



November Board Meeting

To be held at the offices of
Texas State Affordable Housing Corporation
6701 Shirley Avenue
Austin, TX 78752

Wednesday, November 17, 2021
10:30 a.m.

**TEXAS STATE AFFORDABLE HOUSING CORPORATION
BOARD MEETING
AGENDA**

**To be held at the offices of
Texas State Affordable Housing Corporation
6701 Shirley Avenue
Austin, Texas 78752**

**November 17, 2021
10:30 A.M.**

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

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 October 13, 2021. |
| Tab 2 | Presentation, Discussion and Possible Approval of the Annual Independent Financial Audit for the Fiscal Year Ending August 31, 2021. |
| Tab 3 | Presentation, Discussion and Possible Approval of Amendments to the Texas Community Capital (TCC) Organizational By-Laws to Adhere to U.S. Treasury’s Community Development Financial Institutions (CDFI) Certification Requirements, and Other Items as Presented. |
| Tab 4 | Presentation, Discussion and Possible Approval of Amended Policies for the Texas Housing Impact Fund. |
| Tab 5 | Presentation and Discussion of the Texas State Affordable Housing Corporation’s Fiscal Year 2021 and 2022 Strategic Plans. |

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



Homeownership Programs with Down Payment Assistance January 1 to August 31, 2021

Month	Closed	# of Loans	% Total
January-21	\$ 263,196,644	1286	8.7%
February-21	\$ 237,176,153	1156	7.9%
March-21	\$ 351,278,022	1682	11.7%
April-21	\$ 360,306,702	1733	12.0%
May-21	\$ 379,431,257	1795	12.6%
June-21	\$ 466,348,552	2175	15.5%
July-21	\$ 460,126,957	2127	15.3%
August-21	\$ 495,652,013	2258	16.4%
Totals	\$3,013,516,300	14212	100%
Lender	Closed	# of Loans	% Total
Fairway Independent Mortgage Corporation	\$221,154,255	1096	7.3%
Everett Financial, dba Supreme Lending	\$201,242,569	926	6.7%
Gateway Mortgage Group, a division of	\$152,594,018	750	5.1%
PrimeLending	\$122,844,520	592	4.1%
DHI Mortgage Company, Ltd.	\$114,612,013	475	3.8%
Academy Mortgage Corporation	\$100,991,977	490	3.4%
Guild Mortgage Corporation	\$91,868,050	452	3.0%
SFMC, LP dba Service First Mortgage Comp	\$90,077,258	423	3.0%
loanDepot.com LLC	\$85,688,371	401	2.8%
Amcap Mortgage, LTD	\$83,586,146	411	2.8%
Movement Mortgage, LLC	\$80,497,462	385	2.7%
Ark-La-Tex Financial (Benchmark Mtg.)	\$76,374,708	341	2.5%
Stearns Lending, LLC	\$73,016,575	297	2.4%
CMG Mortgage, Inc. dba CMG Financial	\$59,463,262	269	2.0%
Cornerstone Home Lending, Inc.	\$57,649,179	261	1.9%
Guaranteed Rate	\$57,384,552	275	1.9%
Cardinal Financial Company	\$56,430,312	264	1.9%
Security National Mortgage Company	\$54,604,119	263	1.8%
Lennar Mortgage, LLC	\$52,303,186	224	1.7%
Pulte Mortgage LLC	\$50,107,727	209	1.7%
Thrive Mortgage, LLC	\$42,289,648	197	1.4%
Wallick and Volk, Inc.	\$41,835,707	191	1.4%
American Pacific Mortgage Corporation	\$40,619,512	198	1.3%
Highlands Residential Mortgage	\$40,204,468	182	1.3%
Town Square Mortgage & Investments, Inc.	\$39,078,216	197	1.3%
SWBC Mortgage Corporation	\$35,509,734	179	1.2%
Gardner Financial Services, Ltd.	\$31,547,213	146	1.0%
Caliber Home Loans, Inc.	\$31,082,542	145	1.0%
Hometrust Mortgage Company	\$29,425,618	159	1.0%
Southwest Funding, LP	\$29,125,394	135	1.0%
First Continental Mortgage, Ltd.	\$28,257,767	100	0.9%
Network Funding, LP	\$26,748,930	123	0.9%
Nations Reliable Lending, LLC	\$23,725,480	116	0.8%
NTFN, Inc.	\$20,452,536	97	0.7%
Synergy One Lending, Inc.	\$19,623,774	97	0.7%
Primary Residential Mortgage, Inc.	\$19,466,947	98	0.6%
Mortgage Financial Services, LLC	\$19,459,932	96	0.6%
Interlinc Mortgage Services, LLC	\$19,403,893	85	0.6%
Cherry Creek Mortgage, LLC	\$18,227,958	79	0.6%
Waterstone Mortgage Corporation	\$17,311,680	79	0.6%
First Community Mortgage	\$16,178,819	93	0.5%
Trinity Oaks Mortgage	\$15,938,579	67	0.5%
Certainty Home Loans, LLC	\$15,901,839	84	0.5%
Independent Bank	\$14,906,902	67	0.5%
Crosscountry Mortgage, LLC	\$13,744,090	63	0.5%
Directions Equity, LLC	\$12,759,753	67	0.4%
First United Bank & Trust	\$12,685,147	60	0.4%
Mid America Mortgage, Inc.	\$12,599,194	57	0.4%
CLM Mortgage, Inc.	\$12,339,245	49	0.4%
First Bank	\$12,015,330	50	0.4%
Willow Bend Mortgage Company, LLC	\$11,493,884	55	0.4%
Inspire Home Loans, Inc.	\$11,485,844	50	0.4%
KBHS Home Loan, LLC	\$11,189,702	45	0.4%
City First Mortgage Services, LLC	\$11,126,089	54	0.4%

At a Glance	
Average Annual Income	\$62,238
Average Purchase Price	\$217,146
Average Loan Amount	\$212,040
Average Household Size	2
Average Interest Rate	3.559%
Program	%
Home Sweet Texas	85.24%
Homes for Texas Heroes	14.76%
Active Military	0.95%
Allied Health Faculty	0.13%
Corrections Officer	0.70%
County Jailer	0.14%
EMS Personnel	0.32%
Fire Fighter	0.70%
Peace Officer	1.10%
Professional Nurse Faculty	0.91%
Public Security Officer	0.25%
School Counselor	0.11%
School Librarian	0.01%
School Nurse	0.02%
Teacher	7.41%
Teacher Aide	0.18%
Veteran	1.82%
New/Existing Home	
Existing	71.74%
New	28.26%
Type of Loan	
Conventional - Purchase	17.46%
FHA - Purchase	76.89%
USDA-RHS Purchase	1.48%
VA - Purchase	4.18%
Ethnicity	
American Indian/Alaskan Native	0.26%
Asian/Pacific Islander	1.32%
Black	12.86%
Hispanic	40.01%
Not Defined	7.00%
Other	4.88%
White	33.68%
Top 20 Originating Counties*	# Households
Harris	2060
Tarrant	1467
Bexar	1376
Dallas	1123
Denton	400
Montgomery	383
Kaufman	364
El Paso	358
Collin	346
Bell	336
Williamson	310
Fort Bend	297
Ellis	225
Johnson	214
Ector	208
Travis	207
Lubbock	207
Brazoria	201
Galveston	199
Midland	194
*Top 20 of all counties statewide. All remaining counties served 3737 households.	



**Homeownership Programs with Down Payment Assistance
January 1 to August 31, 2021**

Panorama Mortgage Group, LLC	\$10,732,333	52	0.4%
Legacy Mortgage, LLC	\$10,511,399	64	0.3%
First National Bank Mortgage	\$9,797,367	56	0.3%
Summit Funding, Inc.	\$9,700,276	41	0.3%
Sente Mortgage Inc.	\$9,614,951	45	0.3%
Infinity Mortgage Holdings, LLC	\$9,524,818	51	0.3%
Republic State Mortgage Co.	\$9,483,528	39	0.3%
DAS Acquisition Company, LLC	\$9,442,882	37	0.3%
BancorpSouth Bank	\$8,700,816	42	0.3%
LeaderOne Financial	\$8,514,011	45	0.3%
Southwest Bank	\$8,345,659	45	0.3%
FBC Mortgage LLC	\$8,073,864	39	0.3%
Prosperity Home Mortgage, LLC	\$7,987,301	37	0.3%
Texas Bank Mortgage Company	\$7,845,759	40	0.3%
First Financial Bank, N.A.	\$7,786,578	52	0.3%
Homeside Financial	\$7,766,263	35	0.3%
American Neighborhood Mortgage	\$7,725,058	36	0.3%
Patriot Mortgage Company	\$7,650,355	43	0.3%
First Bank & Trust	\$7,543,990	44	0.3%
Finance Home America	\$7,197,820	35	0.2%
M/I Financial, LLC	\$7,127,966	28	0.2%
American Financial Network, Inc.	\$6,841,072	32	0.2%
Texas Tech Federal Credit Union	\$6,357,890	42	0.2%
Loan Simple, Inc.	\$6,229,379	28	0.2%
Lend Smart Mortgage, LLC	\$5,967,551	25	0.2%
America's Choice Home Loans, LP	\$5,910,923	28	0.2%
HomeBridge Financial Services	\$5,792,360	28	0.2%
Bank of England	\$5,767,522	27	0.2%
InterCap Lending, Inc.	\$5,507,947	25	0.2%
Hometown Lenders, Inc.	\$5,504,781	25	0.2%
Churchill Mortgage Corporation	\$5,458,474	24	0.2%
Geneva Financial, LLC	\$5,380,220	24	0.2%
Happy State Bank	\$5,305,320	35	0.2%
Envoy Mortgage	\$5,180,978	24	0.2%
Pilgrim Mortgage, LLC	\$4,956,024	24	0.2%
Change Lending, LLC	\$4,708,732	25	0.2%
Nations Lending Corporation	\$4,316,237	22	0.1%
Moria Development/Peoples Mortgage Co	\$4,044,938	19	0.1%
Rocky Mountain Mortgage Company	\$3,741,738	22	0.1%
Associated Mortgage Corporation	\$3,550,005	22	0.1%
Origin Bank	\$3,531,909	16	0.1%
Goldwater Bank, N.A.	\$3,489,999	16	0.1%
City Bank Mortgage	\$3,429,477	18	0.1%
Mortgage Solutions of Colorado, LLC	\$3,424,538	13	0.1%
New American Funding (Broker Solutions)	\$3,168,646	18	0.1%
K Hovnanian American Mortgage, LLC	\$3,057,179	12	0.1%
Midwest Mortgage Associates Corp.	\$2,937,823	13	0.1%
Hancock Mortgage Partners, LLC	\$2,927,020	13	0.1%
First Home Bank	\$2,865,470	14	0.1%
Amerifirst Financial, Inc.	\$2,639,852	13	0.1%
Planet Home Lending, LLC	\$2,507,215	12	0.1%
LHM Financial Corp., dba CNN Mortgage	\$2,482,770	11	0.1%
T2 Financial dba Revolution Mortgage	\$2,434,202	11	0.1%
Sun West Mortgage Company, Inc.	\$2,404,201	12	0.1%
Home Financing Unlimited, Inc.(Mission)	\$2,395,676	8	0.1%
Efinity Financial Inc.	\$2,256,179	10	0.1%
Open Mortgage LLC	\$2,199,362	11	0.1%
Michigan Mutual, Inc.	\$2,182,357	8	0.1%
Cadence Lending Group, Inc.	\$2,158,664	12	0.1%
Guaranteed Rate Affinity, LLC	\$2,057,753	11	0.1%
1st Preference Mortgage Corporation	\$1,978,890	9	0.1%
Paramount Residential Mortgage Group	\$1,939,015	9	0.1%
University Federal Credit Union	\$1,921,723	8	0.1%
V.I.P. Independent Mortgage, Inc.	\$1,867,281	9	0.1%



