. In 2020, those housing needs were:

- At-Risk Preservation and Rehabilitation of Existing Affordable Units
- Housing in Rural and Smaller Urban Markets
- Senior and Service Enriched Housing Developments
- Housing in Areas with Disaster Declarations

In 2020, TSAHC closed on $89,045,000 in multifamily PABs to construct or rehabilitate 1,240 affordable rental units across 23 municipalities.[15]

2021 Implementation Plan

TSAHC anticipates continued interest and growth in our PAB program due to the high number of affordable housing units needed to meet the demand. For example, research conducted by the National Low Income Housing Coalition found that, in Texas, there are only 52 units that are affordable for every 100 households that earn 50% or less of the average median income.[16]

The demand is reflected in the number of TSAHC PAB projects that are either currently induced, pending closing or under review. That pipeline of potential 2021 PAB closings already includes 11 developments that total 1,350 units and $163,310,000 in total bond financing.

TSAHC plans to continue to address this ongoing housing demand using PABs to finance the construction and rehabilitation of units that are affordable to low and very low-income Texans.

TSAHC, Enterprise Community Partners, the Federal Reserve Bank of Dallas, USDA Rural Development, and other partners completed a five-part Rural Housing Preservation Academy in 2018 and hosted a Rural Rental Housing Buyers/Seller Conference in 2019, both of which focused on how to preserve aging rural multifamily developments. In 2021, TSAHC will build on these initiatives and continue to emphasize the preservation of housing in rural areas.

TSAHC will also explore how to create more permanent supportive housing (PSH) units either through PABs or other financing structures. The creation of additional PSH housing is another priority for TSAHC, due in part to an ongoing collaboration with the Texas Health and Human Services Commission that will be covered in detail later in this plan.

ASSET OVERSIGHT AND COMPLIANCE

Asset oversight and compliance monitoring of multifamily properties financed through multifamily private activity bonds is required by many bond issuers, including TSAHC. TSAHC also requires asset oversight and compliance monitoring of multifamily properties financed through our Texas Housing Impact Fund. TSAHC 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 inspection of each

[15] The developments are Ventura at Fairgrounds (Midland, TX), Shady Oaks Manor (Fort Worth, TX), and 21 rural properties included in the Hamilton Valley Management Inc. portfolio.
[16] Source: "The Gap: A Shortage of Affordable Homes," The National Low Income Housing Coalition, March 2020

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 TSAHC's website.

These visits are typically on-site, physical inspections, but because of the ongoing COVID-19 pandemic, TSAHC adjusted its schedule of visits and is conducting them virtually.

For 2020, the virtual site visits were conducted by requesting that properties send reports, files, and unit and property photos prior to a conference or video call. Property and regional managers, as well as compliance teams provided the requested materials in a timely manner, and TSAHC Asset Oversight and Compliance staff were able to successfully review materials prior to the review and conducted the virtual visits with no difficulties.

In 2020, TSAHC performed asset oversight reviews for 35 properties, totaling 4,609 units.

Compliance

As part of the compliance review process, staff reviews tenant files annually to ensure that property owners and managers are following the federal affordability requirements relating to the tax-exempt status of the bonds. Completed compliance reports are submitted to property owners, managers, and other stakeholders and are also available on TSAHC's web site. In addition, TSAHC manages an online reporting system that allows property managers to complete their monthly compliance reporting online.

Each month, staff monitors whether property owners and managers are providing the required number of affordable units to income-eligible households and that high-quality resident services are being provided. Monthly compliance monitoring helps TSAHC ensure that property owners and managers are meeting all program requirements.

In 2020, TSAHC performed compliance reviews for 35 properties, totaling 4,733 units. These properties are financed either through PABs or THIF financing. TSAHC also upgraded the online reporting system to make it easier to use and ensure the security of the information submitted.

2021 Implementation Plan

In 2021, TSAHC staff will continue to conduct virtual site visits until it is safe to resume in-person visits. TSAHC will continue to provide asset oversight and compliance monitoring services to the properties in its current bond and Texas Housing Impact Fund portfolios. Between the end of 2020 and throughout 2021, staff anticipates adding 25 properties and 1,471 units to the portfolio of properties monitored by TSAHC's staff. Additionally, staff anticipates performing compliance on units funded through the Affordable Housing Partnership program in 2021 or 2022.

TSAHC will continue to review and update its policies and procedures as industry trends and changes in policy dictate. TSAHC will continue to closely monitor the financial health and physical condition of properties in its portfolio and offer specific strategies for improvement.

SINGLE FAMILY RENTAL PROGRAM

The cost of living in Austin continued to rise in 2020. According to the Real Estate Center at Texas A&M University, the median home price in Austin was $352,250 as of September 2020.[17] The average monthly rent was $1,443 as of October 2020.[18] These prices are simply unaffordable for many low-income Austin families.

In May 2013, TSAHC created the Single Family Rental Program to provide eligible low-income families with affordable, below-market rental homes in high-opportunity neighborhoods in the Austin Metropolitan Statistical Area (MSA).

Homes available through the program are located in areas with higher than average median incomes, with access to good schools and other services nearby. The program has received an extraordinary number of applications from low-income families and individuals interested in renting a home available under the program.

The program offers individuals and families that earn at or below 80% of the area median family income the opportunity to rent a home at prices significantly less than market rate. In addition to verifying income, TSAHC screens each applicant for rental, credit, and criminal history.

Given the success of the program and ongoing need for affordable rental opportunities in other areas of the state, TSAHC decided to expand the Single Family Rental Program to San Antonio in 2019. Since that time, TSAHC has purchased six single-family homes in the San Antonio MSA which have all been leased to qualifying households.

Combined, there are 25 rental properties in the Single Family Rental Program across the Austin and San Antonio MSAs.

2021 Implementation Plan

In 2021, TSAHC plans to add up to five homes to the program portfolio. Three of these homes are already under construction in Austin, and TSAHC plans to add one or two additional homes in the Austin and/or San Antonio MSAs.

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[17] Source: See Footnote 11.

[18] Source: https://www.rentjungle.com/average-rent-in-austin-rent-trends/ (Accessed November 19, 2020)

MULTIFAMILY RENTAL PROGRAM

In July 2015, TSAHC expanded its rental program by acquiring the Rollins Martin apartment complex in East Austin. The Rollins Martin apartment complex was originally financed as part of the federal low-income housing tax credit (LIHTC) program. It consists of 15 three-bedroom apartment units, all of which are affordable for families earning at or below 60% of the area median family income.

The apartment complex is located in a rapidly developing neighborhood of East Austin that is quickly becoming unaffordable to its long-time lower-income residents. Rents in that part of the Austin have increased at an alarming rate, going up 22-38.6% between 2011-2015.[19] By maintaining affordability in the rapidly changing neighborhood, TSAHC is meeting a critical housing need for the community.

Beyond this, TSAHC has also made substantial improvements to the Rollins Martin apartment complex. Since 2015, TSAHC has completed the following repairs and improvements: installed new appliances, tankless water heaters, and HVAC for each unit; installed new roofing, new outdoor trash receptacles, a bike rack, surveillance system, and a fence for the property; expanded doors for the laundry area in each unit; and completely renovated six units. In 2018, TSAHC replaced all staircases at the property and added additional security features to the locks on each unit's door.

In 2019, TSAHC renovated two more units, upgraded the video surveillance system and installed vent fans in the bathrooms for units that did not have them. In late 2019, TSAHC completely renovated the exterior of the apartment complex by replacing all siding and windows and adding new paint, lighting, doors, mailboxes, and signage.

2021 Implementation Plan

In 2021, TSAHC will continue to renovate individual units on a rolling basis after a tenant moves out, in order to avoid any tenant displacement.

TEXAS FOUNDATIONS FUND

History of the Texas Foundations Fund

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

Through the Texas Foundations Fund, TSAHC partners with nonprofit organizations across Texas

[19] Source: https://data.austintexas.gov/stories/s/Household-Affordability/czit-acu8/

to support quality programs that address the critical housing needs of very low-income families and individuals. Selected partners receive grants to support their housing services. Since 2008, TSAHC has awarded more than $4,310,000 in grants.

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 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.

TSAHC selected these services by conducting a survey asking its partner housing organizations to identify the greatest housing needs of the very low-income Texans they serve. TSAHC also conducts follow up surveys every few years to confirm that the services funded by the Texas Foundations Fund are still critically needed by very low-income Texans.

TSAHC funds its Texas Foundations Fund awards primarily with earned revenue from its other housing programs. TSAHC's Board of Directors determines the amount available for each funding round.

Prior to each application cycle, TSAHC publishes the Texas Foundations Fund Guidelines for public comment, giving stakeholders the opportunity to provide feedback prior to submitting a funding proposal.

Prior to 2016, the Foundations Fund was a competitive grant process. However, for the past three award cycles (2016 – 2020), it has been a non-competitive application process. Nonprofits that meet eligibility criteria partner with TSAHC for a two-year term in a matching grant structure. The matching grant structure is a simpler process for applicants, and it allows TSAHC to serve more nonprofits than through a competitive grant application process.

2020-2021 Funding Cycle

In early 2020, TSAHC surveyed Texas Foundations Fund stakeholders to see if any changes should be made to the program. After compiling survey results, TSAHC made its draft 2020 Texas Foundations Fund guidelines available for public comment. Based on comments received, TSAHC staff decided to add in an administrative allowance of up to 10% of the grant amount to help organizations keep their programs operational during the ongoing COVID-19 pandemic.

The 2020-2021 Texas Foundations Fund application cycle opened in May 2020. To better serve Texas Foundations Fund applicants, TSAHC upgraded the online application system prior to releasing the application.

TSAHC received 38 applications from non-profits serving communities throughout Texas. After a thorough review of the applications, TSAHC staff determined that 33 applicants met the requirements to be selected as a funding partner.

The total funding available to these partners in 2020 was $610,500, which equals $18,500 per organization.

2021 Implementation Plan

TSAHC will continue to monitor the administration of the program to make sure we're responding to the needs of nonprofits during this unique time. In October 2021, grantees will report the use of their funds from 2020 and will be eligible for 2021 funding pending a successful review of their report.

HOUSING AND ECONOMIC ASSISTANCE TO REBUILD TEXAS (HEART)

0n August 23, 2017, Hurricane Harvey made landfall along the Texas coast, inflicting catastrophic damage to Southeast Texas, the Gulf Coast region, the greater Houston area, and the Coastal Bend area. On August 25, 2017, a Major Disaster Declaration was issued for 41 counties impacted by the hurricane.

In response to this catastrophic event, TSAHC partnered with Enterprise Community Partners to create a grants program to provide critical home repair funding, programmatic support, and technical assistance for nonprofits providing ongoing relief efforts to the impacted areas with an emphasis on providing relief outside of the Harris County area.

The program, entitled Housing and Economic Assistance to Rebuild Texas (HEART), launched in April 2018 thanks to a generous financial commitment from the Rebuild Texas Fund, a joint initiative of the OneStar Foundation and the Michael & Susan Dell Foundation. Other funding was provided by the Meadows Foundation, the Center for Disaster Philanthropy, BBVA and a commitment from TSAHC's Board.

The program awarded $2,555,000 to 39 nonprofits providing housing-related assistance to low-income households directly affected by Hurricane Harvey. Among those nonprofits, 19 are providing critical home repair services, and 171 homes have been repaired to date. The HEART program also provided webinars (11 total with more than 200 attendees) as well as individual technical assistance opportunities.

In January 2020, TSAHC and Enterprise Community Partners hosted an in-person training on disaster recovery and response for HEART grantees. The training included a day-long grantee

roundtable discussion as well as a two-day training course on disaster recovery taught by NeighborWorks America.

2021 Implementation Plan

TSAHC and Enterprise Community Partners are in the final stages of administering the HEART program. The two entities will collect final reports from grantees and provide final reporting to the Rebuild Texas Fund in early 2021.

TECHNICAL ASSISTANCE AND OTHER INITIATIVES

Partnership with Texas Health and Human Services Commission (HHSC)

In 2016, TSAHC expanded its efforts to address supportive housing needs beyond grant funding provided through Texas Foundations Fund. It accomplished this by partnering with the Texas Health and Human Services Commission (HHSC) in a Center for Medicaid Services Innovation Accelerator Program (IAP).

The IAP launched in August 2017 and concluded in April 2018 with two outcomes. First, public and private partnerships developed between the Medicaid and housing systems to better address the housing and supportive services needs of the Medicaid recipient population. Second, HHSC and TSAHC created a state action plan that seeks to foster additional community living opportunities for Texans with ongoing health needs.

In addition to the IAP, TSAHC and HHSC are also receiving technical assistance from the National Academy for State Health Policy to implement specific components of the state action plan. That technical assistance began in April 2018 and concluded in December 2020.

As part of executing the state action plan, TSAHC conducted a series of permanent supportive housing (PSH) workshops in 2019 for nonprofits and other interested parties who wish to create or preserve PSH units. These one-day workshops provided an overview of the financing of PSH developments and the implementation of supportive services at those developments.

Texas Supportive Housing Institute

Building upon the success of the PSH workshops, TSAHC launched the Texas Supportive Housing Institute in September 2020, which provides technical assistance to nonprofits, developers, service providers and property managers interested in creating and operating supportive housing in their communities. The training is conducted by the Corporation for Supportive Housing (CSH).

Six teams participated in the institute in 2020 representing Dallas (two teams), Fort Worth (two teams), Houston and Brownsville. They attended monthly, multi-part sessions held virtually over the course of September to December 2020. An added component of the institute is one-on-one technical assistance with CSH. TSAHC also made follow up grants available to participating development teams through a partnership with JPMorgan Chase.

In 2021, TSAHC will continue to work with teams from the 2020 Texas Supportive Housing Institute to help them accomplish their supportive housing development goals. TSAHC hopes to offer the institute again in 2021 and select new teams from around the state.

Additionally, TSAHC will continue to explore new or improved finance mechanisms for supportive housing developments. TSAHC will continue to look for developers interested in participating in the Affordable Housing Partnership to create units for Texans with long-term health needs. These objectives are included in the state action plan created by TSAHC and HHSC.

General Homelessness Activities

TSAHC continues to support other efforts addressing homelessness. This includes Advisory Member representation on the Texas Interagency Council for the Homeless (TICH) and serving as liaison between the TICH and United State Interagency Council on Homelessness. In addition, TSAHC sponsors the annual Texas Conference on Ending Homelessness hosted by the Texas Homeless Network.

In 2018-2019, TSAHC also sponsored the Texas Homeless Network for the Frequent Users Systems Engagement (FUSE) Learning Community program. FUSE uses data to help communities address homelessness among individuals with complex behavioral health challenges, who are the highest users of jails, homeless shelters, and other crisis service systems.

In 2021, TSAHC will continue to explore ways it can make an impact in homelessness including potentially offering the Texas Supportive Housing Institute mentioned above and supporting ongoing efforts to better use data to solve homelessness challenges.

Potential Partnership with TxDOT

In summer 2020 TSAHC was approached by the Texas Department of Transportation (TxDOT) to administer a minimum of $27 million in grant funding to support affordable housing initiatives in communities affected by TxDOT's North Houston Highway Improvement Project (NHHIP).