**Homeownership Programs with Down Payment Assistance
January 1 to August 31, 2021**

Assurance Financial Group, LLC	\$1,853,308	9	0.1%
First Centennial Mortgage Corporation	\$1,736,056	10	0.1%
Union Home Mortgage	\$1,673,034	8	0.1%
Finance of America Mortgage, LLC	\$1,615,257	8	0.1%
Jefferson Bank	\$1,590,307	9	0.1%
First State Bank	\$1,538,000	8	0.1%
Guardian Mortgage	\$1,512,495	7	0.1%
Residential Bancorp, Inc.	\$1,412,953	9	0.0%
FFC Mortgage Corp. dba Home 123 Mortgage	\$1,326,447	6	0.0%
Bay Equity LLC	\$1,315,204	6	0.0%
First Community Mortgage, Inc	\$1,310,470	7	0.0%
Homevantage Mortgage	\$1,239,570	6	0.0%
International Bank of Commerce	\$1,001,165	5	0.0%
Victorian Finance LLC	\$821,739	5	0.0%
LOANPEOPLE, LLC	\$788,710	3	0.0%
University Lending Group, LLC	\$757,424	5	0.0%
Peoples Bank	\$730,006	5	0.0%
Amarillo National Bank	\$555,746	4	0.0%
Great Western Financial Services, Inc.	\$498,798	2	0.0%
Canopy Mortgage, LLC	\$467,377	2	0.0%
Community National Bank	\$453,499	2	0.0%
Colonial Savings, F.A.	\$452,892	2	0.0%
Central Bank	\$432,850	2	0.0%
US Mortgage of Florida	\$425,156	2	0.0%
First Horizon Bank	\$353,479	2	0.0%
LendUS, LLC	\$338,750	2	0.0%
Mann Mortgage, LLC	\$333,263	2	0.0%
Axia Financial, LLC	\$302,594	1	0.0%
CalCon Mutual Mortgage LLC	\$300,700	2	0.0%
The Federal Savings Bank	\$287,201	1	0.0%
Mortgage300 Corp.	\$286,807	2	0.0%
Gibraltar Mortgage Services, LLC	\$240,405	1	0.0%
NFM, INC.	\$216,015	1	0.0%
Capstar Lending, LLC	\$203,700	1	0.0%
BM REAL ESTATE SERVICES, INC.	\$200,785	1	0.0%
Citywide Home Loans, a Utah Corporation	\$194,413	1	0.0%
Encompass Lending Group, LP	\$163,817	1	0.0%
Draper and Kramer Mortgage Corporation	\$147,257	1	0.0%
American Nationwide Mortgage Company	\$145,500	1	0.0%
TSAHC	\$100,000	1	0.0%
Wells Fargo Bank, N.A.	\$89,240	1	0.0%
Grand Total	\$3,013,516,300	14212	100%



**Mortgage Credit Certificate Program
January 1 to August 31, 2021**

Month	Closed	# of Loans	% Total
Jan	\$ 30,928,529	151	8%
Feb	\$ 33,295,886	160	8%
Mar	\$ 46,892,086	216	12%
Apr	\$ 49,402,346	229	13%
May	\$ 55,105,725	257	14%
Jun	\$ 64,181,639	304	16%
Jul	\$ 56,459,839	256	14%
Aug	\$ 58,864,011	273	15%
Totals	\$395,130,061	1846	100%
Lender	Closed	# of Loans	% Total
Everett Financial, dba Supreme Lending	\$30,608,877	142	7.7%
Fairway Independent Mortgage Corporation	\$25,308,631	123	6.7%
Gateway Mortgage Group, a division of	\$23,905,746	113	6.1%
Stearns Lending, LLC	\$20,800,812	85	4.6%
Primelending	\$17,412,216	80	4.3%
Amcap Mortgage, LTD	\$14,709,026	71	3.8%
Guild Mortgage Corporation	\$12,978,485	64	3.5%
Pulte Mortgage LLC	\$12,318,749	53	2.9%
Guaranteed Rate	\$12,085,151	60	3.3%
Movement Mortgage, LLC	\$11,173,136	53	2.9%
DHI Mortgage Company, Ltd.	\$10,554,088	44	2.4%
SFMC, LP dba Service First Mortgage Comp	\$10,143,352	48	2.6%
Cardinal Financial Company	\$10,121,085	46	2.5%
Academy Mortgage Corporation	\$9,481,038	46	2.5%
Crosscountry Mortgage, LLC	\$9,363,416	46	2.5%
Ark-La-Tex Financial (Benchmark Mtg.)	\$8,679,471	38	2.1%
loanDepot.com LLC	\$8,518,640	38	2.1%
CMG Mortgage, Inc. dba CMG Financial	\$8,044,167	37	2.0%
Hometrust Mortgage Company	\$7,420,623	41	2.2%
First Continental Mortgage, Ltd.	\$7,147,899	26	1.4%
Highlands Residential Mortgage	\$6,206,129	30	1.6%
Thrive Mortgage, LLC	\$5,230,611	23	1.2%
Security National Mortgage Company	\$5,191,215	25	1.4%
Synergy One Lending, Inc.	\$4,478,821	22	1.2%
Wallick and Volk, Inc.	\$4,008,976	19	1.0%
Nations Reliable Lending, LLC	\$3,945,499	21	1.1%
Interlinc Mortgage Services, LLC	\$3,532,727	16	0.9%
Summit Funding, Inc.	\$3,364,495	14	0.8%
Caliber Home Loans, Inc.	\$3,361,390	16	0.9%
Texas Bank Mortgage Company	\$3,319,765	17	0.9%
Town Square Mortgage & Investments, Inc.	\$3,050,203	16	0.9%
American Pacific Mortgage Corporation	\$2,950,444	14	0.8%
Southwest Funding, LP	\$2,909,305	14	0.8%
Lennar Mortgage, LLC	\$2,870,339	13	0.7%
Inspire Home Loans, Inc.	\$2,797,764	12	0.7%
University Federal Credit Union	\$2,766,399	11	0.6%
Mid America Mortgage, Inc.	\$2,590,723	12	0.7%
BancorpSouth Bank	\$2,517,955	12	0.7%
1st Preference Mortgage Corporation	\$2,511,213	12	0.7%
Primary Residential Mortgage, Inc.	\$2,325,033	11	0.6%
Sente Mortgage Inc.	\$2,301,473	11	0.6%
CLM Mortgage, Inc.	\$2,280,284	9	0.5%
America's Choice Home Loans, LP	\$2,153,489	9	0.5%
Bank of America, N.A.	\$2,148,274	11	0.6%
Network Funding, LP	\$2,109,024	10	0.5%
KBHS Home Loan, LLC	\$1,979,218	8	0.4%
SWBC Mortgage Corporation	\$1,968,937	10	0.5%
American Neighborhood Mortgage	\$1,838,427	9	0.5%
Gardner Financial Services, Ltd.	\$1,759,185	9	0.5%
Paramount Residential Mortgage Group	\$1,616,206	6	0.3%
Republic State Mortgage Co.	\$1,463,813	6	0.3%
American Financial Network, Inc.	\$1,450,316	8	0.4%
Waterstone Mortgage Corporation	\$1,148,882	5	0.3%
Trinity Oaks Mortgage	\$1,088,911	5	0.3%

At a Glance	
Total Amount Originated	\$395,130,061
Average Annual Income	\$58,845
Average Purchase Price	\$221,625
Average Loan Amount	\$214,047
Average Household Size	2
Average Interest Rate	3.467%
Program	%
Home Sweet Texas	84.13%
Homes for Texas Heroes	15.87%
Active Military	0.27%
Allied Health Faculty	0.00%
Corrections Officer	0.70%
County Jailer	0.11%
EMS Personnel	0.33%
Fire Fighter	0.65%
Peace Officer	0.87%
Professional Nurse Faculty	0.87%
Public Security Officer	0.22%
School Counselor	0.11%
School Librarian	0.00%
School Nurse	0.00%
Teacher	9.86%
Teacher Aide	0.33%
Veteran	1.57%
New/Existing Home	
Existing	67.82%
New	32.18%
Type of Loan	
Conventional - Purchase	25.73%
FHA - Purchase	68.36%
USDA-RHS Purchase	3.95%
VA - Purchase	1.95%
Ethnicity	
American Indian/Alaskan Native	0.24%
Asian/Pac Isle	3.99%
Black	14.88%
Hispanic	35.47%
Not Defined	7.02%
Other	8.60%
White	29.80%
Top 20 Originating Counties*	# of Loans
Harris	330
Tarrant	216
Bexar	175
Dallas	141
Williamson	103
Travis	78
Denton	66
Kaufman	59
Montgomery	50
Hays	44
Fort Bend	38
Collin	37
Galveston	31
El Paso	28
Bell	24
Ellis	23
Hidalgo	23
Brazoria	23
Johnson	22
Nueces	20

*Top 20 of all counties statewide. All remaining counties served 315 households.



**Mortgage Credit Certificate Program
January 1 to August 31, 2021**

Nations Lending Corporation	\$1,042,202	5	0.3%
DAS Acquisition Company, LLC	\$1,039,087	5	0.3%
NTFN, Inc.	\$1,037,895	5	0.3%
Panorama Mortgage Group, LLC	\$1,026,817	5	0.3%
Certainty Home Loans, LLC	\$983,552	5	0.3%
AML Funding, LLC	\$971,250	4	0.2%
Bank of England	\$955,790	4	0.2%
Hometown Lenders, Inc.	\$903,173	4	0.2%
Cornerstone Home Lending, Inc.	\$863,420	4	0.2%
First Bank & Trust	\$814,743	7	0.4%
Change Lending, LLC	\$813,684	5	0.3%
First National Bank Mortgage	\$811,805	3	0.2%
Open Mortgage LLC	\$792,744	4	0.2%
First Centennial Mortgage Corporation	\$773,158	5	0.3%
Barton Creek Lending Group	\$763,210	3	0.2%
Associated Mortgage Corporation	\$741,320	6	0.3%
Envoy Mortgage	\$733,147	4	0.2%
Geneva Financial, LLC	\$661,908	3	0.2%
Sun West Mortgage Company, Inc.	\$661,314	3	0.2%
Homeside Financial	\$611,650	3	0.2%
Home Financing Unlimited, Inc.(Mission)	\$603,216	2	0.1%
Brazos National Bank	\$589,390	2	0.1%
Guaranteed Rate Affinity, LLC	\$560,539	3	0.2%
InterCap Lending, Inc.	\$535,806	2	0.1%
LHM Financial Corp., dba CNN Mortgage	\$486,033	2	0.1%
City First Mortgage Services, LLC	\$480,097	2	0.1%
Colonial Savings, F.A.	\$431,125	2	0.1%
Moria Development/Peoples Mortgage Co	\$424,375	2	0.1%
Jefferson Bank	\$392,848	3	0.2%
Mortgage Financial Services, LLC	\$385,291	2	0.1%
New American Funding (Broker Solutions)	\$379,990	2	0.1%
First State Bank	\$377,465	2	0.1%
Directions Equity, LLC	\$376,678	2	0.1%
Homevantage Mortgage	\$353,517	2	0.1%
Mann Mortgage, LLC	\$333,263	2	0.1%
Willow Bend Mortgage Company, LLC	\$325,516	2	0.1%
LeaderOne Financial	\$307,956	2	0.1%
Taylor Morrison Home Funding, Inc.	\$306,297	1	0.1%
Assurance Financial Group, LLC	\$304,385	1	0.1%
Happy State Bank	\$271,982	1	0.1%
M/I Financial, LLC	\$268,707	1	0.1%
Midwest Mortgage Associates Corp.	\$237,553	1	0.1%
First Bank	\$236,634	1	0.1%
Independent Bank	\$228,990	1	0.1%
LOANPEOPLE, LLC	\$218,250	1	0.1%
NFM, INC.	\$216,015	1	0.1%
Goldwater Bank, N.A.	\$208,160	1	0.1%
BM REAL ESTATE SERVICES, INC.	\$200,785	1	0.1%
K&G Capital Mortgage, LLC	\$199,687	1	0.1%
HomeBridge Financial Services	\$196,377	1	0.1%
Origin Bank	\$196,278	1	0.1%
Planet Home Lending, LLC	\$194,413	1	0.1%
City Bank Mortgage	\$191,468	1	0.1%
Loan Simple, Inc.	\$180,456	1	0.1%
Mortgage Solutions LP	\$179,450	1	0.1%
First Community Mortgage	\$162,993	1	0.1%
Finance of America Mortgage, LLC	\$162,600	1	0.1%
American Nationwide Mortgage Company	\$145,500	1	0.1%
Roberson Mortgage Inc.	\$145,319	1	0.1%
Amarillo National Bank	\$122,735	1	0.1%
Total Committed	\$395,130,061	1846	100%

Tab B

Development Finance Report

Texas State Affordable Housing Corporation

Development Finance Programs Report November 2021

Affordable Communities of Texas Program (ACT)

This past month staff has been focusing on property acquisitions for the ACT Land Bank. TSAHC is under contract for a property, located near downtown San Antonio, that was made available through the National Community Stabilization Trust's First Look Program.

Mechanical inspections are complete for housing construction at 1314 N. Center in San Antonio; staff estimates a mid-November substantial construction completion date. The home at 1418 N. Navidad, also in San Antonio, is estimated to be complete by late December.

Staff has progressed the redevelopment of its ACT property in Greenville and is awaiting the City approved and recorded re-plat that converts this lot into three single-family lots intended for single-family affordable homeownership to households at or below 80% area median income.

Here is a summary of the past month's portfolio activity:

Program	Portfolio as of October 1, 2021	Transferred	Sold	Portfolio as of November 1, 2021	Current Portfolio Value
ACT Land Bank	17		1	16	\$136,631.60
ACT Land Trust	1			1	\$650,000.00
Totals	18			17	\$786,631.60

Our current pipeline report:

- 1 property under contract
- 6 properties listed for sale
- 5 homes under construction
- 2 properties leased to Local Partner
- 2 properties in predevelopment
- 1 property searching for a Local Partner

Texas Housing Impact Fund

Staff is working to close on the renewal of a revolving line of credit to Legacy CDC, in the amount of \$600,000, as approved at the October board meeting. Legacy CDC has been involved in TSAHC's ACT and THIF programs since 2013 and has utilized approximately \$1.57 million in loan capital for the construction/rehabilitation of 30 single-family homes primarily located in Jefferson County.

Multifamily Bond Program

On October 18, TSAHC successfully closed on the W. Leo Daniels Apartments project. The project will renovate 100 units for seniors in Houston. The project is the first of two transactions with developers ITEX Group and Jeshurun Development to close this year. Staff has also submitted a Notice of Intent to Issue Bonds to the Texas Bond Review Board for the Sandpiper Cove transaction and anticipates receiving approval to move forward with closing by November 19th.

Tab C

Monthly Financial Reports

Texas State Affordable Housing Corporation

Statement of Net Position (unaudited)

As of September 30, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 7,202,124
Restricted assets:	
Cash and cash equivalents	5,662,565
Short-term Investments, at Fair Market Value	2,314,999
Accrued interest	39,920
Custodial cash and cash equivalents	217,473
Investments, at fair value	6,489,625
Accounts receivable and accrued revenue	2,674,792
Accrued interest receivable	64,344
Loans receivable, current portion	67,779
Notes receivable, current portion	5,419,981
Downpayment assistance, current portion	553,010
Prepaid expenses	267,504

Total current assets	<u>30,974,116</u>
----------------------	-------------------

Noncurrent assets:

Loans receivable, net of uncollectible amounts of \$247	283,787
Notes receivable, net of allowance for loss \$450,852	148,054,789
Investments, at fair market value	34,159,642
Mortgage servicing rights, net of accumulated amortization of \$2,595,649	132,412
Capital assets, net of accumulated depreciation of \$616,396	5,987,380
Owned real estate, federal & other programs, net of amortization of \$1,593,822	9,795,070
Downpayment assistance	160,229
Restricted investments held by bond trustee, at fair market value	<u>27,374,030</u>

Total noncurrent assets	<u>225,947,339</u>
-------------------------	--------------------

Total assets	<u>\$ 256,921,455</u>
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(continued)

Texas State Affordable Housing Corporation

Statement of Net Position (unaudited)

As of September 30, 2021

Liabilities

Current liabilities:

Accounts payable and accrued expenses	\$ 407,441
Notes payable, current portion	365,330
Custodial reserve funds	217,473
Other current liabilities	1,781,652
Payable from restricted assets held by bond trustee:	
Revenue bonds payable, current portion	600,000
Accrued interest on revenue bonds	114,608

Total current liabilities	<u>3,486,504</u>
---------------------------	------------------

Noncurrent liabilities:

Notes payable	2,104,752
Revenue bonds payable	29,091,955
Unearned revenue	<u>2,804,358</u>

Total noncurrent liabilities	<u>34,001,065</u>
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Total liabilities	<u>37,487,569</u>
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Deferred Inflows of Resources

Deferred revenue	<u>152,934</u>
------------------	----------------

Total deferred inflows of resources	<u>152,934</u>
-------------------------------------	----------------

Net Position

Invested in capital assets	5,987,380
Restricted for:	
Debt service	3,182,574
Other purposes	3,115,599
Unrestricted	<u>206,995,399</u>

Total net position	<u>219,280,952</u>
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Total liabilities and net position	<u><u>\$ 256,921,455</u></u>
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Texas State Affordable Housing Corporation

Statement of Revenues, Expenses and Changes in Net Position (unaudited) For the 1 Month Ending September 30, 2021

Operating Revenues:	
Interest and investment income	\$ 218,304
Net increase (decrease) in fair value of investments	(286,672)
Single family income	14,344,980
Asset oversight and compliance fees	33,698
Rental program income	69,225
Multifamily income	85,923
Public support:	
Federal & state grants	2,816
Contributions	35,024
Other operating revenue	8,656
Total operating revenues	\$ <u>14,511,954</u>
Operating Expenses:	
Interest expense on bonds and notes payable	\$ 6,492
Program and loan administration	29,459
Salaries, wages and payroll related costs	343,929
Professional fees and services	16,544
Depreciation and amortization	57,763
Office expense and maintenance	9,099
Travel and meals	2,366
Other operating expenses	58,485
Total operating expenses	<u>524,137</u>
Net income	13,987,817
Total net position, beginning	<u>205,293,135</u>
Total net position, ending	\$ <u><u>219,280,952</u></u>

Texas State Affordable Housing Corporation
Budget Report
September 30, 2021

	Annual Budget	Actual	Percent of Annual Budget	Reference
Revenue				
Single Family Program Revenue	19,692,000	2,830,277	14%	①
Lending Program Revenue	6,251,000	35,914	1%	
Multifamily Program Revenue	1,203,000	109,740	9%	
Rental Program Revenue	1,237,000	49,397	4%	
Federal & State Grants	1,036,000	15,437	1%	
Grants, Donations & Other Awards	385,000	35,024	9%	
Land Bank Revenue	195,000	7,343	4%	
Servicing Revenue	96,000	10,564	11%	②
Investment Revenue	1,535,000	184,439	12%	③
Total Revenue	31,630,000	3,278,135	10%	
Expenditures				
Texas Housing Impact Fund	9,975,000	-	0%	
Affordable Communities of Texas	7,700,000	275	0%	
Other Program Expenditures	4,310,000	65,444	2%	
Salaries & Payroll Related Expenditures	4,300,000	343,929	8%	
Grants	1,825,000	-	0%	
Principal & Interest on Notes Payable	1,748,000	10,236	1%	
Professional Services	636,000	16,544	3%	
Marketing	180,000	3,643	2%	
Insurance	257,000	12,883	5%	
Travel & Meals	118,000	2,366	2%	
Furniture, Equipment, & Software	56,000	845	2%	
Building Maintenance	54,000	3,741	7%	
Professional Dues, Conferences & Training	56,000	421	1%	
Sponsorships	20,000	1,000	5%	
Communication	28,000	1,900	7%	
Bank Fees & Charges	19,000	1,565	8%	
Publications, Subscriptions & Other Office Ex	15,000	1,094	7%	
Freight, Delivery, Postage	12,000	523	4%	
Printing & Office Supplies	5,000	314	6%	
Total Expenditures	31,314,000	466,723		
Excess Revenues Over Expenditures	316,000	2,811,412		

Average Expected Percent Received/Expended = 8%

Texas State Affordable Housing Corporation
Budget Report
September 30, 2021

Explanations

- ① There is a lag time of approximately 60 to 90 days between the time a reservation is made and when the Corporation receives the income associated with a loan. The budget is based on the assumption that we will be reserving an average of \$20 to \$25 million each day. The income received in September 2021 is associated with loans made earlier in fiscal year 2021 when reservations were higher at approximately \$35 million each day. We expect this line item will be on target by year end.
- ② Servicing Revenue is higher than budgeted due to the payoff of a second lien loan during September.
- ③ Investment revenue varies from month to month with some months having more income than others depending on maturities, refinancing of loans in mortgage backed securities and other factors. We anticipate that this line item will be on target by year end.