The NHHIP is a multi-billion dollar transportation project that will expand and realign sections of Interstate I-45 in North Houston, impacting several communities (known as super-neighborhoods). These super-neighborhoods are comprised primarily of low-income and minority residents. TxDOT is providing $27 million to support affordable housing initiatives in these communities in addition to the individual compensation provided to homeowners, renters and businesses that are displaced by the project.

TxDOT approached TSAHC due to our prior experience providing grant funding through the Texas Foundations Fund and Housing and Economic Assistance to Rebuild Texas (HEART) programs, both of which have supported nonprofits serving the communities affected by the NHHIP.

TSAHC received initial approval from our Board of Directors in October 2020 to move forward with negotiations with TxDOT and draft an agreement outlining the use of the funds. We anticipate the agreement will be finalized in early 2021. TSAHC's participation in this project is subject to final approval of the agreement by TSAHC's Board of Directors.

Tab 5

Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Marshall Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

RESOLUTION NO. 20-_____

TEXAS STATE AFFORDABLE HOUSING CORPORATION

RESOLUTION authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Marshall Apartments) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith

WHEREAS, Texas State Affordable Housing Corporation (the "Governmental Lender") has been duly created and organized pursuant to and in accordance with the provisions of the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq. Vernon's Annotated Texas Civil Statutes, as amended and under the authority of Subchapter Y of Chapter 2306, Texas Government Code, as amended (the "Act"), for the public purpose, among other things, of promoting the public health, safety and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income; and

WHEREAS, the Act authorizes the Governmental Lender to (a) make mortgage loans to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by persons and families of low, very low and extremely low income; (b) issue bonds or other obligations, including notes, to accomplish its public purpose, for the purpose, among others, of obtaining funds to make loans for multifamily developments if at least 40 percent of the units in a multifamily development are affordable to individuals and families with incomes at or below 60 percent of the median income, adjusted for family size, to establish any necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such obligations; (c) pledge all or any part of the revenues, receipts or resources of the Governmental Lender, including the revenues and receipts to be received by the Governmental Lender from such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Governmental Lender in order to secure the payment of the principal or prepayment price of and interest on such obligations; and (d) make, enter into, and enforce contracts, agreements, leases, indentures, mortgages, deeds, deeds of trust, security agreements, pledge agreements, credit agreements and other instruments with any person on terms the Governmental Lender determines to be acceptable; and

WHEREAS, the Governmental Lender has determined to provide a loan (the "Loan") to EC Marshall, LLC, a Texas limited liability company (the "Borrower"), for the purpose of acquiring, rehabilitating and equipping a multifamily residential development located in the City of Austin, Texas and known as the Marshall Apartments (the "Project") to be rented to persons of low and moderate income, as evidenced by that certain Project Loan Agreement (the "Project Loan Agreement") by and among the Governmental Lender, the Borrower and BOKF, NA (the "Fiscal Agent"), and in connection therewith the Borrower has agreed to assume certain of the obligations set forth in the Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") by and among the Governmental Lender, the Fiscal Agent and the Borrower, and the Borrower will execute and deliver to the Governmental Lender a multifamily note (the "Project Note") in the original principal amount equal to the original principal amount of the Note (hereinafter defined); and

WHEREAS, the Governmental Lender now proposes to issue its note styled "Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Marshall Apartments) Series 2021" (the "Note") pursuant to this Resolution and a Funding Loan Agreement (the "Funding Loan Agreement") among the Governmental Lender, JLL Real Estate Capital, LLC (the "Initial Funding Lender") and the Fiscal Agent; and

WHEREAS, the Governmental Lender further proposes to sell the Note, upon the issuance thereof, to the Initial Funding Lender in order to obtain the funds to make the Loan; and

WHEREAS, all capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the Funding Loan Agreement unless the context in which they appear requires otherwise; and

WHEREAS, there have been presented to the Governmental Lender proposed forms of each of the following:

1. the Funding Loan Agreement;

2. the Project Loan Agreement;

3. the Asset Oversight, Compliance and Security Agreement (the "Asset Oversight and Compliance Agreement"), by and between the Borrower and the Governmental Lender; and

4. the Regulatory Agreement.

WHEREAS, the Governmental Lender finds the form and substance of the above-listed documents (hereinafter, collectively the "Note Documents") to be satisfactory and proper and finds the recitals with regard to the Governmental Lender contained therein to be true, correct and complete and hereby determines to proceed with the issuance and sale of the Note, the execution of such documents and the taking of such other actions as may be necessary and appropriate in connection therewith; and now

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TEXAS STATE AFFORDABLE HOUSING CORPORATION THAT:

Section 1: Based solely upon the representations made to the Board of Directors (the "Board") by the Borrower, it appears and the Board hereby finds that the issuance of the Note and the making of the various contractual commitments, as provided herein, will provide a means of financing the Project within the State that accomplishes the public purpose of providing adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income.

Section 2: The issuance of the Note in one or more series and in the aggregate maximum principal amount of not to exceed $16,500,000, is hereby authorized and approved. The Note shall mature, bear interest at the rate or rates and shall be subject to the prepayment features as specified in the Funding Loan Agreement. The Board hereby approves the Funding Loan Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental

Lender is authorized and directed, for and on behalf of the Governmental Lender, to execute the Funding Loan Agreement and such officers are hereby authorized to deliver the Funding Loan Agreement. Upon execution by the parties thereto and delivery thereof, the Funding Loan Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 3: The Board hereby approves the Project Loan Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender is hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Project Loan Agreement, and such officers are hereby authorized to deliver the Project Loan Agreement. Upon execution by the parties thereto and delivery thereof, the Project Loan Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 4: The Board hereby approves the Asset Oversight and Compliance Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender are each hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Asset Oversight and Compliance Agreement, and such officers are hereby authorized to deliver the Asset Oversight and Compliance Agreement. Upon execution by the parties thereto and delivery thereof, the Asset Oversight and Compliance Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 5: The Board hereby approves the Regulatory Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender are each hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Regulatory Agreement, and such officers are hereby authorized to deliver the Regulatory Agreement. Upon execution by the parties thereto and delivery thereof, the Regulatory Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 6: The Board hereby approves the Note in substantially the form and substance set forth in the Funding Loan Agreement as presented to the Board with such changes or additions as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender, as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender are hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Note or have their facsimile signatures placed upon the Note, and the Chief Financial Officer and Treasurer, Secretary or any Assistant Secretary, by manual or facsimile signature, are hereby authorized and directed to attest the signature of the Chairperson, Vice Chairperson, President or Executive Vice President, and any of such officers is hereby authorized and directed to deliver the Note.

Section 7: The Board hereby approves the sale of the Note to the Initial Funding Lender in accordance with the terms and conditions specified in the Funding Loan Agreement approved herein.

Section 8: BOKF, NA is hereby appointed as Fiscal Agent and paying agent under the terms of the Funding Loan Agreement for the Note. If said bank shall be unable or unwilling to so serve, the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender is hereby authorized and directed to designate a commercial bank or other entity with trust powers acceptable to it to serve as Fiscal Agent and paying agent.

Section 9: The Chairperson, Vice Chairperson, President and Executive Vice President of the Governmental Lender, either individually or jointly, are hereby authorized to approve any different date, designation or title by which the Note shall be known, the principal amount and maturity date of the Note to be issued pursuant to this Resolution, to establish the interest rate or rates to be borne by the Note, provided, however, that the interest rate or rates shall never exceed 15% per annum. The Chairperson, Vice Chairperson, President and Executive Vice President of the Governmental Lender, either individually or jointly, are further authorized to engage the services of consultants that may be needed, in the opinion of such officer, to fully complete the issuance and delivery of the Note.

Section 10: The officers of the Governmental Lender are each hereby authorized to execute and deliver to the Fiscal Agent the written order of the Governmental Lender for the authentication and delivery of the Note by the Fiscal Agent in accordance with the Funding Loan Agreement.

Section 11: All action (not inconsistent with provisions of this Resolution) heretofore taken by the Board and officers of the Governmental Lender directed toward the financing of the Project and the issuance of the Note shall be and the same hereby is ratified, approved, and confirmed.

Section 12: The officers of the Governmental Lender shall take all action in conformity with the Act necessary or reasonably required to effectuate the issuance of the Note and take all action necessary or desirable in conformity with the Act to finance the Project and for carrying out, giving effect to, and consummating the transactions described in the Note, this Resolution, the Note Documents, and any other instruments authorized by this Resolution or required to effect the transactions contemplated hereby, including without limitation, the execution and delivery of any certificates, agreements or documents in addition to those specifically referenced herein which are associated with the issuance of the Note.

Section 13: The President or the Executive Vice President of the Governmental Lender is authorized to approve such changes to the documents specifically referenced in this Resolution and to make any changes or enter into any supplements or amendments that may be required following the closing of the Note for a period of up to one year as well as the certificates, agreements and documents authorized in Section 12 hereof, as they deem necessary or appropriate. The execution and delivery of such documents by either of such officers shall constitute conclusive evidence of such approval.

Section 14: If any section, paragraph, clause, or provision of this Resolution shall be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution. In case any obligation of the Governmental Lender authorized or established by this Resolution or the Note is

held to be in violation of law as applied to any person or in any circumstance, such obligation shall be deemed to be the obligation of the Governmental Lender to the fullest extent permitted by law.

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PASSED, APPROVED AND EFFECTIVE this December 16, 2020.

TEXAS STATE AFFORDABLE HOUSING CORPORATION

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President

Texas State Affordable Housing Corporation

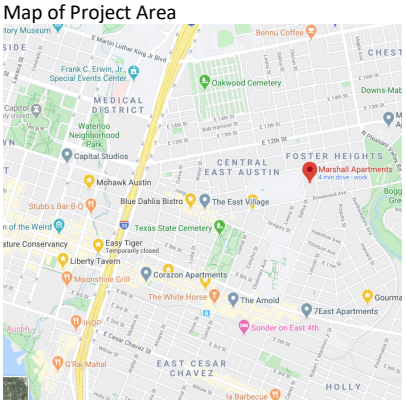
Multifamily Private Activity Bond Project Summary

Agenda:

Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Marshall Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

Summary:

Map of Project Area



TSAHC received an application from Envolve Community Management, LLC (Developer) on March 13, 2020 proposing the acquisition and rehabilitation of an affordable housing community called Marshall Apartments. The property, located in Austin, is a 100-unit acquisition and rehabilitation project of an existing affordable rental community.

Update:

Marshall Apartments, induced in August 2020, is returning to the Board for final approval of its bond resolution and documents. Staff has worked with our professional team and the Developer's finance team to finalize documents and is prepared to move forward with approval. If approved by the Board, staff will submit a notice of intent to issue bonds to the Texas Bond Review Board and bond documents will be forwarded to the Texas Attorney General's office for final review. The anticipated closing is January 21, 2021.

Public Benefit:

Marshall Apartments is an existing affordable rental community with 100-units supported through a Section-8 Project Based contract. The acquisition and rehabilitation of the project will preserve and extend the affordability period of the property in addition to providing much needed rehabilitation. The project fulfills TSAHC's Targeted Housing Need for At-Risk Preservation projects.

Financial Summary:

The proposed acquisition and rehabilitation of Marshall Apartments has a total budget of approximately $20.4 million. The financing includes short-term tax-exempt bonds**,** 4% housing tax credits, and deferred developer fees. Roughly $12 million will be used for property acquisition costs, with total rehabilitation of $3.8 million, or $38,000 per unit. Financing costs, soft costs, developer fees and reserves account for the remaining $4.6 million.

The maximum par amount of the bonds is anticipated to total $14.9 million. The bonds will be issued from TSAHC's 2020 volume cap, with the proceeds used for acquisition and rehabilitation. The bonds will be issued through the Freddie Mac TEL program, which has been a common structure in recent years. Housing tax credit equity, valued

at $4.9 million, a Seller Note of $500,000 and a Deferred Developer Fee of $79,668 will cover the remaining balance of funding needs.

Market Conditions:

Marshall Apartments is located near the intersection of Chicon Street and Rosewood Avenue, in east Austin. The neighborhood has experienced rapid gentrification with the historically single-family neighborhood converting to multifamily homeownership and market rate rental growth. Marshall Apartments is also adjacent to Kealing Middle School and is within walking distance to the Millennial Youth Entertainment Complex and the George Washington Carver Library and Museum.

The neighborhood has a higher percentage of renters than Austin or Travis County. Household median income for the census tract is lower at $50,417, compared with Austin at $87,400 and Travis County at $91,690. The project is targeted to families. The median age for the census tract is 35 years, while Austin's overall is 33.

Economically, the area has a mix of small offices, retail, educational and service industries. The overall neighborhood leans towards local neighborhood services rather than an industrial or manufacturing center. Access to medical services is good, with several clinics and hospitals located within a 2-mile radius. However, it is considered a Medically Underserved Area.

Relocation and Tenant Resources:

The renovation of Marshall Apartments includes window and door replacements, kitchen improvements, HVAC and electrical system upgrades. Exterior renovations will include new roofing, sidewalk repairs, athletic courts and landscaping.

TSAHC staff believes the majority of current tenants will remain in the property during renovations, though some may be temporarily displaced. All tenants, pursuant to federal and state law, will be protected from permanent relocation and the Developer's rehabilitation and relocation plan must be approved prior to closing.

The City of Austin also operates a Tenant Based Housing Voucher program through its Public Housing Agency and maintains a waiting list for voucher holders and tenants eligible for project-based Section-8 units.

Developer Summary:

Envolve Community Management LLC, formed in 1996, has grown from one property located in central Alabama to 90 properties across nine states, with more than 10,000 rental units. Today, the corporation has approximately 500 full-time employees and oversees every step from development to property management. W. Daniel Hughes is founder and president of the corporation. Prior to founding the corporation, he was an investment banker focused on housing and economic development. Mr. Hughes sits on many boards and commissions in the State

of Alabama, including positions on the board that oversees the State's 529 College Savings Plan and on the executive committee of the Alabama Real Estate Research and Education Center.

Envolve Community Management has selected Barry Palmer with Coats Rose to act as Developer's Counsel for the transaction and will utilize the services of Jana Cormier, of JC Development Consultants. Mr. Palmer and Ms. Cormier have worked on numerous transactions with TSAHC in the past.