Tab 1

Presentation, Discussion and Possible Approval of Minutes of the Board
Meeting held on October 13, 2021.

**TEXAS STATE AFFORDABLE HOUSING CORPORATION
BOARD MEETING**

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

**October 13, 2021
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 Bill Dietz, Chair, at 10:34 a.m., on October 13, 2021, at the offices of Texas State Affordable Housing Corporation, 6701 Shirley Avenue, Austin, TX 78752. Roll Call certified that a quorum was present.

Members Present:

Bill Dietz, Chair

Valerie Cardenas, Vice Chair

Andy Williams, Member

Courtney Johnson Rose, Member

Lemuel Williams, Member

Guests Present:

Blake Roberts, PFM

Scott Marks, Coats Rose

President’s Report

David Long

See page 5 in the official transcript.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on September 15, 2021.

Mr. Lemuel Williams made a motion to approve the minutes of the Board meeting held September 15, 2021. Ms. Cardenas seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken, and the motion passed unanimously.

See page 10 in the official transcript.

Tab 2 Presentation, discussion, and possible approval of a resolution approving a Texas Housing Impact Fund second lien bridge loan to Kiva East, LLC in an amount not to exceed \$1,000,000 for the Kiva East Apartments.

Presented by Cassandra Ramirez, Development Finance Manager

Ms. Rose made a motion to approve a resolution approving a Texas Housing Impact Fund second lien bridge loan to Kiva East, LLC in an amount not to exceed \$1,000,000 for the Kiva East Apartments. Mr. Lemuel

Williams seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken, and the motion passed unanimously.

See page 11 in the official transcript.

Tab 3 Presentation, discussion, and possible approval of a resolution approving a Texas Housing Impact Fund second lien bridge loan to June West, LLC in an amount not to exceed \$1,200,000 for the June West Apartments.

Presented by Cassandra Ramirez, Development Finance Manager

Ms. Rose made a motion to approve a resolution approving a Texas Housing Impact Fund second lien bridge loan to June West, LLC in an amount not to exceed \$1,200,000 for the June West Apartments. Mr. Andy Williams seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken. The motion passed unanimously.

See page 14 in the official transcript.

Tab 4 Presentation, Discussion and Possible Approval of a Resolution authorizing a Texas Housing Impact Fund revolving line of credit construction loan to Legacy Community Development Corporation in an amount not to exceed \$600,000.

Presented by Cassandra Ramirez, Development Finance Manager

Mr. Andy Williams made a motion to approve a Resolution authorizing a Texas Housing Impact Fund revolving line of credit construction loan to Legacy Community Development Corporation in an amount not to exceed \$600,000. Ms. Cardenas seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken, and the motion passed unanimously.

See page 19 in the official transcript.

Tab 5 Presentation, Discussion and Possible Approval of the Publication for Public Comment of the Guidelines, Scoring Criteria and Targeted Housing Needs for the Allocation of Qualified Residential Rental Project Tax Exempt Bond Funds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2022.

Presented by David Danenfelzer, Senior Director, Development Finance

Ms. Cardenas made a motion to approve the Publication for Public Comment of the Guidelines, Scoring Criteria and Targeted Housing Needs for the Allocation of Qualified Residential Rental Project Tax Exempt Bond Funds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2022. Mr. Lemuel Williams seconded the motion. Mr. Dietz asked for public comment and no public comment was given. A vote was taken, and the motion passed unanimously.

See page 23 in the official transcript.

Tab 6 Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Mortgage Housing Revenue Notes (Sandpiper Cove Apartments) Series 2021A-1 and 2021A-2, a Funding Loan

Agreement, a Borrower Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement.

Presented by David Danenfelzer, Senior Director, Development Finance

Public Comment

Bobken Simonians
Loia Wilkerson
Gladys Richardson
Jessica Blanks
David Wheaton
Ericka Bowman
Clarence Graham
Carlita Johnson
Samson Babalola

Ms. Cardenas made a motion to approve a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Mortgage Housing Revenue Notes (Sandpiper Cove Apartments) Series 2021A-1 and 2021A-2, a Funding Loan Agreement, a Borrower Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement. Ms. Rose seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken, and the motion passed with 3 votes in favor and 2 against.

See page 34 in the official transcript.

Announcements and Closing Comments

Mr. Long and Board Members tentatively scheduled the next Board Meeting for November 17, 2021, at 10:30am.

Adjournment

Mr. Dietz adjourned the meeting at 12:22pm.

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, 2021.

November 17, 2021

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

We have audited the financial statements of the business-type activities of Texas State Affordable Housing Corporation (the “Corporation”) for the year ended August 31, 2021. 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 October 11, 2021. 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 the year ended August 31, 2021. 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, the allowance for doubtful notes 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 November 17, 2021.

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 world. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, while this issue is expected to negatively impact the Corporation's business, 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 schedule of expenditures of federal awards and the supplemental data required by the U.S. Department of Housing and Urban Development ("supplementary information"), which is not RSI. With respect to this supplementary information, 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 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 information and 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 these 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, 2021 and
Independent Auditors' Report**

Texas State Affordable Housing Corporation

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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, 2021, 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, 2021, 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 10 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 November 17, 2021 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
November 17, 2021

Management's Discussion and Analysis

Texas State Affordable Housing Corporation

Management's Discussion and Analysis

Fiscal Year Ended August 31, 2021

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, 2021. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- At August 31, 2021 the Corporation's total assets equaled \$253.1 million; of this amount \$43.2 million represents assets associated with the single-family bond program; \$45.4 million represents unrestricted cash, cash equivalents and investments; \$140.9 million consists of loans and notes receivable; and \$9.9 million represents real estate held under the Affordable Communities of Texas ("ACT") Program, and the Rental Program. Total assets increased approximately \$100.6 million during 2021 primarily due to the increase in second lien notes receivable associated with the Single Family TBA Program.
- The Corporation's liabilities totaled \$47.7 million of which \$39.7 million relates to the single-family bond program and \$4.1 million consists of notes payable. Total liabilities decreased approximately \$21.8 million in 2021 resulting primarily from the payment of the Corporation's single-family bond debt and the payoff of the National Stabilization Program ("NSP") loan to Texas Department of Housing and Community Affairs.
- At the close of the fiscal year ending August 31, 2021 the Corporation's assets exceeded its liabilities and deferred inflows of resources by \$205.3 million. Of this amount, \$192.7 million may be used to meet the Corporation's ongoing obligations to the public and creditors, \$6.5 million is restricted and \$6 million is invested in capital assets.
- The Corporation's operating revenues for 2021 totaled \$130.9 million and operating revenues exceeded operating expenses by approximately \$122.4 million. The major revenue sources were interest and investment income totaling \$2.7 million, single family program income equaling \$127.9 million, and grants/contributions of \$1.1 million. Revenue increased in 2021 by approximately \$82.6 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 2021 consist primarily of interest expense on bonds and notes payable of \$1.2 million, salary expense of \$3.7 million, and Texas Foundation Fund Grants of \$0.9 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 and deferred inflows of resources, 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

			Increase (Decrease)	
	2021	2020	Amount	Percentage
Assets:				
Current assets	\$ 33,422,824	\$ 32,469,376	\$ 953,448	2.94%
Noncurrent assets	219,716,460	120,087,270	99,629,190	82.96%
Total assets	253,139,284	152,556,646	100,582,638	65.93%
Liabilities:				
Current liabilities	11,374,045	5,391,932	5,982,113	110.95%
Noncurrent liabilities	36,318,314	64,126,309	(27,807,995)	(43.36%)
Total liabilities	\$ 47,692,359	\$ 69,518,241	\$ (21,825,882)	(31.40%)
Deferred Inflows of Resources-				
Deferred Revenue	\$ 153,790	\$ 165,126	\$ (11,336)	(6.87%)
Net Position:				
Invested in capital assets	6,008,392	1,214,725	4,793,667	394.63%
Restricted for debt service	3,459,206	6,623,541	(3,164,335)	(47.77%)
Restricted for other purposes	3,080,575	3,309,346	(228,771)	(6.91%)
Unrestricted	192,744,962	71,725,667	121,019,295	168.73%
Total net position	\$ 205,293,135	\$ 82,873,279	\$ 122,419,856	147.72%

The Corporation's net position increased from \$82.9 million to \$205.3 million in fiscal year 2021. Of this amount, restricted assets totaled \$6.5 million, capital assets equaled \$6 million and the remaining balance of \$192.7 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 \$152.6 million to \$253.1 million during fiscal year 2021. 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, 2021, the Corporation's current assets totaled \$33.4 million and current liabilities equaled \$11.4 million resulting in available net working capital of \$22 million.

Noncurrent assets consisted of restricted investments held by the bond trustee of \$30.7 million; owned real estate totaling \$9.9 million; noncurrent investments of \$37.3 million; notes and loans receivable of \$135.4 million; and capital assets net of accumulated depreciation of \$6 million.

Noncurrent liabilities consisted of bonds payable totaling \$31.4 million; notes payable of \$2.1 million; and unearned revenue of \$2.8 million.

Statement of Revenues, Expenses and Changes in Net Position

			Increase (Decrease)	
	2021	2020	Amount	Percentage
Revenues:				
Interest and investment income	\$ 2,675,450	\$ 3,489,217	\$ (813,767)	(23.32%)
Net increase (decrease) in fair value of investments	(2,457,109)	2,518,590	(4,975,699)	(197.56%)
Single family income	127,920,500	36,489,699	91,430,801	250.57%
Rental program income	612,767	744,444	(131,677)	(17.69%)
Multifamily income	528,944	436,713	92,231	21.12%
Public support	1,138,971	3,529,768	(2,390,797)	(67.73%)
Other	482,251	1,045,574	(563,323)	(53.88%)
Total income	<u>\$ 130,901,774</u>	<u>\$ 48,254,005</u>	<u>\$ 82,647,769</u>	<u>171.28%</u>
Expenses:				
Interest expense on bonds & notes payable	1,236,568	2,236,052	(999,484)	(44.70%)
Salaries, wages & payroll related costs	3,655,394	3,091,966	563,428	18.22%
Program and loan administration	644,424	761,099	(116,675)	(15.33%)
Texas Foundations Fund & Rebuild Texas grants	916,000	1,164,000	(248,000)	(21.31%)
Other	2,029,532	1,563,902	465,630	29.77%
Total expenses	<u>\$ 8,481,918</u>	<u>\$ 8,817,019</u>	<u>(335,101)</u>	<u>(3.80%)</u>
Net income	122,419,856	39,436,986	82,982,870	210.42%
Beginning net position	<u>82,873,279</u>	<u>43,436,293</u>	<u>39,436,986</u>	<u>90.79%</u>
Ending net position	<u>\$ 205,293,135</u>	<u>\$ 82,873,279</u>	<u>\$ 122,419,856</u>	<u>147.72%</u>

Interest and investment income decreased \$0.8 million from the previous year. This resulted primarily from the decrease 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 \$82.6 million during fiscal year 2021 resulting primarily from a \$91 million increase in single family income. The increase can be attributed to the introduction of the second lien loan program.

Rental Program income decreased approximately \$132,000 from the previous year resulting primarily from a decrease in property sales. Multifamily Income increased approximately \$92,000 due to greater volume in both the multifamily lending and bond programs. Public support decreased approximately \$2.4 million from the previous fiscal year. This was due to the recognition of a Capital Magnet Fund grant in fiscal year 2020.

Interest expense on bonds and notes payable decreased \$999,000 from the previous year. This is a direct result of the decrease in single family bond activity.

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

This document is a draft for internal review and discussion and is not intended for external distribution.

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 2021, as well as the use of these funds, were as follows:

<u>FY 2021 Grant Applications Submitted</u>	<u>Status</u>	<u>Amount Requested</u>	<u>Amount Received</u>	<u>Program/ Activity</u>
BBVA	Received	\$ 20,500	\$ 23,000	Home Buyer Education
BBVA	Received	\$ 16,500	\$ 16,500	Housing Connection Program
BBVA	Received	\$ 5,500	\$ 5,500	Texas Foundation Fund
Wells Fargo	Received	\$ 20,000	\$ 20,000	PSH Institute
Wells Fargo	Received	\$ 5,000	5,000	PSH Institute
Frost	Received	\$ 5,000	\$ 5,000	PSH Institute
TFEE	Received	\$ 30,000	\$ 12,000	Housing Connection Program
Insperty	Received	\$ 5,000	\$ 5,000	PSH Institute
Regions Bank	Received	\$ 5,000	\$ 5,000	PSH Institute
Dominium	Received	\$ 5,000	\$ 5,000	PSH Institute
LISC	Received	\$ 5,000	\$ 5,000	Texas Housing Stability Collaborative
Texas Capital Bank	Received	\$ 45,000	\$ 15,000	Texas Housing Impact Fund and PSH Institute
JP Morgan Chase	Received	\$ 125,000	\$ 125,000	PSH Institute

The number, amount, and purpose of loans provided to affordable housing developers during fiscal year 2021 were as follows:

- Loan in the amount of \$537,219 was provided to a non-profit developer for the purpose of financing interim construction on single family homes.
- Loan in the amount of \$85,135 was provided to a non-profit developer for the purpose of financing interim construction on single family homes.
- Loan in the amount of \$598,899 was provided to a non-profit developer for the purpose of financing interim construction on a multi-family project.
- Loan in the amount of \$84,272 was provided to a non-profit developer for the purpose of financing interim construction on single family homes.
- Loan in the amount of \$100,000 was provided to a non-profit developer for the purpose of financing pre-development costs on a multi-family project.
- Loan in the amount of \$895,000 was provided to a non-profit developer for the purpose of permanent financing on a multi-family project.
- Loan in the amount of \$1,700,000 was provided to a non-profit developer for the purpose of re-financing two bridge loans on a multi-family project.
- Loan in the amount of \$1,000,000 was provided to a non-profit developer for the purpose of bridge financing acquisition and construction costs on a multi-family project.

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 2021 were as follows:

- \$916,000 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, forty-nine (49) such grants were made in the aggregate amount of \$916,000.

The total amount of revenue earned by the Corporation in excess of its expenditures equaled \$122,419,856 for fiscal year 2021.

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, 2027 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, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 1,649,224
Restricted assets:	
Cash and cash equivalents	12,338,974
Investments, at fair value	2,314,999
Accrued interest	39,920
Custodial cash and cash equivalents	214,366
Investments, at fair value	6,489,625
Accounts receivable and accrued revenue	4,003,053
Accrued interest receivable	72,127
Loans receivable, current portion	67,779
Notes receivable, current portion	5,419,981
Downpayment assistance, current portion	553,010
Prepaid expenses	259,766
Total current assets	<u>33,422,824</u>

Noncurrent assets:

Loans receivable, net of uncollectible amounts of \$247	288,142
Notes receivable, net of allowance for loss \$451,118	135,147,670
Investments, at fair market value	37,286,728
Mortgage servicing rights, net of accumulated amortization of \$2,593,526	134,535
Capital assets, net of accumulated depreciation of \$595,384	6,008,392
Owned real estate, federal & other programs, net of amortization of \$1,570,223	9,853,617
Down payment assistance	276,396
Restricted investments held by bond trustee, at fair market value	30,720,980
Total noncurrent assets	<u>219,716,460</u>

Total assets	<u><u>\$ 253,139,284</u></u>
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(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, 2021

Liabilities

Current liabilities:

Accounts payable and accrued expenses	\$ 655,978
Notes payable, current portion	1,965,330
Custodial reserve funds	214,366
Other current liabilities	230,725
Payable from restricted assets held by bond trustee:	
Revenue bonds payable, current portion	7,620,000
Accrued interest on revenue bonds	687,646
Total current liabilities	<u>11,374,045</u>

Noncurrent liabilities:

Notes payable	2,109,753
Revenue bonds payable	31,396,842
Unearned revenue	2,811,719
Total noncurrent liabilities	<u>36,318,314</u>

Total liabilities	<u>47,692,359</u>
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Deferred Inflows of Resources

Deferred revenue	<u>153,790</u>
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Total deferred inflows of resources	<u>153,790</u>
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Net Position

Invested in capital assets	6,008,392
Restricted for:	
Debt service	3,459,206
Other purposes	3,080,575
Unrestricted	192,744,962

Total net position	<u>205,293,135</u>
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Total liabilities and net position	<u><u>\$ 253,139,284</u></u>
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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, 2021

Operating Revenues:

Interest and investment income	\$ 2,675,450
Net increase (decrease) in fair value of investments	(2,457,109)
Single family income	127,920,500
Asset oversight and compliance fees	336,691
Rental program income	612,767
Multifamily income	528,944
Land bank income	61,776
Public support:	
Federal & state grants	868,492
Contributions	270,479
Other operating revenue	83,784

Total operating revenues	<u>\$ 130,901,774</u>
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Operating Expenses:

Interest expense on bonds and notes payable	\$ 1,236,568
Program and loan administration	644,424
Texas Foundations Fund grants	916,000
Salaries, wages and payroll related costs	3,655,394
Professional fees and services	538,902
Depreciation and amortization	614,779
Office expense and maintenance	102,061
Travel and meals	18,305
Other operating expenses	755,485

Total operating expenses	<u>8,481,918</u>
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Net income	122,419,856
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Total net position, beginning	<u>82,873,279</u>
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Total net position, ending	<u><u>\$ 205,293,135</u></u>
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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, 2021

Cash Flows from Operating Activities

Receipts from customers and users	\$ 66,059,570
Payments to employees	(2,680,642)
Payments of benefits and other payroll related costs	(974,732)
Payments to suppliers of goods and services	<u>(47,835,423)</u>
Net cash provided by operating activities	<u>14,568,773</u>

Cash Flows from Non-Capital Financing Activities

Proceeds from notes payable	2,053,899
Payments of principal on notes payable	(308,416)
Payments of principal related to bond maturities and calls	<u>(19,760,000)</u>
Net cash used in non-capital financing activities	<u>(18,014,517)</u>

Cash Flows from Capital and Related Financing Activities

Payments for additions to capital assets	(255,484)
Purchase and rehabilitation of single family homes	(595,262)
Sale of single family homes under ACT Program	138,630
Rehabilitation of single family homes under ACT Program	(191,496)
Rehabilitation of multifamily apartments	(51,851)
Rehabilitation of office building	<u>(1,187,476)</u>
Net cash used in capital and related financing activities	<u>(2,142,939)</u>

Cash Flows from Investing Activities

Proceeds from sale and maturities of investments held by bond trustee	27,849,867
Proceeds from sale of unrestricted investments	12,075,593
Purchase of unrestricted investments	(41,974,022)
Interest earned on investments	<u>469,484</u>
Net cash used in investing activities	<u>(1,579,078)</u>

Net decrease in cash and cash equivalents	(7,167,761)
Cash and cash equivalents at beginning of year	<u>21,370,325</u>
Cash and cash equivalents at end of year	<u>\$ 14,202,564</u>

(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, 2021

Reconciliation of Operating Income to Net Cash

Provided By Operating Activities

Net income	\$ 122,419,856
Adjustments to reconcile net income to net cash provided by operations:	
Depreciation and amortization expense	614,779
Unrealized loss on investments	2,457,109
Gain on sale of property	(727)
Provision for estimated losses and chargeoffs	859,892
In-kind grants	(18,938)
Amortization of down payment assistance	143,540
Amortization of bond premium	(601,080)
Changes in current assets and liabilities:	
Increase in accounts receivable and accrued revenue	(1,632,613)
Decrease in accrued interest receivable	36,861
Decrease in loans receivable	62,213
Increase in notes receivable	(107,052,374)
Decrease in down payment assistance loans	553,010
Increase in prepaid expenses	(18,200)
Decrease in accounts payable & accrued expenses	(149,863)
Decrease in accrued interest payable on bonds	(351,715)
Decrease in deferred revenue and other liabilities	(1,190,156)
Decrease in due to federal programs	(1,562,821)
Net cash provided by operating activities	<u>\$ 14,568,773</u>

Supplemental Disclosure of Noncash Transactions -

Debt forgiven - Affordable Communities of Texas Veterans' Program	<u>\$ 140,162</u>
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The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

Texas State Affordable Housing Corporation

Notes to Financial Statements Year Ended August 31, 2021

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, 2027.

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 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 2021 program year, the amount available for issuance was approximately \$85 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 issue's 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, 2021 the premium related to the SFB Programs totaled approximately \$1,122,000. Bond premium amortization during fiscal year 2021 totaled approximately \$601,000.

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 2021 was approximately \$30,000; accumulated amortization as of August 31, 2021 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, 2021 was approximately \$380,000.

Reserve and Custodial Accounts - The Corporation holds certain cash reserves totaling approximately \$214,000 as of August 31, 2021 for the benefit of three 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.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligation*, effective for fiscal years beginning after December 15, 2021. The objective of GASB Statement No. 91 is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB Statement No. 91 will require issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. Management is evaluating the effects that the full implementation of GASB Statement No. 91 will have on its financial statements for the year ended August 31, 2023.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. The objective of GASB Statement No. 96 is to improve accounting and financial reporting by establishing a definition for a subscription-based information technology arrangement (“SBITA”) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. GASB Statement No. 96 will require a government to report a right-to-use subscription asset as an intangible asset and a corresponding subscription liability for a SBITA, and also require certain disclosures about the SBITA. GASB Statement No. 96 also provides capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. Management is evaluating the effects that the full implementation of GASB Statement No. 96 will have on its financial statements for the year ended August 31, 2023.

2. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents - Cash and cash equivalents at August 31, 2021 consisted of bank deposits totaling \$1,649,224.