Recommendation:

Staff recommends approval of the Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Marshall Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

Tab 6

Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Fawn Ridge Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

RESOLUTION NO. 20-_____

TEXAS STATE AFFORDABLE HOUSING CORPORATION

RESOLUTION authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Fawn Ridge Apartments) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith

WHEREAS, Texas State Affordable Housing Corporation (the "Governmental Lender") has been duly created and organized pursuant to and in accordance with the provisions of the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq. Vernon's Annotated Texas Civil Statutes, as amended and under the authority of Subchapter Y of Chapter 2306, Texas Government Code, as amended (the "Act"), for the public purpose, among other things, of promoting the public health, safety and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income; and

WHEREAS, the Act authorizes the Governmental Lender to (a) make mortgage loans to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by persons and families of low, very low and extremely low income; (b) issue bonds or other obligations, including notes, to accomplish its public purpose, for the purpose, among others, of obtaining funds to make loans for multifamily developments if at least 40 percent of the units in a multifamily development are affordable to individuals and families with incomes at or below 60 percent of the median income, adjusted for family size, to establish any necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such obligations; (c) pledge all or any part of the revenues, receipts or resources of the Governmental Lender, including the revenues and receipts to be received by the Governmental Lender from such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Governmental Lender in order to secure the payment of the principal or prepayment price of and interest on such obligations; and (d) make, enter into, and enforce contracts, agreements, leases, indentures, mortgages, deeds, deeds of trust, security agreements, pledge agreements, credit agreements and other instruments with any person on terms the Governmental Lender determines to be acceptable; and

WHEREAS, the Governmental Lender has determined to provide a loan (the "Loan") to EC Fawn Ridge, LLC, a Texas limited liability company (the "Borrower"), for the purpose of acquiring, rehabilitating and equipping a multifamily residential development located in the City of The Woodlands, Texas and known as the Fawn Ridge Apartments (the "Project") to be rented to persons of low and moderate income, as evidenced by that certain Project Loan Agreement (the "Project Loan Agreement") by and among the Governmental Lender, the Borrower and BOKF, NA (the "Fiscal Agent"), and in connection therewith the Borrower has agreed to assume certain of the obligations set forth in the Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") by and among the Governmental Lender, the Fiscal Agent and the Borrower, and the Borrower will execute and deliver to the Governmental Lender a multifamily note (the "Project Note") in the original principal amount equal to the original principal amount of the Note (hereinafter defined); and

WHEREAS, the Governmental Lender now proposes to issue its note styled "Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Fawn Ridge Apartments) Series 2021" (the "Note") pursuant to this Resolution and a Funding Loan Agreement (the "Funding Loan Agreement") among the Governmental Lender, JLL Real Estate Capital, LLC (the "Initial Funding Lender") and the Fiscal Agent; and

WHEREAS, the Governmental Lender further proposes to sell the Note, upon the issuance thereof, to the Initial Funding Lender in order to obtain the funds to make the Loan; and

WHEREAS, all capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the Funding Loan Agreement unless the context in which they appear requires otherwise; and

WHEREAS, there have been presented to the Governmental Lender proposed forms of each of the following:

1. the Funding Loan Agreement;

2. the Project Loan Agreement;

3. the Asset Oversight, Compliance and Security Agreement (the "Asset Oversight and Compliance Agreement"), by and between the Borrower and the Governmental Lender; and

4. the Regulatory Agreement.

WHEREAS, the Governmental Lender finds the form and substance of the above-listed documents (hereinafter, collectively the "Note Documents") to be satisfactory and proper and finds the recitals with regard to the Governmental Lender contained therein to be true, correct and complete and hereby determines to proceed with the issuance and sale of the Note, the execution of such documents and the taking of such other actions as may be necessary and appropriate in connection therewith; and now

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TEXAS STATE AFFORDABLE HOUSING CORPORATION THAT:

Section 1: Based solely upon the representations made to the Board of Directors (the "Board") by the Borrower, it appears and the Board hereby finds that the issuance of the Note and the making of the various contractual commitments, as provided herein, will provide a means of financing the Project within the State that accomplishes the public purpose of providing adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income.

Section 2: The issuance of the Note in one or more series and in the aggregate maximum principal amount of not to exceed $16,500,000, is hereby authorized and approved. The Note shall mature, bear interest at the rate or rates and shall be subject to the prepayment features as specified in the Funding Loan Agreement. The Board hereby approves the Funding Loan Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental

Lender is authorized and directed, for and on behalf of the Governmental Lender, to execute the Funding Loan Agreement and such officers are hereby authorized to deliver the Funding Loan Agreement. Upon execution by the parties thereto and delivery thereof, the Funding Loan Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 3: The Board hereby approves the Project Loan Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender is hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Project Loan Agreement, and such officers are hereby authorized to deliver the Project Loan Agreement. Upon execution by the parties thereto and delivery thereof, the Project Loan Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 4: The Board hereby approves the Asset Oversight and Compliance Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender are each hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Asset Oversight and Compliance Agreement, and such officers are hereby authorized to deliver the Asset Oversight and Compliance Agreement. Upon execution by the parties thereto and delivery thereof, the Asset Oversight and Compliance Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 5: The Board hereby approves the Regulatory Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender are each hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Regulatory Agreement, and such officers are hereby authorized to deliver the Regulatory Agreement. Upon execution by the parties thereto and delivery thereof, the Regulatory Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 6: The Board hereby approves the Note in substantially the form and substance set forth in the Funding Loan Agreement as presented to the Board with such changes or additions as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender, as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender are hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Note or have their facsimile signatures placed upon the Note, and the Chief Financial Officer and Treasurer, Secretary or any Assistant Secretary, by manual or facsimile signature, are hereby authorized and directed to attest the signature of the Chairperson, Vice Chairperson, President or Executive Vice President, and any of such officers is hereby authorized and directed to deliver the Note.

Section 7: The Board hereby approves the sale of the Note to the Initial Funding Lender in accordance with the terms and conditions specified in the Funding Loan Agreement approved herein.

Section 8: BOKF, NA is hereby appointed as Fiscal Agent and paying agent under the terms of the Funding Loan Agreement for the Note. If said bank shall be unable or unwilling to so serve, the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender is hereby authorized and directed to designate a commercial bank or other entity with trust powers acceptable to it to serve as Fiscal Agent and paying agent.

Section 9: The Chairperson, Vice Chairperson, President and Executive Vice President of the Governmental Lender, either individually or jointly, are hereby authorized to approve any different date, designation or title by which the Note shall be known, the principal amount and maturity date of the Note to be issued pursuant to this Resolution, to establish the interest rate or rates to be borne by the Note, provided, however, that the interest rate or rates shall never exceed 15% per annum. The Chairperson, Vice Chairperson, President and Executive Vice President of the Governmental Lender, either individually or jointly, are further authorized to engage the services of consultants that may be needed, in the opinion of such officer, to fully complete the issuance and delivery of the Note.

Section 10: The officers of the Governmental Lender are each hereby authorized to execute and deliver to the Fiscal Agent the written order of the Governmental Lender for the authentication and delivery of the Note by the Fiscal Agent in accordance with the Funding Loan Agreement.

Section 11: All action (not inconsistent with provisions of this Resolution) heretofore taken by the Board and officers of the Governmental Lender directed toward the financing of the Project and the issuance of the Note shall be and the same hereby is ratified, approved, and confirmed.

Section 12: The officers of the Governmental Lender shall take all action in conformity with the Act necessary or reasonably required to effectuate the issuance of the Note and take all action necessary or desirable in conformity with the Act to finance the Project and for carrying out, giving effect to, and consummating the transactions described in the Note, this Resolution, the Note Documents, and any other instruments authorized by this Resolution or required to effect the transactions contemplated hereby, including without limitation, the execution and delivery of any certificates, agreements or documents in addition to those specifically referenced herein which are associated with the issuance of the Note.

Section 13: The President or the Executive Vice President of the Governmental Lender is authorized to approve such changes to the documents specifically referenced in this Resolution and to make any changes or enter into any supplements or amendments that may be required following the closing of the Note for a period of up to one year as well as the certificates, agreements and documents authorized in Section 12 hereof, as they deem necessary or appropriate. The execution and delivery of such documents by either of such officers shall constitute conclusive evidence of such approval.

Section 14: If any section, paragraph, clause, or provision of this Resolution shall be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution. In case any obligation of the Governmental Lender authorized or established by this Resolution or the Note is

held to be in violation of law as applied to any person or in any circumstance, such obligation shall be deemed to be the obligation of the Governmental Lender to the fullest extent permitted by law.

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PASSED, APPROVED AND EFFECTIVE this December 16, 2020.

TEXAS STATE AFFORDABLE HOUSING CORPORATION

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President

Texas State Affordable Housing Corporation

Multifamily Private Activity Bond Project Summary

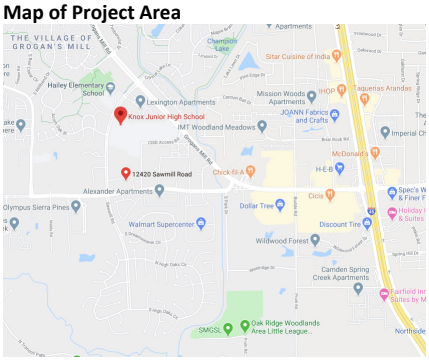
Agenda:

Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Fawn Ridge Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

Summary:

TSAHC received an application from Envolve Community Management, LLC (Developer) on March 13, 2020 proposing the acquisition and rehabilitation of an affordable housing community called Fawn Ridge Apartments. The property, located in The Woodlands, is a 120-units acquisition and rehabilitation project of an existing affordable rental community.

Map of Project Area



Update:

Fawn Ridge Apartments, approved for inducement in August 2020, is returning to the Board for final approval of its bond resolution and documents. Staff has worked with our professional team and the Developer's finance team to finalize documents and is prepared to move forward with approval. If approved but the Board, staff will submit a notice of intent to issue bonds to the Texas Bond Review Board and bond documents will be forwarded to the Texas Attorney General's office for final review. The anticipated closing is January 22, 2021.

Public Benefit:

Fawn Ridge Apartments is an existing affordable rental community with 97 of 120 units supported through a Section-8 Project Based contract. The acquisition and rehabilitation of the project will preserve and extend the affordability period of the property in addition to providing much needed rehabilitation. The project fulfills TSAHC's Targeted Housing Need for At-Risk Preservation projects.

Financial Summary:

The proposed acquisition and rehabilitation of Fawn Ridge Apartments has a total budget of approximately $25.8 million. The financing includes long-term tax-exempt bonds**,** seller financing and 4% housing tax credits. $16.3 million will be used for property acquisition costs, with total rehabilitation of $4.7 million, or $39,000 per unit. Financing costs, soft costs, developer fees and reserves account for the remaining $4.8 million.

The maximum par amount of the bonds is anticipated to total $14.9 million. The bonds will be issued from TSAHC's 2020 volume cap, with the proceeds used for acquisition and rehabilitation. The bonds will be

issued through the Freddie Mac TEL program, which has been a common structure in recent years. The seller financing, in the amount of $4.5 million, will be structured as a cash flow note. Any unpaid principal and interest will be due at sale or refinancing of the property. Housing tax credit equity, valued at $6.3 million, and a deferred developer fee of $32,648 will cover the remaining balance of funding needs.

Market Conditions:

Fawn Ridge Apartments is in The Woodlands, approximately 30 minutes north of downtown Houston. The neighborhood is a mix of multifamily and single-family homes along the commercial corridor of Sawdust Road, near its intersection at Sawmill Road. Fawn Ridge is also adjacent to Wilkerson Intermediate School and within walking distance to Knox Junior High School, both within the Conroe Independent School District.

The neighborhood has a higher percentage of renters than The Woodlands and Harris County. Household median income for the census tract is extremely high at $95,636, compared with Harris County at $90,716 or the State of Texas at $70,423. The project is targeted to families which may account for the relatively low median age for the tract, 30 years, compared with The Woodlands overall, which is 41 years.

Economically, the area has a mix of small offices, retail, educational and service industries. The overall neighborhood leans towards local neighborhood services rather than an industrial or manufacturing center. Access to medical services is good, with several clinics and hospitals within a 2-mile radius.

Relocation and Tenant Resources:

The renovation of Fawn Ridge Apartments includes window and door replacements, kitchen improvements, HVAC and electrical system upgrades. Exterior renovations will include new roofing, sidewalk repairs and landscaping.

TSAHC staff believes that the majority of current tenants will remain in the property during renovations, though some may be temporarily displaced. All tenants, pursuant to federal and state law, will be protected from permanent relocation and the Developer's rehabilitation and relocation plan must be approved prior to closing.

The Harris County Housing Authority also operates a Tenant Based Housing Voucher program and maintains a waiting list for voucher holders and tenants eligible for project-based Section-8 units.

Developer Summary:

Envolve Community Management LLC, formed in 1996, has grown from one property located in central Alabama to 90 properties across nine states, with more than 10,000 rental units. Today, the corporation has approximately 500 full-time employees and oversees every step from development to property management. W. Daniel Hughes is founder and president of the corporation. Prior to founding the corporation, he was an investment banker focused on housing and economic development. Mr. Hughes sits on many boards and commissions in the State of Alabama, including positions on the board that oversees the State's 529 College Savings Plan and on the executive committee of the Alabama Real Estate Research and Education Center.

Envolve Community Management has selected Barry Palmer with Coats Rose to act as Developer's Counsel for the transaction and will utilize the services of Jana Cormier, of JC Development Consultants. Mr. Palmer and Ms. Cormier have worked on numerous transactions with TSAHC in the past.

Recommendation:

Staff recommends approval of the Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Fawn Ridge Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

Tab 7

Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Pine Terrace Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

RESOLUTION NO. 20-_____

TEXAS STATE AFFORDABLE HOUSING CORPORATION

RESOLUTION authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Pine Terrace Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith

WHEREAS, Texas State Affordable Housing Corporation (the "Governmental Lender") has been duly created and organized pursuant to and in accordance with the provisions of the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq. Vernon's Annotated Texas Civil Statutes, as amended and under the authority of Subchapter Y of Chapter 2306, Texas Government Code, as amended (the "Act"), for the public purpose, among other things, of promoting the public health, safety and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income; and

WHEREAS, the Act authorizes the Governmental Lender to (a) make mortgage loans to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by persons and families of low, very low and extremely low income; (b) issue bonds or other obligations, including notes, to accomplish its public purpose, for the purpose, among others, of obtaining funds to make loans for multifamily developments if at least 40 percent of the units in a multifamily development are affordable to individuals and families with incomes at or below 60 percent of the median income, adjusted for family size, to establish any necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such obligations; (c) pledge all or any part of the revenues, receipts or resources of the Governmental Lender, including the revenues and receipts to be received by the Governmental Lender from such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Governmental Lender in order to secure the payment of the principal or prepayment price of and interest on such obligations; and (d) make, enter into, and enforce contracts, agreements, leases, indentures, mortgages, deeds, deeds of trust, security agreements, pledge agreements, credit agreements and other instruments with any person on terms the Governmental Lender determines to be acceptable; and

WHEREAS, the Governmental Lender has determined to provide a loan (the "Loan") to LPM Pine Terrace LP, a Texas limited partnership (the "Borrower"), for the purpose of acquiring, rehabilitating and equipping a multifamily residential development located in the City of Mt. Pleasant, Texas and known as the Pine Terrace Apartments (the "Project") to be rented to persons of low and moderate income, as evidenced by that certain Project Loan Agreement (the "Project Loan Agreement") by and among the Governmental Lender, the Borrower and Wilmington Trust, National Association (the "Fiscal Agent"), and in connection therewith the Borrower has agreed to assume certain of the obligations set forth in the Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") by and among the Governmental Lender, the Fiscal Agent and the Borrower, and the Borrower will execute and deliver to the Governmental Lender a multifamily note (the "Project Note") in the original principal amount equal to the original principal amount of the Note (hereinafter defined); and

WHEREAS, the Governmental Lender now proposes to issue its note styled "Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Pine Terrace Apartments Project) Series 2021" (the "Note") pursuant to this Resolution and a Funding Loan Agreement (the "Funding Loan Agreement") among the Governmental Lender, Churchill Mortgage Construction LLC (the "Initial Funding Lender") and the Fiscal Agent; and

WHEREAS, the Governmental Lender further proposes to sell the Note, upon the issuance thereof, to the Initial Funding Lender in order to obtain the funds to make the Loan; and

WHEREAS, all capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the Funding Loan Agreement unless the context in which they appear requires otherwise; and

WHEREAS, there have been presented to the Governmental Lender proposed forms of each of the following:

1. the Funding Loan Agreement;

2. the Project Loan Agreement;

3. the Asset Oversight, Compliance and Security Agreement (the "Asset Oversight and Compliance Agreement"), by and between the Borrower and the Governmental Lender; and

4. the Regulatory Agreement.