Restricted cash and cash equivalents at August 31, 2021 totaled \$12,338,974. The bond trustee maintained \$11,573,388 in money market mutual funds. The Corporation held \$765,586 in a checking account, which \$512,500 was a grant received from the Capital Magnet Fund. The Corporation also maintained three custodial accounts with a combined total of \$214,366 pledged as reserves on three multifamily projects. These funds were maintained in interest bearing demand accounts. The remaining \$2,314,999 of restricted cash and cash equivalents was held in a security.

Investments - GASB Statement No. 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, 2021, the *securities* to be priced in the portfolio are:

	Level 1	Level 2	Level 3	Total
US Agency Obligations	\$ 21,847,335	\$ -	\$ -	\$ 21,847,335
Municipal Obligations	9,394,462	-	-	9,394,462
Commercial Paper	-	2,681,090	-	2,681,090
US Agency MBS	-	9,853,466	-	9,853,466
Total Fair Value	\$ 31,241,797	\$ 12,534,556	\$ -	\$ 43,776,353
Investments not subject to GASB 72				-
Total Unrestricted Investments				<u>\$ 43,776,353</u>

The Corporation's unrestricted investments consisted of the following at August 31, 2021:

Description/Maturity	Interest Rate	Cost	Fair Market Value	Unrealized Gain/(Loss)
Barclays Bank CP	0.247%	\$ 182,513	\$ 182,684	\$ 171
Santander UK CP	0.152%	2,497,214	2,498,406	1,192
Irving ISD	1.120%	2,156,582	2,044,500	(112,082)
Texas State University	1.107%	1,777,011	1,764,035	(12,976)
Total Short Term Investments		6,613,320	6,489,625	(123,695)
Pass through securities				
GNMA - 10/20/2034	5.99%	2,322	2,635	313
Pass through securities				
GNMA - 2036-2042	3.50 - 6.10%	7,727,752	8,339,643	611,891
Pass through securities				
FNMA - 2035-2037*	5.49 - 5.75%	566,052	588,250	22,198
Pass through securities				
FHLMC - 2036-2038*	5.49 - 6.10%	825,545	922,938	97,393
Miami-Dade County FL	0.480%	1,994,925	1,994,360	(565)
State of Hawaii	0.428%	1,250,000	1,253,638	3,638
Marshall ISD	1.090%	2,440,448	2,337,929	(102,519)
FFCB Call Note	0.317%	2,497,214	2,500,216	3,002
FFCB Call Note	0.371%	2,496,875	2,496,697	(178)
FHLB Call Note	0.400%	3,000,000	3,000,777	777
FHLB Call Note	0.400%	3,000,000	2,998,732	(1,268)
FHLB Call Note	0.400%	3,000,000	2,998,268	(1,732)
FHLB Call Note	0.500%	2,350,000	2,351,162	1,162
FHLB Call Note	0.500%	3,000,000	3,001,483	1,483
FHLB Call Note	0.475%	2,500,000	2,500,000	-
Total Long Term Investments		\$ 36,651,133	\$ 37,286,728	\$ 635,595
Total Investments		\$ 43,264,453	\$ 43,776,353	\$ 511,900

*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, 2021, the restricted *securities* to be priced in the portfolio were as follows:

	Level 1	Level 2	Level 3	Total
US Agency MBS	\$ -	\$ 30,720,980	\$ -	\$ 30,720,980
Commercial Paper	-	2,314,999	-	2,314,999
Total Fair Value	\$ -	\$ 33,035,979	\$ -	\$ 33,035,979
Investments not subject to GASB 72				-
Total Restricted Investments				<u>\$ 33,035,979</u>

The Corporation's restricted investments held by bond trustee consisted of the following at August 31, 2021:

Description/Maturity	Interest Rate	Cost	Fair Market Value	Unrealized Gain
GNMA/FNMA Investments - 2040/2042	3.5-4.75%	\$ 7,418,860	\$ 8,063,911	\$ 645,051
GNMA/FNMA Investments - 2049	4.3-4.8%	20,735,156	22,657,069	1,921,913
Barclays Bank CP		2,312,987	2,314,999	2,012
Total Investments		<u>\$ 30,467,003</u>	<u>\$ 33,035,979</u>	<u>\$ 2,568,976</u>

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

Single Family Mortgage Revenue Bonds Series 2009A, B/2011A, B/2013A	\$ 729,051
Single Family Mortgage Revenue Bonds Series 2019A	1,363,140
	<u>\$ 2,092,191</u>

Compared to the prior fiscal year, the fair value of investments held by the bond trustee as of August 31, 2021 has decreased by approximately \$2.2 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 are 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 \$30.7 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 \$28.1 million and unrealized gain of approximately \$2.6 million as of August 31, 2021. 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 one nationally recognized rating agency.

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, 2021, holdings in the General Portfolio and Surplus Portfolio had total fair market values of \$38,657,998 and \$9,850,832 respectively and included:

- A1/P1 commercial paper represented 10.3% of the total portfolio,
- funds held in a Federal Home Loan Bank account represented .52% of the total portfolio,
- funds invested in fully insured or collateralized bank accounts represented 4.46% of the total portfolio,
- holdings in a AAA-rated local government pool represented less than 1% of the total portfolio,
- holdings in state and local debt obligations represented 19.37% of the total portfolio,
- holdings in US Government agency securities represented 45.05% of the total portfolio, and
- holdings in US mortgage-backed securities represented 20.32% 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 General Funds 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. All diversification guidelines were met.

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 two (2) years.

Surplus bond funds have a maximum maturity limitation of ten (10) years for CMOs 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, 2021, the general portfolio, excluding the one GNMA, held no security with a stated maturity date beyond 1,088 days. With the inclusion of the one GNMA the dollar weighted average maturity of the total general portfolio was 669 days.

The Surplus Funds portfolio had a dollar weighted average maturity of 6,977 days and the longest security was 7,197 days.

As of August 31, 2021, the general portfolio contained two (2) municipals and eight (8) US agency structured notes (callable) which might be affected by interest rate risk. Their total fair market value was \$25,095,333.

As of August 31, 2021, 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 counterparty 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, 2021:

- 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, 2021 were as follows:

Loans Receivable at September 1, 2020	\$ 423,837
Additions	-
Paydowns	<u>(67,669)</u>
Loans Receivable at August 31, 2021	356,168
Allowance for possible loan losses	<u>(247)</u>
Net Balance at August 31, 2021	<u><u>\$ 355,921</u></u>

The current portion of loans receivable at August 31, 2021 was \$67,779; the remaining balance of \$288,142 is classified as noncurrent loans receivable.

The activity for allowance for possible loan losses for fiscal year 2021 was as follows:

Balance at September 1, 2020	\$ (5,703)
Current Year Decreases	5,456
Loss Applied to the Allowance	<u>-</u>
Balance at August 31, 2021	<u>\$ (247)</u>

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, 2021 was as follows:

Balance at September 1, 2020	\$ 33,515,277
Additions	111,190,430
Collections	(3,559,016)
Accumulated Amortization	<u>(127,922)</u>
Balance at August 31, 2021	141,018,769
Allowance for possible losses	<u>(451,118)</u>
Net balance at August 31, 2021	<u>\$ 140,567,651</u>

The current portion of notes receivable at August 31, 2021 is \$5,419,981; the remaining balance of \$135,147,670 is classified as non-current notes receivable. Management has established an allowance for loss equal to 5% of the Texas Housing Impact Fund loan balance.

The activity for allowance for possible note losses for fiscal year 2021 is as follows:

Balance at September 1, 2020	\$ -
Current year increase	451,118
Loss applied to the allowance	<u>-</u>
Balance at August 31, 2021	<u>\$ 451,118</u>

5. Capital Assets

Capital assets activity for the year ended August 31, 2021 consisted of the following:

	Cost or Basis In Property			Balance August 31, 2021
	Balance September 1, 2020	Additions	Deletions	
Land	\$ 232,241	\$ 1,248,000	\$ (232,240)	\$ 1,248,001
Building	1,304,357	4,556,763	(1,304,357)	4,556,763
Vehicles	29,738	-	-	29,738
Furniture & Fixtures	571,228	295,379	(97,218)	769,389
Total	<u>\$ 2,137,564</u>	<u>\$ 6,100,142</u>	<u>\$ (1,633,815)</u>	<u>\$ 6,603,891</u>

	Accumulated Depreciation			Balance August 31, 2021
	Balance September 1, 2020	Additions	Deletions	
Building	\$ 437,527	\$ 109,080	\$ (447,540)	\$ 99,067
Vehicles	206	2,474	-	2,680
Furniture & Fixtures	485,106	101,340	(92,694)	493,752
Total	<u>\$ 922,839</u>	<u>\$ 212,894</u>	<u>\$ (540,234)</u>	<u>\$ 595,499</u>

Capital assets, less accumulated depreciation, at August 31, 2021 totaled \$6,008,392.

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 \$385 and any applicable overages. Lease expense under this agreement was \$4,251.

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

<u>Year Ended August 31,</u>	<u>Amount</u>
2022	\$ 4,618
2023	4,618
2024	4,618
2025	4,618
2026	2,308
Total Minimum Future Rental Payments	<u>\$ 20,780</u>

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:

<u>Year Ended August 31,</u>	<u>Amount</u>
2022	\$ 275,711
2023	30,552
Total Future Rental Income	<u>\$ 306,263</u>

Total operating lease income for the year ended August 31, 2021 was \$612,767.

8. Custodial Reserve Funds

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

Reserve activity for the year ended August 31, 2021 was as follows:

Balance at September 1, 2020	\$ 181,431
Deposits	32,935
Disbursements	-
Balance at August 31, 2021	<u>\$ 214,366</u>

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 2021 totaled \$11,336. The remaining deferred revenue for this portfolio was \$153,790 at August 31, 2021.

The prepaid issuer fees from twenty-two (22) multifamily bond portfolios are recognized as income throughout the year. As of August 31, 2021, unearned revenue related to these properties totaled \$304,407.

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 approximately \$744,000 was earned in the fiscal year ended August 31, 2021.

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 2021 was as follows:

	Deferred Inflows of Resources	Unearned Revenue
Balance at September 1, 2020	\$ 165,126	\$ 3,582,201
Additions	-	561,720
Revenue Earned	-	(1,332,202)
Loan Payments Received	(11,336)	-
Balance at August 31, 2021	<u>\$ 153,790</u>	<u>\$ 2,811,719</u>

10. Notes Payable

As of August 31, 2021, notes payable consisted of:

Note Payable to Federal Home Loan Bank, installment note with equal payments of \$2,568.65 monthly, 6.345% interest, due November 2023, secured by mortgage backed securities.	\$ 262,032
Note Payable to Federal Home Loan Bank, installment note with equal payments of \$4,086.48 monthly, 6.345% interest, due November 2023, secured by mortgage backed securities.	416,881
Note Payable to Federal Home Loan Bank, installment note with equal payments of \$3,538.30 monthly, 2.993% interest, due October 2026, secured by note receivable.	642,271
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 March 2022, unsecured.	303,899
Note Payable to Austin Community Foundation, interest only at 1.0% payable quarterly, due in full April 10, 2023, unsecured.	100,000
Note Payable to Federal Home Loan Bank, interest only at 0.135% payable quarterly, due in full January 25, 2022, secured by mortgage back securities	1,600,000
Note Payable to The Congregation of the Sisters of Charity, interest only at 1.00% payable annually, due in full January 13, 2026, unsecured.	250,000
Total Notes Payable	\$ 4,075,083
Current Portion of Notes Payable	1,965,330
Noncurrent Notes Payable	\$ 2,109,753

The summary of notes payable activity for the year ended August 31, 2021 was as follows:

Balance at September 1, 2020	\$ 2,329,600
Advances	2,053,899
Repayments	(308,416)
Balance at August 31, 2021	\$ 4,075,083

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

Year Ended August 31,	Principal	Interest	Total
2022	1,965,330	84,644	2,049,974
2023	164,620	70,790	235,410
2024	625,702	39,425	665,127
2025	525,768	25,860	551,628
2026	276,550	18,411	294,961
2027	517,113	2,574	519,687
Total	\$ 4,075,083	\$ 241,704	\$ 4,316,787

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, 2021.

Description	Interest Rate	Bonds Outstanding 9/1/20	Bonds Issued	Bonds Matured/ Retired	Bonds Refunded/ Extinguished	Bonds Outstanding 8/31/21	Amounts Due Within One Year
Single Family 2019							
Series 2019A	Fixed	\$36,960,000	\$ -	\$(12,900,000)	\$ -	\$24,060,000	\$ 380,000
Single Family 2009-2013							
Series 2011A	Fixed	2,765,000	-	(1,020,000)	-	1,745,000	220,000
Series 2009/2011B	Fixed	10,745,000	-	(3,725,000)	-	7,020,000	7,020,000
Series 2013A	Fixed	7,185,000	-	(2,115,000)	-	5,070,000	-
Total Principal		<u>\$57,655,000</u>	<u>\$ -</u>	<u>\$(19,760,000)</u>	<u>\$ -</u>	<u>\$37,895,000</u>	<u>\$7,620,000</u>
Unamortized Premium		<u>1,722,923</u>				<u>1,121,842</u>	
Total		<u><u>\$59,377,923</u></u>				<u><u>\$39,016,842</u></u>	

The current portion of bonds payable at August 31, 2021 was \$7,620,000. The remaining balance of \$31,396,842 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
2022	\$ 7,620,000	\$ 982,054	\$ 8,602,054
2023	605,000	893,669	1,498,669
2024	625,000	875,417	1,500,417
2025	665,000	856,063	1,521,063
2026	680,000	835,607	1,515,607
2027 thru 2031	3,855,000	3,845,952	7,700,952
2032 thru 2036	3,880,000	3,398,806	7,278,806
2037 thru 2041	7,060,000	2,643,731	9,703,731
2042 thru 2046	6,470,000	1,636,723	8,106,723
2047 thru 2051	6,435,000	523,370	6,958,370
Total	<u>\$ 37,895,000</u>	<u>\$ 16,491,392</u>	<u>\$ 54,386,392</u>

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 2021, the debt service requirement equaled \$19,760,000 in bond principal and \$2,095,870 in bond interest expense, totaling \$21,855,870. As of August 31, 2021, pledged revenue totaled \$41,515,446.

12. ACT Veterans Housing Initiative

The ACT Veterans Housing Initiative is an 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, 2021, the MCC Program revenue totaled approximately \$1,508,000 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. The program was closed as of August 31, 2021.

15. Texas Foundations Fund

The Texas Foundations 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, 2021, the Corporation made Foundations Fund grants totaling \$916,000.

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, 2021, the Corporation offered 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, 2021, second lien notes receivable totaled \$131,052,305.

17. Related Party Transactions

The Corporation received federal grant awards passed through the Department for the NSP Program during fiscal year 2021. Receivables related to this grant as of August 31, 2021 totaled \$70,274. 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, 2021, were \$84,398.

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 \$85 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, 2021, there were twenty-three series of multifamily housing revenue bonds outstanding with an aggregate principal amount payable of approximately \$350 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, 2021, 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, 2021, Google, Inc. made an in-kind donation of \$18,938 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, 2021 and for the year then ended is as follows:

Summary Financial Information	Amount
Operating Revenue	\$ 130,901,774
Depreciation and Amortization	614,779
Net Income	122,419,856
Net Working Capital*	22,048,779
Total Assets	253,139,284
Total Net Position	205,293,135
Noncurrent Notes Payable	2,109,753
Noncurrent Bonds Payable	31,396,842
Deferred Inflows of Resources	153,790
Unearned Revenue	2,811,719
Capital Asset Additions	6,100,142
* Net Working Capital Calculation	Amount
Unrestricted Cash and Cash Equivalents	\$ 1,649,224
Restricted Assets	14,908,259
Investments, Short-Term	6,489,625
Accounts Receivable and Accrued Revenue	4,003,053
Accrued Interest Receivable	72,127
Loans Receivable, Current Portion	67,779
Notes Receivable, Current Portion	5,419,981
Downpayment Assistance, Current Portion	553,010
Prepaid Expenses	259,766
Payables:	
Accounts Payable and Accrued Expenses	(655,978)
Notes Payable, Current Portion	(1,965,330)
Custodial Reserve Funds	(214,366)
Other Current Liabilities	(230,725)
Bonds Payable and Accrued Interest on Bonds, Current Portion	(8,307,646)
Total Net Working Capital	<u>\$ 22,048,779</u>

Other Supplemental Information

Texas State Affordable Housing Corporation

Schedule of Revenues and Expenses by Activity For the Year Ended August 31, 2021

	Single Family	Multi Family	ACT/NSP	Asset Management	Other	Total
Revenues						
Interest and Investment Income	\$ 2,115,564	\$ 237,966	\$ -	\$ -	\$ 321,920	\$ 2,675,450
Net Increase (Decrease) in Fair Value of Investments	(2,457,109)	-	-	-	-	(2,457,109)
Single Family Income	127,920,500	-	-	-	-	127,920,500
Federal and State Grants	12,000	786,139	70,353	-	-	868,492
Other Operating Revenue	270,960	522,944	96,527	953,756	50,254	1,894,441
Total Revenues	127,861,915	1,547,049	166,880	953,756	372,174	130,901,774
Expenses						
Interest Expense on Bonds and Notes Payable	1,144,657	81,911	10,000	-	-	1,236,568
Salaries, Wages and Payroll Related Costs	2,047,005	172,502	239,077	642,020	554,790	3,655,394
Grant Expenditures	731,000	185,000	-	-	-	916,000
Other Expenditures	1,169,481	317,167	157,883	620,480	408,945	2,673,956
Total Expenses	5,092,143	756,580	406,960	1,262,500	963,735	8,481,918
Net Income						\$ 122,419,856

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, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated November 17, 2021.

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
November 17, 2021

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, 2021. 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, 2021.

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
November 17, 2021

Texas State Affordable Housing Corporation

Schedule of Expenditures of Federal Awards Year Ended August 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Treasury</u>			
Passed through the Community Development Financial Institutions:			
Capital Magnet Fund	21.011	181CM050456	\$ 3,495,000
Capital Magnet Fund Administrative	21.011	181CM050456	48,848
Total 21.011			3,543,848
Total U.S. Department of Treasury			3,543,848
<u>U.S. Department of Housing and Urban Development</u>			
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	70,353
Total U.S. Department of Housing and Urban Development			70,353
<u>U.S. Department of Health and Human Services</u>			
Passed through Texas Department Health and Human Services Commission- Money Follows the Person Rebalancing Demonstration- Money Follows the Person	93.791	HHS000850100001	42,291
Total U.S. Department of Health and Human Services			42,291
Total Expenditures of Federal Awards			\$ 3,656,492

The accompanying notes are an integral part of this schedule.

Texas State Affordable Housing Corporation

Notes to the Schedule of Expenditures of Federal Awards Fiscal Year Ended August 31, 2021

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, 2021. 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.

Included in the Schedule are balances at August 31, 2021 of loans from the Capital Magnet Fund for the construction and remodeling of affordable low income housing projects. Uniform Guidance requires that the Schedule include the total amount of federal awards expended for loan or loan guarantee programs which include the value of new loans made or received during the year plus the beginning of the period balance of loans from previous years for which the federal government imposes continuing compliance requirements.

Texas State Affordable Housing Corporation

Schedule of Findings and Questioned Costs

Fiscal Year Ended August 31, 2021

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-

Assistance Listing 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

Texas State Affordable Housing Corporation

Schedule of Findings and Questioned Costs

Fiscal Year Ended August 31, 2021

Section II - Financial Statement Findings

No findings required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2021 and 2020.

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 years ended August 31, 2021 and 2020.

November 17, 2021

Melinda Smith
Texas State Affordable Housing Corporation

We are pleased to report that we performed the audit of Texas State Affordable Housing Corporation (the “Corporation”) as of and for the year ended August 31, 2021, and have issued our report thereon dated November 17, 2021. 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. We issued an unmodified opinion on those financial statements.

In accordance with *Government Auditing Standards*, we also issued our report dated November 17, 2021 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.

As part of performing our audit, we performed certain procedures related to compliance with the Public Funds Investment Act. The results of our tests disclosed no instances of noncompliance that were required to be reported to the Corporation.

We are providing this communication to management of the Corporation to satisfy reporting requirements to the Texas State Auditor’s Office.

Sincerely,

Maxwell Locke & Ritter LLP

Tab 3

Presentation, Discussion and Possible Approval of Amendments to the Texas Community Capital (TCC) Organizational By-Laws to Adhere to U.S. Treasury's Community Development Financial Institutions (CDFI) Certification Requirements, and Other Items as Presented.



Texas Community Capital

Agenda Item

Presentation, Discussion and Possible Approval of Amendments to the Texas Community Capital (TCC) Organizational By-Laws to Adhere to U.S. Treasury's Community Development Financial Institutions (CDFI) Certification Requirements, and Other Items as Presented.

Summary

On October 8th, TCC was contacted by the U.S. Treasury's CDFI program staff regarding changes needed to the TCC by-laws prior to approval of the CDFI certification. TCC's board met on October 13 to discuss and adopt the following changes to Article III of the By-Laws.

The Board of Directors will consist of no fewer than five and no more than nine Directors. No more than ~~three~~ one-third of the Directors shall be appointed and approved by the Board of Directors of the Texas State Affordable Housing Corporation ("TSAHC Board"), a Texas non-profit corporation and no more than ~~three~~ one-third of the Directors shall be appointed and approved by the Board of Directors of the Texas Association of Community Development Corporations ("TACDC Board"), a Texas non-profit corporation. The TACDC Board, together with the TSAHC Board, are heretofore referred to as the "Appointing Authorities" and each individually an "Appointing Authority." ~~Up to three~~ The remaining Directors shall be appointed by majority vote by the acting Directors of the Board. Upon majority resolution of the Board of Directors and approval by each of the TSAHC Board and the TACDC Board, the number of Directors may be increased or decreased from time to time, ~~but in no event shall a decrease have the effect of shortening the term of an incumbent Director. In the event a decrease in the number of Directors is approved TSAHC shall short the term of an incumbent Director in order to maintain the one-third limit on its participation.~~ The persons serving as directors at the time of adoption of this amendment to the Bylaws shall continue to serve until such time as their replacements have been named and seated. The Executive Director of the Corporation, if one is selected, shall serve as an exofficio non-voting member of the Board of Directors. All other employees of the Corporation are ineligible to serve on the Board of Directors.