WHEREAS, the Governmental Lender finds the form and substance of the above-listed documents (hereinafter, collectively the "Note Documents") to be satisfactory and proper and finds the recitals with regard to the Governmental Lender contained therein to be true, correct and complete and hereby determines to proceed with the issuance and sale of the Note, the execution of such documents and the taking of such other actions as may be necessary and appropriate in connection therewith; and now

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TEXAS STATE AFFORDABLE HOUSING CORPORATION THAT:

Section 1: Based solely upon the representations made to the Board of Directors (the "Board") by the Borrower, it appears and the Board hereby finds that the issuance of the Note and the making of the various contractual commitments, as provided herein, will provide a means of financing the Project within the State that accomplishes the public purpose of providing adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income.

Section 2: The issuance of the Note in one or more series and in the aggregate maximum principal amount of not to exceed $3,300,000, is hereby authorized and approved. The Note shall mature, bear interest at the rate or rates and shall be subject to the prepayment features as specified in the Funding Loan Agreement. The Board hereby approves the Funding Loan Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental

Lender is authorized and directed, for and on behalf of the Governmental Lender, to execute the Funding Loan Agreement and such officers are hereby authorized to deliver the Funding Loan Agreement. Upon execution by the parties thereto and delivery thereof, the Funding Loan Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 3: The Board hereby approves the Project Loan Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender is hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Project Loan Agreement, and such officers are hereby authorized to deliver the Project Loan Agreement. Upon execution by the parties thereto and delivery thereof, the Project Loan Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 4: The Board hereby approves the Asset Oversight and Compliance Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender are each hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Asset Oversight and Compliance Agreement, and such officers are hereby authorized to deliver the Asset Oversight and Compliance Agreement. Upon execution by the parties thereto and delivery thereof, the Asset Oversight and Compliance Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 5: The Board hereby approves the Regulatory Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender are each hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Regulatory Agreement, and such officers are hereby authorized to deliver the Regulatory Agreement. Upon execution by the parties thereto and delivery thereof, the Regulatory Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 6: The Board hereby approves the Note in substantially the form and substance set forth in the Funding Loan Agreement as presented to the Board with such changes or additions as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender, as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender are hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Note or have their facsimile signatures placed upon the Note, and the Chief Financial Officer and Treasurer, Secretary or any Assistant Secretary, by manual or facsimile signature, are hereby authorized and directed to attest the signature of the Chairperson, Vice Chairperson, President or Executive Vice President, and any of such officers is hereby authorized and directed to deliver the Note.

Section 7: The Board hereby approves the sale of the Note to the Initial Funding Lender in accordance with the terms and conditions specified in the Funding Loan Agreement approved herein.

Section 8: Wilmington Trust, National Association is hereby appointed as Fiscal Agent and paying agent under the terms of the Funding Loan Agreement for the Note. If said bank shall be unable or unwilling to so serve, the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender is hereby authorized and directed to designate a commercial bank or other entity with trust powers acceptable to it to serve as Fiscal Agent and paying agent.

Section 9: The Chairperson, Vice Chairperson, President and Executive Vice President of the Governmental Lender, either individually or jointly, are hereby authorized to approve any different date, designation or title by which the Note shall be known, the principal amount and maturity date of the Note to be issued pursuant to this Resolution, to establish the interest rate or rates to be borne by the Note, provided, however, that the interest rate or rates shall never exceed 15% per annum. The Chairperson, Vice Chairperson, President and Executive Vice President of the Governmental Lender, either individually or jointly, are further authorized to engage the services of consultants that may be needed, in the opinion of such officer, to fully complete the issuance and delivery of the Note.

Section 10: The officers of the Governmental Lender are each hereby authorized to execute and deliver to the Fiscal Agent the written order of the Governmental Lender for the authentication and delivery of the Note by the Fiscal Agent in accordance with the Funding Loan Agreement.

Section 11: All action (not inconsistent with provisions of this Resolution) heretofore taken by the Board and officers of the Governmental Lender directed toward the financing of the Project and the issuance of the Note shall be and the same hereby is ratified, approved, and confirmed.

Section 12: The officers of the Governmental Lender shall take all action in conformity with the Act necessary or reasonably required to effectuate the issuance of the Note and take all action necessary or desirable in conformity with the Act to finance the Project and for carrying out, giving effect to, and consummating the transactions described in the Note, this Resolution, the Note Documents, and any other instruments authorized by this Resolution or required to effect the transactions contemplated hereby, including without limitation, the execution and delivery of any certificates, agreements or documents in addition to those specifically referenced herein which are associated with the issuance of the Note.

Section 13: The President or the Executive Vice President of the Governmental Lender is authorized to approve such changes to the documents specifically referenced in this Resolution and to make any changes or enter into any supplements or amendments that may be required following the closing of the Note for a period of up to one year as well as the certificates, agreements and documents authorized in Section 12 hereof, as they deem necessary or appropriate. The execution and delivery of such documents by either of such officers shall constitute conclusive evidence of such approval.

Section 14: If any section, paragraph, clause, or provision of this Resolution shall be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution. In case any

obligation of the Governmental Lender authorized or established by this Resolution or the Note is held to be in violation of law as applied to any person or in any circumstance, such obligation shall be deemed to be the obligation of the Governmental Lender to the fullest extent permitted by law.

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PASSED, APPROVED AND EFFECTIVE this December 16, 2020.

TEXAS STATE AFFORDABLE HOUSING CORPORATION

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President

Texas State Affordable Housing Corporation

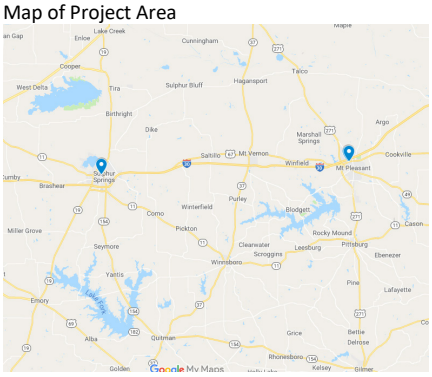
Multifamily Private Activity Bond Project Summary

Agenda:

Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Pine Terrace Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

Summary:

Map of Project Area



TSAHC received an application from Lakewood Property Management, LLC (Developer) on August 23, 2019 proposing the acquisition and rehabilitation of a four-property portfolio of affordable apartment communities. The portfolio includes two properties located in Sulphur Springs and two properties in Mt. Pleasant, Texas. All 124-units are reserved for seniors and were originally financed through USDA's Section 515 program.

Update:

Pine Terrace Apartments is returning to the Board for final approval of its bond resolution and documents. Staff has worked with our professional team and the Developer's finance team to finalize documents and is prepared to move forward with approval. If approved by the Board, staff will submit a notice of intent to issue bonds to the Texas Bond Review Board. Pine Terrace Apartments will apply for property tax exemption and thus the Texas Bond Review Board will be required to vote on the approval at their January 21, 2021 meeting. A closing date will be scheduled for early February.

Public Benefit:

Pine Terrace Apartments will preserve 76-units of housing targeted to seniors in Mt. Pleasant, Texas. The Developer is proposing to retain and extend existing project-based Section 8 contracts, which will permit the addition of units targeted to households earning less than 30% of area median income. All remaining units will be reserved at 60% area median income and rents. The project qualifies under TSAHC's Rural or Smaller Urban markets and At-Risk Preservation targeted housing needs.

Financial Summary:

The proposed acquisition and rehabilitation of the Pine Terrace Apartments has a total budget of approximately $5.1 million. The proposed financing includes tax-exempt bonds**,** a low interest loan from the Texas Department of Housing and Community Affairs (TDHCA), and 4% housing tax credits. Approximately $1.3 million will be used for property acquisition costs, with total rehabilitation costs of

$2.4 million. Financing costs, soft costs, developer fees and reserves account for the remaining $1.4 million in total costs.

The anticipated par amount of the bonds is $2 million. The bonds will be issued through a private placement agreement with Churchill Stateside Group. The bonds will be issued from 2020 volume cap or carryforward, with the proceeds to be used substantially for repairs of the properties. Other sources include a $1.6 million second lien loan from TDHCA, and $1.5 million in tax credit equity. Deferred developer fees in the amount of $54,000 round out the sources.

Market Conditions:

The community of Mt. Pleasant is located along Interstate 30, between Dallas and Texarkana. It has seen steady population growth of 12.42% since the 2010 census. Unemployment rates in Mt. Pleasant are currently lower than statewide figures (9.7% vs 12.7% as of June 2020) and the local economy relies heavily on manufacturing, transportation and warehousing for non-governmental employment.

Since the project targets seniors, staff focused its market analysis on services directed to this population. Access to professional medical services and clinics is good and the community is not considered a medically underserved area. Access to public transportation is limited, but public libraries, retail centers and other entertainment facilities (parks, movie theaters, etc.) are well situated to the property.

Developer Summary:

Lakewood Property Management is a Texas Historically Underutilized Business (HUB) that manages these properties and is an owner of other affordable multifamily properties such as the Residences at Earl Campbell, a 92-unit affordable property in Tyler. The principals are Therese Allgeier who does most of the property management services and Daniel Allgeier who has been involved in the development and operation of over 3,000 housing units in Texas and other states.

The project will also benefit from the participation of the Mt. Pleasant Housing Authority, through its public facilities corporation. The Housing Authority will fulfill the role of general partner in the ownership structure, granting a 100% property tax exemption. This role also involves the Housing Authority in daily management and decision making long-term for the project.

Recommendation:

Staff recommends approval of the Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Pine Terrace Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

Tab 8

Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Trinity Oaks Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

RESOLUTION NO. 20-_____

TEXAS STATE AFFORDABLE HOUSING CORPORATION

RESOLUTION authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Trinity Oaks Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith

WHEREAS, Texas State Affordable Housing Corporation (the "Governmental Lender") has been duly created and organized pursuant to and in accordance with the provisions of the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq. Vernon's Annotated Texas Civil Statutes, as amended and under the authority of Subchapter Y of Chapter 2306, Texas Government Code, as amended (the "Act"), for the public purpose, among other things, of promoting the public health, safety and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income; and

WHEREAS, the Act authorizes the Governmental Lender to (a) make mortgage loans to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by persons and families of low, very low and extremely low income; (b) issue bonds or other obligations, including notes, to accomplish its public purpose, for the purpose, among others, of obtaining funds to make loans for multifamily developments if at least 40 percent of the units in a multifamily development are affordable to individuals and families with incomes at or below 60 percent of the median income, adjusted for family size, to establish any necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such obligations; (c) pledge all or any part of the revenues, receipts or resources of the Governmental Lender, including the revenues and receipts to be received by the Governmental Lender from such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Governmental Lender in order to secure the payment of the principal or prepayment price of and interest on such obligations; and (d) make, enter into, and enforce contracts, agreements, leases, indentures, mortgages, deeds, deeds of trust, security agreements, pledge agreements, credit agreements and other instruments with any person on terms the Governmental Lender determines to be acceptable; and

WHEREAS, the Governmental Lender has determined to provide a loan (the "Loan") to LPM Trinity Oaks LP, a Texas limited partnership (the "Borrower"), for the purpose of acquiring, rehabilitating and equipping a multifamily residential development located in the City of Sulphur Springs, Texas and known as the Trinity Oaks Apartments (the "Project") to be rented to persons of low and moderate income, as evidenced by that certain Project Loan Agreement (the "Project Loan Agreement") by and among the Governmental Lender, the Borrower and Wilmington Trust, National Association (the "Fiscal Agent"), and in connection therewith the Borrower has agreed to assume certain of the obligations set forth in the Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") by and among the Governmental Lender, the Fiscal Agent and the Borrower, and the Borrower will execute and deliver to the Governmental Lender a multifamily note (the "Project Note") in the original principal amount equal to the original principal amount of the Note (hereinafter defined); and

WHEREAS, the Governmental Lender now proposes to issue its note styled "Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Trinity Oaks Apartments Project) Series 2021" (the "Note") pursuant to this Resolution and a Funding Loan Agreement (the "Funding Loan Agreement") among the Governmental Lender, Churchill Mortgage Construction LLC (the "Initial Funding Lender") and the Fiscal Agent; and

WHEREAS, the Governmental Lender further proposes to sell the Note, upon the issuance thereof, to the Initial Funding Lender in order to obtain the funds to make the Loan; and

WHEREAS, all capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the Funding Loan Agreement unless the context in which they appear requires otherwise; and

WHEREAS, there have been presented to the Governmental Lender proposed forms of each of the following:

1. the Funding Loan Agreement;

2. the Project Loan Agreement;

3. the Asset Oversight, Compliance and Security Agreement (the "Asset Oversight and Compliance Agreement"), by and between the Borrower and the Governmental Lender; and

4. the Regulatory Agreement.

WHEREAS, the Governmental Lender finds the form and substance of the above-listed documents (hereinafter, collectively the "Note Documents") to be satisfactory and proper and finds the recitals with regard to the Governmental Lender contained therein to be true, correct and complete and hereby determines to proceed with the issuance and sale of the Note, the execution of such documents and the taking of such other actions as may be necessary and appropriate in connection therewith; and now

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TEXAS STATE AFFORDABLE HOUSING CORPORATION THAT:

Section 1: Based solely upon the representations made to the Board of Directors (the "Board") by the Borrower, it appears and the Board hereby finds that the issuance of the Note and the making of the various contractual commitments, as provided herein, will provide a means of financing the Project within the State that accomplishes the public purpose of providing adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income.

Section 2: The issuance of the Note in one or more series and in the aggregate maximum principal amount of not to exceed $2,200,000, is hereby authorized and approved. The Note shall mature, bear interest at the rate or rates and shall be subject to the prepayment features as specified in the Funding Loan Agreement. The Board hereby approves the Funding Loan Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental

Lender is authorized and directed, for and on behalf of the Governmental Lender, to execute the Funding Loan Agreement and such officers are hereby authorized to deliver the Funding Loan Agreement. Upon execution by the parties thereto and delivery thereof, the Funding Loan Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 3: The Board hereby approves the Project Loan Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender is hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Project Loan Agreement, and such officers are hereby authorized to deliver the Project Loan Agreement. Upon execution by the parties thereto and delivery thereof, the Project Loan Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 4: The Board hereby approves the Asset Oversight and Compliance Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender are each hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Asset Oversight and Compliance Agreement, and such officers are hereby authorized to deliver the Asset Oversight and Compliance Agreement. Upon execution by the parties thereto and delivery thereof, the Asset Oversight and Compliance Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 5: The Board hereby approves the Regulatory Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender are each hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Regulatory Agreement, and such officers are hereby authorized to deliver the Regulatory Agreement. Upon execution by the parties thereto and delivery thereof, the Regulatory Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 6: The Board hereby approves the Note in substantially the form and substance set forth in the Funding Loan Agreement as presented to the Board with such changes or additions as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender, as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender are hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Note or have their facsimile signatures placed upon the Note, and the Chief Financial Officer and Treasurer, Secretary or any Assistant Secretary, by manual or facsimile signature, are hereby authorized and directed to attest the signature of the Chairperson, Vice Chairperson, President or Executive Vice President, and any of such officers is hereby authorized and directed to deliver the Note.

Section 7: The Board hereby approves the sale of the Note to the Initial Funding Lender in accordance with the terms and conditions specified in the Funding Loan Agreement approved herein.

Section 8: Wilmington Trust, National Association is hereby appointed as Fiscal Agent and paying agent under the terms of the Funding Loan Agreement for the Note. If said bank shall be unable or unwilling to so serve, the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender is hereby authorized and directed to designate a commercial bank or other entity with trust powers acceptable to it to serve as Fiscal Agent and paying agent.

Section 9: The Chairperson, Vice Chairperson, President and Executive Vice President of the Governmental Lender, either individually or jointly, are hereby authorized to approve any different date, designation or title by which the Note shall be known, the principal amount and maturity date of the Note to be issued pursuant to this Resolution, to establish the interest rate or rates to be borne by the Note, provided, however, that the interest rate or rates shall never exceed 15% per annum. The Chairperson, Vice Chairperson, President and Executive Vice President of the Governmental Lender, either individually or jointly, are further authorized to engage the services of consultants that may be needed, in the opinion of such officer, to fully complete the issuance and delivery of the Note.

Section 10: The officers of the Governmental Lender are each hereby authorized to execute and deliver to the Fiscal Agent the written order of the Governmental Lender for the authentication and delivery of the Note by the Fiscal Agent in accordance with the Funding Loan Agreement.

Section 11: All action (not inconsistent with provisions of this Resolution) heretofore taken by the Board and officers of the Governmental Lender directed toward the financing of the Project and the issuance of the Note shall be and the same hereby is ratified, approved, and confirmed.

Section 12: The officers of the Governmental Lender shall take all action in conformity with the Act necessary or reasonably required to effectuate the issuance of the Note and take all action necessary or desirable in conformity with the Act to finance the Project and for carrying out, giving effect to, and consummating the transactions described in the Note, this Resolution, the Note Documents, and any other instruments authorized by this Resolution or required to effect the transactions contemplated hereby, including without limitation, the execution and delivery of any certificates, agreements or documents in addition to those specifically referenced herein which are associated with the issuance of the Note.

Section 13: The President or the Executive Vice President of the Governmental Lender is authorized to approve such changes to the documents specifically referenced in this Resolution and to make any changes or enter into any supplements or amendments that may be required following the closing of the Note for a period of up to one year as well as the certificates, agreements and documents authorized in Section 12 hereof, as they deem necessary or appropriate. The execution and delivery of such documents by either of such officers shall constitute conclusive evidence of such approval.

Section 14: If any section, paragraph, clause, or provision of this Resolution shall be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution. In case any

obligation of the Governmental Lender authorized or established by this Resolution or the Note is held to be in violation of law as applied to any person or in any circumstance, such obligation shall be deemed to be the obligation of the Governmental Lender to the fullest extent permitted by law.

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PASSED, APPROVED AND EFFECTIVE this December 16, 2020.

TEXAS STATE AFFORDABLE HOUSING CORPORATION

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President

Texas State Affordable Housing Corporation

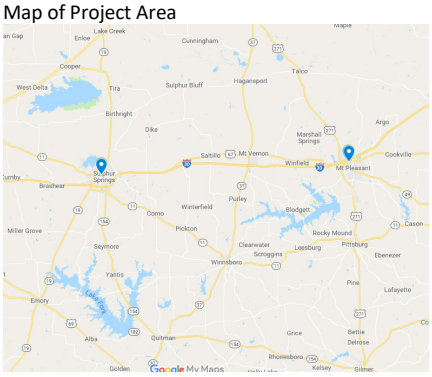
Multifamily Private Activity Bond Project Summary

Agenda:

Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Trinity Oaks Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

Summary:

Map of Project Area



TSAHC received an application from Lakewood Property Management, LLC (Developer) on August 23, 2019 proposing the acquisition and rehabilitation of a four-property portfolio of affordable apartment communities. The portfolio includes two properties located in Sulphur Springs and two properties in Mt. Pleasant, Texas. All 124-units are reserved for seniors and were originally financed through USDA's Section 515 program.

Update:

Trinity Oaks Apartments is returning to the Board for final approval of its bond resolution and documents. Staff has worked with our professional team and the Developer's finance team to finalize documents and is prepared to move forward with approval. If approved by the Board, staff will submit a notice of intent to issue bonds to the Texas Bond Review Board and bond documents will be forwarded to the Texas Attorney General's office for final review. Trinity Oaks shares the same Developer and Finance team as the Pine Terrace project. Both projects will be scheduled for closing the first week of February.

Public Benefit:

Trinity Oaks Apartments will preserve 48-units of housing targeted to seniors in Sulphur Springs, Texas. The Developer is proposing to retain and extend existing project-based Section 8 contracts, which will permit the addition of units targeted to households earning less than 30% of area median income. All remaining units will be reserved at 60% area median income and rents. The project qualifies under TSAHCs Rural or Smaller Urban markets and At-Risk Preservation targeted housing needs.

Financial Summary:

The proposed acquisition and rehabilitation of the Trinity Oaks Apartments has a total budget of approximately $4.3 million. The proposed financing includes tax-exempt bonds**,** a low interest loan from the Texas Department of Housing and Community Affairs (TDHCA), and 4% housing tax credits. Approximately $1 million will be used for property acquisition costs, with total rehabilitation costs of $2.1

million. Financing costs, soft costs, developer fees and reserves account for the remaining $1.2 million in total costs.

The anticipated par amount of the bonds is $1.6 million. The bonds will be issued through a private placement agreement with Churchill Stateside Group. The bonds will be issued from 2020 volume cap or carryforward, with the proceeds to be used substantially for repairs of the properties. Other sources include a $925,000 second lien loan from TDHCA, and $1.3 million in tax credit equity. Owner contributions include $75,000 in cash equity and $418,197 in deferred developer fees.

Market Conditions:

Staff has updated some of the details in market conditions to reflect changes in both Sulphur Springs and Mt. Pleasant. The most significant change has come in unemployment figures, that have been impacted by the COVID-19 crisis.

The community of Sulphur Springs is located along Interstate 30, between Dallas and Texarkana. It has seen steady population growth of 12.42% since the 2010 census. Unemployment rates in Sulphur Springs have been consistently lower than statewide figures (7.8% vs 12.7% as of June 2020) and the local economy relies heavily on manufacturing, transportation and warehousing for non-governmental employment.

Since the project targets seniors, staff focused its market analysis on services directed to this population. Access to professional medical services and clinics is good and the community is not considered a medically underserved area. Access to public transportation is limited, but public libraries, retail centers and other entertainment facilities (parks, movie theaters, etc.) are well situated to the property.

Developer Summary:

Lakewood Property Management is a Texas Historically Underutilized Business (HUB) that manages these properties and is an owner of other affordable multifamily properties such as the Residences at Earl Campbell, a 92-unit affordable property in Tyler. The principals are Therese Allgeier who does most of the property management services and Daniel Allgeier who has been involved in the development and operation of over 3,000 housing units in Texas and other states.

Recommendation:

Staff recommends approval of the Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Trinity Oaks Apartments Project) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

Tab 9

Presentation, Discussion and Possible Approval of the Guidelines, Scoring Criteria and Targeted Housing Needs for the Allocation of Qualified Residential Rental Project Tax Exempt Bonds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2021.

Development Finance Programs

Agenda Item

Presentation, Discussion and Possible Approval of the Guidelines, Scoring Criteria and Targeted Housing Needs for the Allocation of Qualified Residential Rental Project Tax Exempt Bonds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2021.

Summary

In accordance with our governing statute, the Corporation releases annually a Request for Proposals (the "RFP") and updated 501(c)(3) bond policies that comply with both state and federal requirements. The Corporation, pursuant to §2306.565 of the Texas Government Code, is also required to adopt targeted areas for the allocation of bonds, review relevant needs assessment information, adopt criteria regarding the solicitation of proposals, and set criteria for scoring and ranking of applications. The attached draft policies and RFP fulfill these statutory requirements.

Staff has conducted a review of several housing needs assessments including the State Low-Income Housing Plan, market research published by the Real Estate Center at Texas A&M University, and other resources. Additionally, staff monitored application procedures and public input during the past year and is recommending the following changes to the policies and RFP:

- Section 5, Application Review, was updated to clarify the process of moving an application from the review phase to the recommendation of an inducement resolution to the Board. Additionally, a holding period was created between June 1 and October 2021, for staff to process and move existing projects through the closing process, while still providing an opportunity for applicants to submit prior to the next calendar year.
- Section 10, Awards and Reservation of Volume Cap, was amended to clarify how the Corporation will work with Developers to move from inducement to a reservation of private activity volume cap, sets up deadlines for Developers to move forward with the reservation process and clarifies when the Corporation will begin submitting applications to the Bond Review Board in anticipation of additional volume cap becoming available, pursuant to Section 1372.022 of the Texas Government Code.

The proposed draft includes additional changes to terms and definitions provided by the Corporation's Bond Counsel, Robert Dransfield, and Municipal Advisor, Blake Roberts. Staff also proposed $500 increases to the program's application (now $2,000) and inducement fees (now $8,000), to cover increasing costs of managing the program.

No input was received during the public comment period.

<u>Staff Recommendation:</u>

Staff recommends that the Board approve the Guidelines, Scoring Criteria and Targeted Housing Needs for the Allocation of Qualified Residential Rental Project Tax Exempt Bond under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2021, as presented. If approved, staff will accept all changes and post the final approved document.

Draft ~~2020~~2021 Multifamily Tax-Exempt Bond Programs
Policies and Request for Proposals

The Texas State Affordable Housing Corporation (the "Corporation") has approved these policies and request for proposals ("RFP") for its multifamily tax-exempt bond programs for calendar year ~~2020~~2021. These policies and RFP are updated annually to inform the public of the Corporation's process and guidelines for selecting residential rental properties to be financed with tax-exempt bonds issued by the Corporation. All submissions must be submitted for review of threshold and scoring criteria at least 35 days prior to any presentation to the Corporation's Board of Directors (the "Board" or "~~Board~~Directors") for an Inducement Resolution.

1. **Introduction**.

   a. The ~~Texas State Affordable Housing~~ Corporation ~~(the "Corporation")~~ is a public nonprofit corporation that primarily serves 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 accepts applications from developers ("Developers") to acquire and rehabilitate, or construct new affordable ~~multifamily~~ residential rental developments ("Developments"). Pursuant to §§2306.554, 564 and 565 of the Texas Government Code, the Corporation is authorized to issue ~~multifamily~~ qualified 501(c)(3) bonds and to direct the Texas Bond Review Board (the TBRB") on the issuance of the portion of the state's private activity bonds ceiling set aside for the Corporation under §1372.0231(a) of the Texas Government Code. The Corporation's available volume cap for private activity bonds is 10% of the State's available volume cap for residential rental private activity bonds. For ~~2020~~2021, the amount is estimated to be approximately $~~70~~ 80 million. This volume cap is available for reservation until August 14, ~~2020~~2021. Thereafter, the Corporation will be able to apply to reserve any additional available volume cap through the ~~Texas Bond Review Board~~TBRB. There are no deadlines or sizing limitations on the amount of qualified 501(c)(3) bonds that the Corporation may issue.

   b. These policies and RFP have been adopted by the Corporation's Board based on a review of the state's strategic housing needs, the demonstration of local community support, and solicitation from local and regional housing organizations, pursuant to §2306.565 of the Texas Government Code. This RFP defines the methodology that staff will use to review applications and creates the criteria for scoring and ranking applications.

   c. This RFP will be extended month-to-month until such time as the Corporation chooses to close the RFP to further submissions, based on the amount of funds awarded or induced by the Board. A notice that the RFP has closed will be posted to the Corporation's website, and written notice will be provided to any Developers who submit an application prior to the release of the closing notice. The Corporation reserves the right to re-open the RFP at any time.

   d. Contact Information. All questions about the RFP and application process can be directed in writing to:

Development Finance Program
Texas State Affordable Housing Corporation
2200 E. Martin Luther King Jr. Blvd.
Austin, Texas 78702
Tel. 512-477-3555, Fax 512-477-3557
Email: ddanenfelzer@tsahc.org

2. **Targeted Housing Needs**. Pursuant to §2306.565(b) of the Texas Government Code, the Board has identified target areas of housing need within the State of Texas ("Targeted Housing Needs") for the issuance of qualified residential rental project bonds~~ funds~~. The Targeted Housing Needs are based on research conducted by the Corporation, including a review of the State's strategic housing needs, relevant housing needs assessments and information from local and regional stakeholders. To this end, the Board has adopted the following Targeted Housing Needs. The Corporation will only accept applications in response to this RFP that fulfill at least one of the Targeted Housing Needs.

   a. *At-Risk Preservation and Rehabilitation*. The preservation and rehabilitation of existing affordable rental housing is defined as existing housing in need of significant structural repairs and mechanical systems updates. The housing currently has a recorded regulatory agreement or land use restriction agreement (the "LURA") placed on it by a public body, or currently has rental rates below market value which make it feasible to convert and preserve as affordable housing. Rehabilitation activities must result in the housing units being brought up to current energy efficiency, housing quality, local building code and accessibility standards. Developments may include temporary tenant relocation expenses, but may not cause the permanent relocation of existing low-income tenants. Public housing developments participating in the U.S. Department of Housing and Urban Development's Rental Assistance Demonstration program are eligible under this section;

   b. *Rural and Smaller Urban Markets*. The Corporation is dedicated to expanding access to rental housing in rural and smaller urban markets that are not generally targeted for housing expansion. Rural rental housing Developments must be located within an area that is: (a) outside the boundaries of a primary metropolitan statistical area (PMSA) or metropolitan statistical area (MSA); or (b) within the boundaries of a PMSA or MSA, if the area has a population of 20,000 or less and does not share a boundary with an urban area. Smaller Urban Markets rental housing Developments must be located within a city of less than 150,000 persons; but not within or adjacent to a PMSA or MSA of more than 500,000 persons;

   c. *Senior and Service Enriched Housing Developments*. Senior and Service Enriched Housing Developments must meet at least one of the following definitions in order to qualify under this Targeted Housing Need category.

i. A proposed Development that meets the requirements of the federal Fair Housing Act and: a) is intended for, and solely occupied by, individuals 62 years of age or older; or b) is intended and operated for occupancy by at least one individual 55 years of age or older per unit, where at least 80% of the total housing units are occupied by at least one individual who is 55 years of age or older; and where the owner publishes and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for individuals 55 years of age or older. (See 42 U.S.C. Section 3607(b));

ii. A proposed Development that provides for integrated, affordable and accessible housing that offers the opportunity to link residents with on-site or off-site services and supports that foster independence for individuals with disabilities and persons who are elderly. Such Developments should also show a clear effort to coordinate housing and health services for residents; or

iii. A Development financed in accordance with limitations set by the Internal Revenue Service on Assisted Living Developments, and a) is affordable rental housing combined with minimal on-site medical or supportive services; b) is targeted to persons with disabilities, but with at least 75% of units open to any qualified renter; and c) has at least 10% of its units affordable to persons earning less than 30% of the area median income.

d. *Disaster Relief Housing.* The Corporation will consider any eligible multifamily residential rental housing Development, including rehabilitation and new construction, located in any one or more Texas counties identified in a Federal Emergency Management Agency disaster declaration to be eligible for financing under this RFP.

3. **Housing Needs Set-Aside.** To ensure that bonds will be available for specific housing needs, the Corporation has determined that until ~~April~~ March 1, ~~2020~~2021, 20% of its annual available volume cap will be reserved for Developments that:

   a. Include at least 50% of housing units located in a qualified Rural or Smaller Urban Market, as ~~defined~~ described by this policy; or

   b. Include at least 20% of housing units built to be accessible for persons with mobility impairments and special needs populations as defined by this policy.

4. **Application Submission**. The Corporation will publish an application package to its website. Developers should download and complete the application pursuant to the guidelines for completion included in the application instructions. The Corporation requires a nonrefundable application submission fee of $~~1,500~~$2,000 for private activity bonds or $2,500 for 501(c)(3) bonds.

5. **Application Review**.

a. The Corporation requires at least 28 days to review an application before presenting any recommendation for inducement to the Board. The Corporation will bring before the Board only those applications that have completed the review process.

b. The Corporation may delay the presentation of an application to the Board if there are errors, omissions or insufficient documentation that the Corporation deems necessary to complete its review. If an application fails to fulfill the minimum threshold criteria, the application will not be accepted by the Corporation for further review.

c. All applications that have completed the review process and fulfill the Corporation's threshold and scoring criteria will be presented~~, and recommendations for awards will be determined based on final scores and availability of funds~~ to the Board for approval of an inducement resolution ("Inducement Resolution"). ~~If the Corporation utilizes all of its volume cap prior to approving an application, the application will be held for a period of 120 days from its date of submission and may be considered for a future award, if volume cap becomes available.~~

d. Applications received after June 1, 2021, may be held by the Corporation for approval of an Inducement Resolution until October 2021, due to limitations on the availability of private activity bond volume cap after August 15, 2021.

6. **Threshold Criteria**. All applications submitted to the Corporation must meet the following minimum threshold criteria ("Threshold Criteria") in order to be considered for an issuance of bonds by the Corporation. Applications that do not meet the criteria listed below will be subject to termination by the Corporation.

a. *Affordability Threshold*.

i. The Corporation seeks to provide housing to a mix of eligible households, including low, very-low and extremely-low income persons. Developers who are successful at receiving an award of ~~PABs~~private activity bonds shall agree to the following minimum terms and conditions through a Regulatory Agreement. At a minimum, all Developments will be required to meet the following income and rent restrictions:

A. A minimum of twenty percent (20%) of the units in a qualified residential rental development must have gross rents that are restricted to households with incomes no greater than fifty percent (50%) of the area median income ("AMI"), adjusted for family size, or at least forty percent (40%) of the units in the Development must be affordable to persons and families with incomes at or below sixty percent (60%) of the AMI, adjusted for family size.

B. Rent Restrictions. Gross monthly rent charged on an income restricted unit will not exceed 30% of the applicable AMI.

ii. Affordability Requirements shall be maintained for the greater of 15 years or as long as the bonds are outstanding.

b. *Experience Threshold*. Developers must demonstrate sufficient experience in the development, ownership, and/or management of affordable housing. Developers must submit evidence that they have been involved in the development or ownership of the greater of 75 units or 50% of the total proposed Development units. The Corporation may only give credit for projects that are determined to be successful examples of affordable housing development, which includes properties in continuing operation, historically and currently in compliance, and any other factors that the Corporation determines to be relevant.

c. *Construction Threshold*. All Developments, new construction and rehabilitation, must adhere to local building codes and standards. If a Development is planned in an area or community that does not have local building codes, then the most recent and approved version of the International Building Code or International Residential Building Standards must be used. A certification from the Developer's architect, engineer or other third-party construction supervisor must be submitted prior to closing of the bonds or other obligations to be issued by the Corporation in connection with the financing. For Developments requiring rehabilitation of existing housing units, the Corporation will require the submission of a physical conditions inspection report and may conduct an onsite inspection of the property in order to complete its underwriting process. The Corporation may also suggest reasonable changes to the rehabilitation scope of work based on its inspection.

d. *Compliance Threshold*. All Developments must adhere to the Corporation's Compliance Policies, which can be viewed on ~~our~~ the Corporation's website at: www.tsahc.org. Developers and their affiliates will also be ~~reviewed~~ evaluated ~~for~~ on prior compliance history with the Corporation's and any other state or federal affordable housing program. The Corporation will require the submission of compliance information and references in order to ~~research~~ evaluate a Developer's compliance history.

e. *Resident Services Threshold*. The Corporation strives to maintain excellent resident services programs in the properties it finances. To meet this goal and better serve low income tenants, Developers must maintain a sustained resident services program that provides at least six (6) approved services to tenants per quarter. Developers must ensure a dedicated budget for services, free transportation to services if off-site, and preferably on-site staff to direct services. The six (6) services must be listed in the Corporation's Resident Services Program Guidelines, as ~~attached~~ identified in "APPENDIX A – TSAHC Resident Services Program Guildeines", or as approved by the Corporation.

f. *Energy Efficiency Threshold*. All Developments must adhere to the U.S. Department of Energy's Energy Star program standards, unless otherwise exempted by the Corporation. Developments, including either new construction or rehabilitation, shall meet these standards. Developers may obtain additional information regarding these standards directly from the Energy Star website: http://www.energystar.gov. This threshold must be certified to by the Developer's architect, consulting engineer, or other third party energy efficiency consultant, prior to closing and based upon a review of the construction specifications or scope of work provided by the Developer's general contractor. Additional incentives for Green Building methods and energy efficiency are included as scoring items.

g. *Environmental Review Threshold*. Prior to closing, the Developer is required to conduct a Phase I Environmental Site Assessment. At or prior to the ~~bond~~ closing of the financing, the Developer will be required to provide an environmental indemnity in the form satisfactory to the Corporation.

h. *Relocation Threshold*. All Developments involving the rehabilitation, reconstruction or demolition of existing housing must provide evidence that all tenants, lease holders, property owners and/or residents have been notified at least 30 days prior to the submission of the bond reservation application to the ~~Texas Bond Review Board~~TBRB, that:

    i. The Developer intends to rehabilitate, reconstruct or demolish existing housing units; and

    ii. The Developer must ensure that tenants' rights under all federal, state and local housing laws are upheld, including but not limited to extended lease agreements, rental assistance, and relocation assistance.

i. *Accessibility Threshold*. All Developments must be designed, built and rehabilitated to adhere with the Fair Housing Accessibility Standards, Title II and III of the Americans with Disabilities Act, and §2306.514 of the Texas Government Code. Developers are encouraged to review these guidelines with their architects and/or construction teams prior to application submission. All Developments will be required to obtain a certification from the project architect, engineer or contractor that the final construction plans and/or rehab plan will meet or exceed the above listed federal and state accessibility standards.

j. *Community Support Threshold*. Developers are encouraged to collect community input on their Development proposals. All letters of support or opposition must be provided to the Corporation, as they are received. Developers must submit with their response to the RFP two (2) of the following documents in order to demonstrate community support for the proposed Development:

    i. A letter of support from one or more of the following: Mayor; City Manager; City Administrator; Director of the Local Housing Finance Agency; Director of the Local

Public Housing Agency; School District Superintendent; or County Judge, in the jurisdiction in which the Development is located;

ii. A resolution of support from the City Council, Local School Board or County Commissioner's Court. A resolution fulfilling the requirements for housing tax credits pursuant to section 2306.67021 of the Texas Government Code will be acceptable for this item;

iii. A letter of support from an affected neighborhood association, Chamber of Commerce or tenant council of a Development to be acquired;

iv. Evidence that a local government (city or county) entity is providing funding for the Development; and/or

v. A letter of support from the State Representative or Senator representing the district in which the proposed Development is located.

k. *Underwriting Threshold*. The Corporation generally applies the same underwriting standards as required by the Texas Department of Housing and Community Affairs ("TDHCA"), to ensure consistency with the low-income housing tax credit underwriting process. The Corporation must receive all third party reports, including but not limited to property condition assessments, environmental reports, market analysis and appraisals, that are required to be submitted to TDHCA. Additional minimum underwriting standards include:

i. All Developments, and each property within a pooled transaction, must maintain a minimum Debt Coverage Ratio ("DCR") of 1.15 for a period of no less than 15 years as underwritten by the Corporation;

ii. The Corporation generally does not permit amortization periods of more than 40 years. The Corporation may consider longer amortization schedules for service enriched and extremely low-income housing developments;

iii. The Corporation will include a reserve for replacement expense of not less than $250 per unit annually for new construction developments and $300 per unit annually for rehabilitation developments in the operating expenses for each Development. The Corporation may require a higher reserve amount based on information provided in the Property Condition Assessment (the "PCA");

iv. Compliance fees will be included in the estimate of operating expenses and will include, at a minimum, the Corporation's Asset Oversight and Compliance Fee, as well as any fees required by TDHCA or other financial sources; and

v. The Corporation will include other reasonable and documented expenses, including, but not limited to, depreciation, interest expense, lender or syndicator's asset management fees, or other ongoing partnership fees in its underwriting

analysis. Lender or syndicator's asset management fees or other ongoing partnership fees will not be considered in the calculation of debt coverage.

l. *Property Tax Exemption*. Developers must certify that they will, or will not, apply for a property tax exemption or payment in lieu of taxes ("PILOT") agreement to reduce the property taxes due to local taxing entities. If a Developer agrees not to apply for a tax exemption or PILOT agreement, the Corporation will require a restriction to be added to the ~~bond~~ financing documents that prohibits any future application for exemption. If a Developer states that they will or may apply for a tax exemption or PILOT agreement, the Corporation will require a notification to the local tax appraisal district, school district superintendent and the County Judge where the Development is located that such an exemption or agreement will be requested. Developers will also be required to submit confirmation of any exemptions or final agreements to the Corporation.

m. *Public Benefit Threshold for 501(c)(3) Bonds Only*. Pursuant to §2306.563 of the Texas Government Code and this Policy, the Corporation requires that all nonprofit organizations that receive an issuance of qualified 501(c)(3) bonds must invest at least one dollar in projects and services that benefit income-eligible persons for each dollar of property taxes that is not imposed on the Development as a result of a property tax exemption received under §§11.182 and 11.1825 of the Texas Tax Code. Projects and services must benefit income-eligible persons in the county in which the Development supported with the tax exemption is located and must consist of: (1) rent reduction; (2) capital improvement projects; or (3) social, educational, or economic development services, referred to hereafter as qualified public benefits ("QPB"). The Corporation has determined that the following guidelines are reasonable for the calculation and accounting of QPB:

i. The Corporation shall require the value of any property tax exemption to be included in the operating budget of the Development and escrowed with the Trustee in an account (the "QPB Account") prior to the repayment of any debt, management fees, performance fee, or any other fees that the Corporation determines relevant. The QPB account may be funded in advance with funds withdrawn for repayment of QPB activities, or may be included on the operating ledger as an account payable with QPB expenditures credited against the balance. On or before January 1st of each calendar year starting after the closing of the bonds, the Developer shall provide to the Corporation an estimate of the value of property tax exemption for that calendar year based on the appraised value provided to the Development by the county tax appraiser where the Development is located. The balance of funds to be escrowed or credited in the QPB Account may be reduced each month in an amount equal to the value of QPB expended by the Development each month. In the event that the QPB Account has a balance of funds existing, or owed as an account payable, if applicable, at the end of the calendar year the Developer or its guarantors shall advance the balance to the

appropriate taxing entities on a pro rata basis. The QPB Account imposed by this section will be reduced by an amount equal to each dollar that, in lieu of taxes, a Developer pays to a taxing unit for which the Development receives an exemption prior to the end of the calendar year.

ii. The Corporation has determined that the value of QPBs will be calculated in the following manner:

A. The value of rent reductions will be calculated using the difference between the most recent fair market rent (the "FMR") published by the U.S. Department of Housing and Urban Development (the "HUD") and the actual rent collected in each lease agreement. This includes rent concessions granted to households upon move-in, but not the absence or forgiveness of deposits. Rent reductions must be accounted for on a monthly basis, documented in each individual lease agreement that receives the benefit, and a notice given to each resident of the annual value of their rent reduction. Units that receive rental assistance payments of any kind are excluded from rent reduction calculations.

B. The value of capital improvements will be determined on a case-by-case basis for each Development and be specific to each Development or property within a pooled transaction. Capital improvement costs will not include regular maintenance, general repairs, or make ready costs associated with the daily operations of the Development. The Development may include the cost of rehabilitation to be completed as part of the issuance of new 501(c)(3) bonds or approved capital improvements paid for with proceeds from grants, tax credit equity, bond proceeds, loans or other forms of taxable debt, and may amortize the cost of those capital improvements over a five (5) year period. The repayment of taxable debt for capital improvements pursuant to this section B that actually reduces the equivalent amount of such taxable debt payable will be paid out of escrowed funds or credited against the QPB Account. Capital improvements may not account for more than 75% of the total annual QPB requirement.

C. The value of social, educational, or economic development services may be based on (1) the actual dollar amount expended by the Development towards such services at the time such services are provided to residents; (2) the value of volunteer services provided and coordinated by the Developer or its affiliates; and (3) the cost saving provided to tenants through services such as free on-site day care, free after school care and free lunch programs. The Development may only include the cost of

services approved by the Corporation and must not include the value or cost of services provided to residents free of cost by third party entities.

iii. The Corporation will require each Developer to certify that the Public Benefit Threshold has been met in accordance with this policy, and any future revisions of this policy, in their annual audit, to be filed with the Corporation within 120 days of the beginning of each fiscal year of the Development.

7. **Scoring**. Pursuant to §2306.565(e) of the Texas Government Code, the Corporation's Board has adopted the following criteria to score and rank applications to the PAB program. The first three scoring criteria are required by state statute. The remaining criteria support the Corporation's goals to target specific housing needs and underserved areas in the state. Applicants must achieve a minimum score of 50 points.

a. *Cost Per Unit of Housing*. Applications may receive up to 15 points for proposing housing developments with total residential costs within the following ranges:

i. 15 points for:

A. Acquisition and rehabilitation costs equal to or less than $115,000 per unit

B. New construction costs equal to or less than $140,000 per unit; or

ii. 8 points for:

A. Acquisition and rehabilitation costs equal to or less than $125,000 per unit

B. New construction costs equal to or less than $160,000 per unit: or

iii. 15 Points for rehabilitation costs that exceed $30,000 per unit in projects that meet the At-Risk Preservation and Rehabilitation Targeted Housing Need.

b. *Proposed Rents*. Applications may receive up to 15 points for proposing Developments that ensure a percentage of rents are affordable to very low and extremely low-income households. Developments supported by project based rental contracts may not include units supported by ~~project-based~~project-based subsidies in the calculation of the following set-aside selections:

i. 15 points – at least 5% of units will be reserved for families who earn 30% or less of the area median income; or

ii. 10 points – at least 40% of units will be reserved for families who earn 50% or less of the area median income.

c. *Income Range for Residents*. The Corporation is interested in promoting mixed income housing as a means to improve the lives of residents and build stronger communities.

Applications that propose to ensure the following mixed income guidelines will receive 15 points:

i. Not more than 80% of the housing units will be reserved for persons earning 60% or less than the area median income; or

ii. At least 15% of the housing units will be reserved for persons earning between 80% and 120% of the area median income.

d. *Small and Mid-sized Cities*. Applications will receive 10 points for Developments located in communities with populations less than 150,000 but not located adjacent to a PMSA or MSA with a total population of more than 500,000; or within the boundaries of a PMSA or MSA, if the area has a population of 20,000 or less and does not share a boundary with an urban area.

e. *At-Risk Preservation*. Applications will receive 10 points for the acquisition and rehabilitation of Developments with current affordable housing rental contracts or land use restrictions. Applicants must demonstrate that the current rental voucher contract or land use restriction agreement ("LURA") will be extended for at least 15 years from the date of closing.

f. *Green Building Features*. Applications will receive 10 points for obtaining a certification from a qualified third party that the Development meets either:

i. The minimum certification requirement of the U.S. Green Building Council's LEED ("LEED") program: or

ii. The Development achieves an Energy Star score for multifamily developments of 70 or higher.

Applications will receive an additional 5 points (maximum of 15 points for this criterion) for meeting the Gold or Platinum certification standards for the LEED program, or an Energy Star score for multifamily development of 80 or higher. Certification may be based on the proposed construction plans, and the Development must obtain an official certification after completion of construction or rehabilitation.

g. *Accessible Housing Features*. Applications, including those for rehabilitation developments, will receive 10 points for certifying that the Development will meet the following housing accessibility standards:

i. All housing units accessible through a ground floor entrance must have at least one no-step entry with a 36" entrance door;

ii. All housing and community spaces will be accessible via pathways that meet ADA and Fair Housing accessibility standards;

iii. All doorways in ground floor units (including closets, bathrooms, storage areas, etc.) must have doors with at least a 32-inch clear opening;

iv. All doors must have lever handles and windows shall have accessible release and opening mechanisms;

v. All ground floor units must have at least one ground floor bathroom with an accessible bath tub or roll-in shower, and at least one ground floor bedroom;

vi. All electrical outlets, switches and control panels must be no higher than 48 inches and no lower than 15 inches; and

vii. All ground floor units must have kitchens that are accessible pursuant to the Fair Housing Accessibility Guidelines.

h. *Local Public Funding*. Applications will receive 10 points for providing evidence that a commitment of financial support of at least $250 per unit has been made by a unit of government to the proposed development. The only qualifying units of government will be Counties, Cities, Municipal Utility Districts, and Councils of Government. The Corporation considers fee waivers, grants and loans as financial support.

i. *Letters of Local Support*. Applications will receive 15 points for submitting at least four letters of support from any combination of the following persons: Mayor; City Manager; County Judge; School District Superintendent; State Representative; or State Senator, whose district includes the Development site.

j. *Developer Experience*. Applications will receive 5 points for providing evidence that the Developer currently owns, and maintains in compliance, a number of multifamily housing units at least twice the amount proposed in the Application.

k. *Resident Services*. Applications will receive 10 points for agreeing to provide at least four (4) approved services to tenants on a monthly basis. This scoring criterion is a higher standard than the Corporation's threshold criteria for resident services.

l. *Tie Breaker*. The Corporation will break all scoring ties by dividing the estimated total development cost per unit by the number of very low and extremely low-income units. The application with the lowest ratio will be determined the winner of the tie break.

8. **Subsequent Filing Requirements**. Prior to final approval of the bonds of other obligations by the ~~Corporation's~~ Board or the ~~Texas Bond Review Board~~TBRB, Developers may be required to file such additional documents or statements in support of their Development as may be considered relevant and appropriate by the Corporation, which may include but are not limited to:

a. Such additional information as requested by the Corporation's Municipal Advisor, Bond Counsel, or Issuer's Counsel;

b. A draft of any term sheet, official statement, prospectus, or other offering memoranda through the use of which the proposed obligations are to be offered, sold or placed with

a lender, purchaser, or investor, which offering, sale or placement materials must contain prominent disclosure substantially to the effect that:

i. Neither the Corporation nor the State has undertaken to review or has assumed any responsibility for the matters contained therein except solely as to matters relating to the Corporation and to a description of the obligations being offered thereby;

ii. All findings and determinations by the Corporation and the State, respectively, are and have been made by each for its own internal uses and purposes in performing its duties under the legislation enabling the Corporation and this RFP;

iii. Notwithstanding its approval of the obligations and the Development, neither the State nor the Corporation endorses or in any manner, directly or indirectly, guarantees or promises to pay such obligations from any source of funds of either entity or guarantees, warrants, or endorses the creditworthiness or credit standing of the Developer or of any Guarantor of such obligations, or in any manner guarantees, warrants, or endorses the investment quality or value of such obligations; and

iv. Such obligations are payable solely from funds and secured solely by property furnished and to be furnished and provided by the Developer and any Guarantor and are not in any manner payable wholly or partially from any funds or properties otherwise belonging to the Corporation or the State.

9. **Public Hearings and Meetings**.

a. The Corporation's Board, at its own discretion, may call any Developer to a scheduled meeting to review the Developer's experience, qualifications, and/or the characteristics of a Development.

b. The Corporation requires the Developer or a representative of the Developer, to attend public hearings where a Development is proposed. If the Development includes multiple sites in several cities, the Corporation will conduct the hearing at a location central to all development sites. All public hearings must be held prior to the final approval of the ~~Bond~~ resolution authorizing the issuance of the requested debt by the Corporation's Board.

c. With respect to public hearings required by Section 147(f) of the Internal Revenue Code and the related regulation ("TEFRA"), the Corporation will plan and post notice, at the expense of the Developer, of the hearing in the *Texas Register* and on the Corporation's website at least seven (7) days prior to the planned TEFRA hearing. The Corporation will schedule an appropriate date, time and location for TEFRA hearings based on the schedule of publication.

d. The TEFRA Hearing may not be held (and notice of such Hearing may not be published) prior to the date the Corporation approves the Inducement Resolution; provided,

however, that such hearings may be scheduled and posting of the hearing notice may be prepared prior to selection as long as (a) the Corporation's staff determines that such action is appropriate, (b) the hearing and publication of notice do not actually occur until after selection by the Corporation, and (c) the Borrower provides the deposit to the Corporation set forth herein.

10. **Awards and Reservation of Volume Cap**.

a. Once the Corporation has approved an Inducement Resolution for a Development, the Corporation and its Bond Counsel will work with the Developer to prepare and time the submission of the application to reserve volume cap (Reservation Application) to the TBRB;

b. Applications approved for Inducement for the Corporation's 2021 allocation of private activity bonds will have until May 1, 2021 to notify the Corporation and its Bond Counsel they are prepared to move forward with a Reservation Application. Those not prepared to move forward, will be placed to the back of the list of Inducement Resolutions, and must be prepared to submit a Reservation Application within one year from the date of Inducement or the Corporation, in its sole determination, may terminate the award.

c. In the event the Corporation has approved Inducement Resolutions in excess of its annual allocation, a Developer may choose to submit their Reservation Application to the TBRB to be considered for allocation on or after August 15, 2021, pursuant to Section 1372.022 of Texas Government Code. The Corporation cannot ensure the availability of private activity bond volume cap on or after August 15, 2021.

~~a. The Corporation's Board may select Developers and alternate Developers for an inducement of volume cap based on the results of threshold and scoring criteria review from a response to the RFP and oral presentations. The Corporation reserves the right not to approve any inducement of volume cap to any Developer(s), even one that is awarded the most points during the scoring review.~~

~~b. The Corporation reserves the right to retract an award if a Developer is unable to receive a reservation of private activity bonds prior to July 1, 2020. The Corporation reserves this right in order to allow alternate Developers or other applications to proceed with an inducement and reservation, and to ensure the maximum utilization of the Corporation's allocation of bond volume cap.~~

~~c.~~d. The Corporation reserves the right in its sole discretion to modify, suspend or amend this program at any time, with or without further notice to any interested party. All costs incurred in the response or application process are the sole responsibility of the Developer. All decisions of the Corporation are subject to such additional conditions, restrictions and requirements as determined by the Corporation in its sole discretion. In addition, the Corporation's selection of proposed Developments for possible issuance of private activity bond cap is subject to final approval by the ~~Texas Bond Review Board~~TBRB.

11. **Bond Review Board Approval**.

    a. Bonds or similar obligations issued by the Corporation are subject to approval by the ~~Texas Bond Review Board (the "TBRB")~~TBRB. TBRB rules provide an optional exemption from the formal approval process for ~~Texas State Affordable Housing Corporation~~the Corporation's multifamily conduit transactions unless such transactions involve an ad valorem tax reduction or exemption. If no ad valorem tax exemption or reduction is requested with respect to the Development, the formal TBRB approval process may not be required. However, if one or more TBRB members request it, the formal TBRB approval process must be followed. If so, representatives of the Developer are expected to attend the TBRB planning session and the TBRB meeting at which the Development will be considered for approval. Additional information may be requested by TBRB members, and the Developer's cooperation in providing this information is required.

    b. If the formal TBRB approval process is required, the Corporation, with the assistance of its Bond Counsel, will prepare and file the notice of intent and the TBRB Application for the Development. The Corporation will file the notice of intent and the TBRB Application with the TBRB only if it has timely received all required information and documentation for the completion of the TBRB Application from the Developer and/or its consultants.

12. **Fees**. Developers shall be responsible for fees and expenses incurred as a result of bonds or other obligations issued on their behalf (the "Cost of Issuance"). Up to two percent (2%) of the Cost of Issuance may be financed through ~~bond~~ tax-exempt obligation proceeds and will be considered part of the obligations authorized for issuance by the Corporation, where eligible under the federal tax code. Developers shall commit to pay from other sources any Costs of Issuance not payable from tax-exempt ~~bond~~ obligation proceeds. The following fees are payable at the times and in the amounts as described below. ALL FEES ARE NONREFUNDABLE, EXCEPT AS OTHERWISE PROVIDED HEREIN.

    a. *Application Fee*. Developers shall submit a nonrefundable fee of $~~1,500~~2,000 for Private Activity Bonds or $2,500 for 501(c)(3) bonds, made payable to the Corporation, upon submission of the Application.

    b. *Inducement Fee*. Developers shall pay a ~~deposit~~ fee of $~~7,500~~8,000, and an additional $1,000 for each property for Developments involving more than one (1) site, to cover expenses related to public hearings and the ~~application for PAB allocation~~Reservation Application to the ~~Texas Bond Review Board~~TBRB, within five (5) business days of the date the Inducement Resolution is approved by the Corporation's Board. Additional reimbursements for expenses related to public hearings and application for private activity bonds may be requested by the Corporation.

    c. *Professional Fee Deposit*. Following the issuance of a reservation for volume cap from the Bond Review Board, Developers shall make a deposit with the Corporation which will be credited against fees and expenses incurred by the Corporation for the services of Bond

Counsel, the Municipal Advisor and Issuer's Counsel in connection with the proposed financing. Such deposit shall be $30,000, which represents a $20,000 deposit for Bond Counsel fees, a $5,000 deposit for Financial Advisor's fees, and a $5,000 deposit for Issuer's Counsel fees (collectively, the "Professional Fee Deposit"). ~~Two additional deposits, each equal to 20% of Bond Counsel Fee, based on the projected issuance amount, will be due, the first at the submission of the reservation application to the Texas Bond Review Board and the second upon approval of the final bond resolution by the Corporation's Board. All fees and expenses incurred by Bond Counsel, the Municipal Advisor and Issuer's Counsel in connection with the Developer's transaction will be deducted from such deposit whether or not the obligations are issued.~~ If the accrued fees and expenses of Bond Counsel, the Municipal Advisor and/or Issuer's Counsel exceed the amount of such Professional Fee Deposit~~initial deposit~~, the Corporation may require the Developer to submit an additional deposit payment. The balance of any Professional Fee Deposit remaining after a transaction has failed to close and has been withdrawn from consideration, less a processing fee of $500.00, will be refunded to the Developer.

d. *Corporation Expenses*. Developers shall reimburse the Corporation for all costs and expenditures incurred by the Corporation that exceed the Corporation's application and inducement fees paid to the Corporation by the Developer during the review, issuance and closing of a Development. Such expenditures include but are not limited to (i) on-site visitation of multifamily residential developments to be financed (or the site[s] therefore), (ii) any reports deemed necessary or appropriate by the Corporation and not otherwise provided by the Developer, (iii) all costs and expenses (including travel and related expenses) of conducting public hearings and related meetings [described herein] and (iv) such other activities, inspections and investigations as are deemed necessary or appropriate by the Corporation in connection with its determination of the suitability of the proposed Development for financing assistance to be offered by the Corporation. The Corporation will include any of the above expenditures in its closing fees estimate prior to the closing date.

e. *Municipal Advisor Fe*es. The fee to be paid to the Corporation's ~~Financial~~ Municipal Advisor, acting ~~in~~ as a ~~standard Municipal Advisor role~~financial advisory to the Corporation for its issuance of debt transactions issued for the multifamily bond program, will be $10,000 plus $2.00 per $1,000 of bonds issued, plus actual expenses, unless otherwise agreed to by the Corporation's Municipal ~~Financial~~ Advisor. In addition, for an additional fee the Corporation's Municipal ~~Financial~~ Adviser will also serve as the bidding agent with respect to all investment contracts to be entered into in connection with the investment of bond proceeds and revenues of the Developments. If the financing structure proposed by the Developer requires non-standard services to be performed by the Municipal Advisor or involves unique financing features including, but not limited to, multiple sites or complexes in a project, extreme credit quality concerns, hedge agreements, swap agreements, or trust structures, the fees to be charged by the

Municipal Advisor will be subject to adjustment. Any such adjustment must be agreed to in writing by the Developer before the submission of the Reservation Application to the ~~Bond Review Board~~TBRB.

f. *Bond Counsel Fees*. Developer shall pay the fees of Bond Counsel, which will be determined based on the structure of the transaction but which will generally range from .75% to 1.5% of the par amount of the financing with a minimum fee of $50,000, All expenses incurred by Bond Counsel in connection with the Development will also be paid by the Developer. Bond Counsel shall receive an initial payment of $20,000 in advance upon submission of the Development's Reservation Application to the ~~Texas Bond Review Board~~TBRB, which will be credited towards the final amount due Bond Counsel. Bond Counsel may request additional reimbursement of actual hourly costs or expenses from time to time directly from the Developer. Expenses include TEFRA notice publication, print or document publication, public hearing notices, Attorney General filing fees, and the preparation and filing of the TBRB Applications, printing and supplements thereto.

g. *Issuer's Counsel Fees*. The fee to be paid to Issuer's Counsel will be based upon the hourly rate in effect for the applicable period with the Corporation. In some instances the fees due to Issuer's Counsel can be based on a fixed fee approved by the Corporation.

h. *Closing Fees*. Concurrently with the closing of the financing, the Developer shall pay or cause to be paid all fees and expenses in connection with the issuance of the obligations including Bond Counsel Fees, Municipal Advisor Fees, Issuer's Counsel Fees, ~~Texas Bond Review Board~~TBRB Fees, and the actual amount of any closing or acceptance fees of any trustee for the obligations, any fees and premiums for casualty and title insurance, any security filing costs, any fees for placing the obligations, any fees and expenses of any compliance agent appointed in connection with the review of any property, any out-of-pocket expenses incurred by professionals acting on behalf of the Corporation, and any other costs and expenses, including issuance expenses, relating to the obligations, their security, and the Development. Additionally, the Corporation will receive a Closing Fee of fifteen basis points (0.15%) of the principal amount of obligations issued, with a minimum closing fee of $20,000.

i. *Administrative Fee*. Until the final maturity of the obligations, the Developer will pay an annual Administrative Fee, remitted through the respective bond trustee to the Corporation as designated by the Corporation, equal to ten (10) basis points (.10%) of the aggregate principal amount of the obligations outstanding, with a minimum annual fee of $5,000. The first annual payment of the Administrative Fee must be paid at closing. The Administrative Fee is exclusive of the trustee's fee, compliance agent fee, rebate analysts' fee, asset-oversight management fee, audit fee, independent analyst fee, and any other costs or extraordinary costs as permitted under the respective bond documents. Payment of the Administrative Fee is to be covered by the bond credit enhancement and/or secured under the first mortgage on the property assigned to the bond trustee.

The Corporation may require the payment of the Administrative Fee to be guaranteed by the Development owner and/or general partner(s).

j. *Trustee's Fees*. The Developer shall select a bond trustee from a list of bond trustees approved by the Corporation to administer the funds and accounts pursuant to the trust indenture between the Corporation and the trustee bank. All trustee fees and expenses, including fees of trustee's counsel, will be approved by the Corporation and must be paid by the Developer.

k. *Auditor's Fees*. The Corporation may, at any time, over the life of the Development appoint an auditor to review the financial transactions under the bond documents, a compliance agent, and a rebate analyst to perform an analysis of rebate requirements with respect to the issue. Such fees and costs must be paid by the Developer.

l. *Continuing Costs.* Developers shall pay to the Corporation, in the manner described in the Development documents, the following amounts:

   i. An annual asset oversight and compliance fee equal to the greater of $45 per unit or $2,500 for each property included in the Development (as such fee may be adjusted in accordance with the Asset Oversight and Compliance Agreement). The Corporation may require the owner of the Development and/or related entities or persons to guarantee the payment of these fees;

   ii. Any amounts payable pursuant to any indemnity contract or agreement executed in connection with any financing by the Corporation completed as herein contemplated, and

   iii. The amount allocable to each Developer (whose financing has been completed) of costs and expenses incurred by the Corporation in the administration of the indemnity contract or agreement, any program established in connection with the financing of a Development, and any obligations of the Corporation, including an annual accounting and/or audit of the financial records and affairs of the Corporation. The amount of costs or expenses paid or incurred by the Corporation under this clause will be divided and allocated equally among all Developers whose financings have been completed.

m. *Changes in Fees*. The Corporation reserves the right at any time to change, increase or reduce the fees payable under this RFP. All fees imposed subsequent to closing by the Corporation under this RFP will be imposed in such amounts as will provide funds, as nearly as may be practical, equal to that amount necessary to pay the administrative costs of conducting the business and affairs of the Corporation, plus reasonable reserves therefore.

n. *Failure to Timely Pay Fees and Costs*. The Corporation will not consider submissions for future transactions proposed by Developers who are delinquent in the payment of any fees described herein.

13. **Document Preparation**. Bond Counsel will have the primary responsibility for the preparation of the legal instruments and documents to be utilized in connection with the financing of the Development by the Corporation. No bonds or other obligations will be sold or delivered unless the legality and validity thereof have been approved by Bond Counsel and the Attorney General of the State of Texas. The Developer and its legal counsel shall cooperate fully with Bond Counsel, the ~~Financial~~ Municipal Advisor, the Issuer's Counsel and the Corporation's agents in the preparation of such materials.

14. **Material Changes to Financing Structure**. Any and all material proposed changes to the financing structure, ownership of the Development, or scope or materials of or for the Proposed Development, from that set forth in the application must be disclosed to the Corporation immediately in writing and approved by the Corporation.

15. **Time Limits**. In the event that the Development does not close within the time frame established by the Corporation, the Corporation reserves the right to terminate its participation in the financing.

16. **Final Approval by the Corporation**. The Corporation's Board will consider final action on the Bonds after the completion of the public hearings and upon recommendation by the Corporation's staff. If approved, the Board will adopt a resolution, in such form as is recommended by Bond Counsel, authorizing the issuance of obligations to provide financing for the Development. Final approval will be granted only upon:

    a. Receipt by the Board of evidence satisfactory to it that the Developer has complied in all material respects with this RFP not otherwise waived by the Board; and

    b. An affirmative determination of the Board that:

        i. All requirements for and prerequisites to final approval under this RFP have either been satisfied or waived and are in form and substance satisfactory to the Board; and

        ii. The operation of the Development(s) will constitute a lawful activity, is qualified for approval by the State, complies with and promotes the purposes of the Corporation and satisfies the requirements of the Corporation.

17. **Closing of the Development**. Following the public hearing(s) and final approval by the Corporation and the TBRB, if necessary, the Corporation will proceed to close the financing in accordance with the documents approved by the Corporation and when finally approved by the Texas Attorney General and Bond Counsel in accordance with the terms of the sale or placement.

    a. *Structure of Bond Sale*. Developers shall be responsible for determining the structures of the sale of bonds, but are encouraged to ~~contact~~ consult with the Corporation's Municipal Advisor and Bond Counsel for information regarding the structure of contemplated bond transactions in Texas. Developers are required to execute an agreement in connection

with awarding the sale of the Corporation's obligations to an underwriter or to an institutional purchaser through a private placement that obligates the Developer to the payment of the costs of issuing such obligations as more fully described herein.

b. *Public and Limited Offering Requirements*.

i. All bonds to be sold publicly, whether by competitive bid or negotiated sale, must have a debt rating the equivalent of at least an "A-/A3" rating assigned to long-term obligations by a nationally recognized rating agency acceptable to the Corporation. Bonds with an investment grade of "A-/A3" or higher may be sold in minimum denominations of $5,000,

ii. The Corporation will consider any bonds with rating lower than ~~that do not have a debt rating of at least~~ "A-/A3" ~~or higher as~~ to be non-rated obligations. Non-rated obligations must be sold in minimum denominations of at least $25,000 and in integrated multiples of any amounts in excess of $25,000.

iii. All non-rated obligations must be privately placed or offered on a limited basis with transfer and other restrictions. In order for a non-rated transaction to be considered by the Corporation, the placement must comply with the following minimum requirements: (i) the sale must be made to a "qualified institutional buyer" as defined in Rule 144A of the Securities Act of 1933 (a "QIB") or an "institutional accredited investor" as defined in Rule 501(a)(1), (2), or (3) of Regulation D under such act (an "Institutional Accredited Investor") and cannot be an underwriting or purchase with an intent to resell any portion of the obligations, (ii) the obligations must be issued in minimum denominations of not less than $25,000 and integral multiples of any amount in excess thereof, and (iii) at such time as the bond financing is presented to the Corporation for final approval, (a) the Developer (or placement agent, if applicable) must identify the Purchaser of the obligations, (b) the Developer (or placement agent, if applicable) must provide a written commitment from the Purchaser in form and content customarily used by real estate lending institutions outlining the terms and conditions of such commitment to purchase the obligations, (c) the Purchaser must represent that it is in the business of originating, or acquiring and owning for its account, tax-exempt bonds or mortgage loans on multifamily rental housing properties, (d) when a placement agent is involved in the sale of the obligations, there may be a placement memorandum prepared by the agent for the Purchaser, but there will be no offering statement by the Corporation, and (e) the Corporation may require that one physical obligation be issued with a legend stating that the initial and any subsequent purchaser(s) of such bond shall be a QIB or an Institutional Accredited Investor, as applicable. In the case of a private placement transaction, the Developer or placement agent, upon delivery of the obligations, shall provide the Corporation with an executed investment letter from the investor purchasing the

obligations substantially to the effect that: (1) it is engaged in the business, among others, of investing in tax-exempt securities and is a QIB or an Institutional Accredited Investor, as applicable; (2) it has made an independent investigation into the financial position and business condition of the Developer and therefore waives any right to receive such information; (3) it has received copies of the financing documents pursuant to which such obligations are issued, and (4) that it has purchased the obligations for its own account and not with the intent to sell them. A complete form of such investment letter will be provided by the Corporation.

c. Any variation to the requirements set forth above must be requested in writing by the Developer and must be approved by the Corporation and be acceptable to the Bond Counsel, ~~Financial~~ Municipal Advisor, and Issuer's Counsel.

d. *Required Approvals*. No Developer, or any representative of any Developer or the Corporation, shall represent, directly or indirectly, to any lender (interim or otherwise) supplier, contractor, or other person, firm, or entity that the Corporation has agreed or is firmly committed to issue any obligations in relation to any Development or Response or Reservation Detail until the Board has given final approvals for the issuance thereof under this RFP, and then subject to the governmental approvals required by this RFP and the approval of the Attorney General of the State of Texas, the approval of Bond Counsel and subject to any requirements imposed by the Corporation's Articles of Incorporation.

e. *Offering Statement*. No Developer, or any representative of the Developer or the Corporation, shall make any representation, directly or indirectly, express or implied, of any fact contrary to the disclosures required to be made by this RFP.

f. *Registration*. Neither the Developer nor any securities firm, underwriter, broker, dealer, salesman, or other person, firm, or entity shall offer, sell, distribute, or place any obligations authorized by the Corporation by any process, method, or technique or in any manner, transaction, or circumstances or to any person or persons, the effect of which would be to require such obligations to be registered or would require filings to be made with regard thereto under the laws of the state or jurisdiction where such offer, sale, distribution, or placement is made without first registering the same or making the filings regarding the same required by such laws.

g. The Developer will provide and be responsible for filing so long as it is obligated to make payment to the Corporation in support of the bonds, notes or other obligations issued by the Corporation for a project being financed for the Developer, all information required to satisfy the requirements of Rule 15c(2-12) of the United States Securities and Exchange Commission as that rule is applicable to the financing.

18. **Failure to Comply with previous RFPs**. The Corporation will not consider submissions from Developers for a potential Development if the Developer is a borrower (or a related party

thereto) in connection with obligations previously issued by the Corporation and such borrower (or related party) is not in compliance with the requirements set forth in the Corporation's policies and procedures with respect to such previously issued obligations or is delinquent in the payment of any fees or costs with respect to such previously issued obligations of the Corporation.

19. **OTHER REQUIREMENTS**. THE CORPORATION MAY IMPOSE ADDITIONAL OR DIFFERENT REQUIREMENTS ON A DEVELOPER THAN THOSE PROVIDED IN THESE GUIDELINES IF ADDITIONAL OR DIFFERENT REQUIREMENTS BECOME NECESSARY (AS DETERMINED BY THE CORPORATION IN ITS SOLE DISCRETION) TO PROVIDE THE BEST OPPORTUNITY FOR APPROVAL BY THE CORPORATION'S BOARD OF DIRECTORS AND/OR THE TEXAS BOND REVIEW BOARD.

APPENDIX A

TSAHC Resident Services Program Guidelines

It is the Texas State Affordable Housing Corporation's goal to support Developers in the creation of high quality Resident Service Programs. TSAHC has created basic guidelines and a reporting system to help with this process.

The following is a list of activities/courses that can be implemented. In order to fulfill the Resident Service requirement, at least six resident service activities per quarter must be provided from the following list. Developers must ensure services are provided onsite or provide free transportation to services if off-site. If the applicant received additional points under the Resident Service scoring criteria, an average of at least four resident service activities per month must be provided from the following list. If you are interested in starting an activity or course that is not on the list, please propose the new activity to the Multifamily Oversight Department for approval. Activities that are provided daily, such as after school programs and educational/scholastic tutoring, can be counted as two services for the quarter. Please make sure that services offered will encourage economic self-sufficiency and/or promote homeownership opportunities.

- Career Services
  1. Computer Literacy Class
  2. GED Classes
  3. Job Skills/Training
  4. Resume/ Job Search Workshop
  5. Job Fair
  6. College Preparation Class
  7. Military Recruiting

- Children's Services
  1. After School Care (Counts as 2 Services When Provided Daily)
  2. Swimming Lessons
  3. Free On-site Daycare (Counts as 2 Services When Provided Daily)
  4. Free On-site Tutoring Sessions (Counts as 2 Services When Provided Daily)
  5. Performing Arts Classes
  6. Holiday Safety Classes
  7. On-Site Library
  8. Free Lunch Program (Counts as 2 Services When Provided Daily)

- Community Awareness
  1. Crime Watch Meeting
  2. Self Defense Course

3. Child ID/Fingerprinting Program
4. Fire Safety Class
5. Hurricane Safety Class
6. Domestic Violence Awareness Workshop
7. Drug Awareness Workshop
8. Host Support Groups Such as AA, Anger Management, etc.
9. Community Gardens
10. Community Service Activities (i.e. Habitat for Humanity)
11. Green Living/Environmental Workshop

- Financial Skills
  1. Household Budgeting Workshop
  2. Financial Planning/Credit Counseling Workshop
  3. Asset Building Workshop
  4. Tax Preparation Courses
  5. Student Financial Aid Workshop
  6. Personal Insurance Workshop (Medical, Renters, Life, Disability, Car)

- Medical and Health Services
  1. Basic First Aid and CPR Class
  2. Caring for the Disabled Class
  3. Health and Screening Services
  4. HIV/AIDS Classes
  5. Vaccinations/ Flu Shots Services
  6. Fitness and Exercise Classes
  7. Diabetes/ Heart Disease Courses
  8. Babysitting Safety Courses
  9. Health and Nutritional Courses
  10. Low Cost Healthy Cooking Courses
  11. Cancer Awareness Workshop/Cancer Screening Services
  12. Free Dental Services

- Personal Development
  1. Counseling Services
  2. English as a Second Language Courses
  3. Home Ownership Counseling
  4. Parenting Classes
  5. Anger Management Courses
  6. Family Counseling
  7. Cleaning Supply Safety Class / Housekeeping Education
  8. Book Club

- Free Transportation Services
  1. Grocery Store
  2. Library
  3. Medical Visits
  4. Cultural Community Events
  5. Free/Discounted Public Transportation Tickets

Activities that will not be counted towards the six resident services per quarter requirement include, but are not limited to, children's movie time, patio decorating contests, gambling trips, resident parties, Easter Egg Hunts or other activities along these lines. Properties are welcome to offer these activities, but they will not count towards fulfilling the Resident Services obligation.