No other changes were made. Pursuant to TCC's By-Laws, any changes to Article III require ratification by both the TSAHC and TACDC boards.

It should be noted that the proposed changes were submitted to the CDFI program and TCC received its certification as a CDFI on Oct. 15.

Staff Recommendation:

Staff recommends that the Board approve the amendments to the Texas Community Capital By-Laws as presented.

Tab 4

Presentation, Discussion and Possible Approval of Amended Policies for the Texas Housing Impact Fund.

TEXAS HOUSING IMPACT FUND POLICY AND GUIDELINES

1. **Policy.** This policy has been adopted by the Texas State Affordable Housing Corporation (the “Corporation”) in order to organize and codify its administration of the Texas Housing Impact Fund (the “Fund”). The Fund supports the Corporation’s mission to promote equal access to safe, decent, and affordable housing with an emphasis on serving rural and underserved markets. The Fund provides financing to non-profit and for-profit developers for the purpose of increasing and preserving the stock of affordable housing throughout the state of Texas.
2. **Source of Funds.** The primary source of monies available to the Fund are investments made by public and private entities into the Fund’s loan fund. The Corporation also commits its own funds to the Fund and borrows funds from public or private entities. All loan commitments will be conditioned upon the availability of funds.
3. **Eligible Activities.** The Corporation uses the Fund for:
 - a. Construction Loans: Short-term financing for acquisition, construction or rehabilitation of affordable multifamily rental housing;
 - b. Permanent Loans: Long-term financing for affordable multi-family rental housing that has been newly built or rehabilitated;
 - c. Revolving Lines of Credit: Financing for the acquisition, construction and/or rehabilitation of single-family homes for sale to households of low and moderate income; and
 - d. Any other purpose deemed suitable under the Fund policies and approved by the Corporation’s Board.
4. **Use of Loan Proceeds.** Loan proceeds may be used for the acquisition of real property, on-site infrastructure, and the construction or rehabilitation of housing units. Loan proceeds may not be used for off-site infrastructure, administrative costs, general operating costs, or developer fees and profits. Eligible predevelopment and soft cost expenses may include, but are not limited to, environmental surveys, market assessments, engineering fees, architect fees, or other expenses approved by the Corporation.
5. **Application Process.** The Corporation accepts loan applications for eligible activities (“Developments”) on an ongoing basis. The Corporation will publish an application package to its website. Borrowers should download and complete the application pursuant to the guidelines included in the application. At a minimum, applications must be completed in the following manner:
 - a. All applications must be signed and dated as required in the application package;
 - b. The application submission fee must be submitted with the complete package;
 - c. Applications must be typewritten on the printed application provided by the Corporation. Handwritten applications will not be accepted: and
 - d. Electronic copies of an application must be readable using Adobe PDF Reader software. Each tab or attachment must be properly bookmarked. Scanned documents must be legible and printable on standard 11” by 8.5” paper.
6. **Application Review.**
 - a. Applications will be reviewed in the order they are received. Applications will be reviewed for Threshold Criteria (defined below) and, if thresholds are met, Underwriting Standards (defined below). The Corporation may delay the consideration of an application for an award if there are errors, omissions or insufficient documentation that the Corporation deems necessary to complete its review. If an application

TEXAS HOUSING IMPACT FUND POLICY AND GUIDELINES

fails to fulfill the minimum Threshold Criteria for the Fund, the application will be terminated and notification will be provided to the borrower.

- b. Applications that pass the threshold and underwriting review processes will be presented to the Corporation's Loan Committee (defined below). If there are insufficient funds available at the time an application is brought to the Loan Committee the application may be held for a period of no longer than 90 days and reconsidered for funding if funds become available. After 90-days if funds are not available, the Corporation will return the application or commitment fees submitted by a borrower.
7. **Threshold Criteria.** All applications must meet the following minimum threshold criteria ("Threshold Criteria") to be presented to the Loan Committee:
- a. *Eligible Borrowers.* Any reputable and experienced entity engaged in affordable housing Development, including non-profit or for-profit builders, developers, partnerships, limited liability companies, municipalities, housing authorities, or other business entities as approved by the Board of Directors (the "Board") are eligible to apply for funding. The Corporation will not fund real persons or entities not registered with the Texas Secretary of State. All borrowers must also provide or meet the following requirements:
 - i. All borrowers must be registered with the Texas Secretary of State at least 30 days prior to the execution of a loan commitment;
 - ii. All borrowers must have a current certification of corporate status from the Texas Secretary of State and certificate of account status from the Texas Comptroller of Public Accounts;
 - iii. All non-profit borrowers must have valid and current IRS determination letters regarding their status as a 501(c)3 or (c)4 nonprofit corporation, along with a confirmation that the corporation is registered with the Texas Secretary of State as a non-profit; and
 - iv. Borrowers must demonstrate:
 - A. An acceptable history of repaying credit in a timely manner;
 - B. A reasonable plan for use and repayment of loan proceeds;
 - C. Payments of all taxes, license fees and other fees required by applicable state and federal statutes; and
 - D. Other requirements which may be applied on a case-by-case basis by the Corporation
 - b. *Experience Threshold.* All borrowers must be able to demonstrate sufficient experience in residential construction, the development of infrastructure, and marketing of affordable housing. Proof of experience may be demonstrated through evidence of past completed developments, partnerships with experienced developers, and other development experience as approved by the Corporation. At a minimum, a borrower must have developed a number of homes or housing units equal to at least one-half (1/2) of the number of units in the borrower's application. The Corporation may consider the experience of a borrower's staff and board in determining the borrower's experience.
 - c. *Affordability Threshold.* Affordability requirements will be based on the Corporation's statutory requirements and reasonable targets above the statutory minimums. Affordability requirements are different for Developments that target homeownership versus rental opportunities for low-income households. At a minimum the Corporation will require properties targeting rental housing to:

TEXAS HOUSING IMPACT FUND POLICY AND GUIDELINES

- i. Reserve at least 20% of the total units in the Development for persons or families earning 50% of the area median income (~~“Extremely Low Income”~~), as determined by the U.S. Department of Housing and Urban Development (HUD), based on the size of the unit and number of persons occupying the unit; or
- ii. Reserve at least 40% of the total units in the Development for persons or families earning 60% of the area median income (~~“Very Low Income”~~), as determined by HUD, based on the size of the unit and number of persons occupying the unit.

For Developments targeting the renovation or construction of homes for sale to low-income households the Corporation will require the following affordability standards:

- iii. At least 51% of the homes renovated or constructed using a revolving line of credit will be sold to households earning 80% or less of the area median income (“AMI”) or Statewide Median Income, whichever is greater. The Corporation may require a minimum number of households earning 80% or less of the AMI (“Qualified Households”) based on the percentage of funds provided by the Corporation, the nature of the investment, and any other factors the Corporation deems necessary (the “Affordability Requirement”).
 - iv. All for-sale housing developed, regardless of whether the buyer is a Qualified Household or not, must be financed with fixed rate loans. Qualified Households must obtain homebuyer training from a certified Housing Counseling Agency. No homes may be sold with the use of non-profit or developer grants or down payment assistance that exceeds 5% of the appraised value of the home, unless otherwise approved in writing by the Corporation. Borrowers that do not fulfill Affordability Requirements will be subject to additional fees, fines or payments as determined by the loan agreement.
 - v. A Land Use Restriction Agreement (the “LURA”) or other restrictive covenant may be recorded with each housing unit and/or parcel of land developed.
- d. *Development Threshold.* To ensure that working families have safe, decent affordable housing, and to ensure long-term affordability and usability, homes must meet the following standards:
- i. All Developments, at the time of acquisition or completion of construction or rehabilitation, must meet all local building codes for the jurisdiction where they are located. If the Development is located in an area where no building codes are in place or have been adopted, the Development must meet the most recently published International Residential Code, or International Building Code;
 - ii. All Developments, at the time of acquisition or completion of construction or rehabilitation, must be compliant with the Federal Fair Housing Act Accessibility Standards, Titles II and III of the Americans with Disabilities Act of 1990, Texas Minimum Construction Standards and §2306.514 (visitability guidelines) of the Texas Government Code. Borrowers must submit to the Corporation a certification from the project architect, engineer or other third-party building inspector that the proposed Development will meet or exceed the above listed accessibility requirements;
 - iii. All Developments, at the time of acquisition or completion of construction or rehabilitation, must be compliant with the U.S. Department of Energy’s Energy Star Fund, as confirmed by a certified

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third-party Home Energy Rating System (“HERS”) inspector or as certified to by the Development’s architect or engineer; and

- iv. All Developments, at the time of acquisition or completion of construction or rehabilitation, must have sidewalks, driveways and streets that are compliant with the Americans with Disabilities Act and Fair Housing Accessibility Standards.
- e. *Environmental Threshold.* The Corporation will consider environmental or site-specific conditions, including, but not limited to, adjacent or nearby land uses in determining the risk of environmental hazards. If the Corporation, in its sole determination, finds that an environmental hazard creates a risk to the health and well-being of Qualified Households, an application may be denied funding. The Corporation will also require the submission of a Phase I Environmental Site Assessment for multi-site or multifamily rental developments that involve the construction of more than 4 units of housing. If applicable, a Phase II Environmental Site Assessment may be required. At loan closing borrowers must agree to an environmental indemnity, in favor of the Corporation, in a form provided by the Corporation’s Counsel.
- f. *Relocation Threshold.* The Corporation will not award funds to any Development which may cause the displacement of a Qualified Household. Borrowers may propose Developments that temporarily displace Qualified Households, as long as there are sufficient funds to assist Qualified Households with temporary relocation costs.
- g. *Aggregate Exposure Limits.*
 - i. The Corporation will maintain a maximum aggregate exposure limit (“Aggregate Exposure Limit”) of \$3 million dollars. This policy will limit any single borrower, or group of related entities, from receiving outstanding loans from the Fund in an amount greater than the Aggregate Exposure Limit. The Aggregate Exposure Limit excludes loans made through one of the Corporation’s conduit lending channels.
 - ii. Aggregate Exposure Limit risk policies are made with the understanding that in instances where the Corporation is asked to make an additional loan commitment to a strong borrower that would exceed the exposure limit, (1) the Board may permit a policy exception, or (2) the Corporation will make an effort to refer the borrower to other sources of financial assistance. Moreover, in instances where the risk exposure limit is not exceeded, but the Corporation’s fund balances are exhausted, the Corporation may seek external sources of loan guarantees or may require additional requirements on the collateral position.
 - iii. For purposes of this Policy, loans will be grouped by borrower and related entities. Related entities will include those corporations, partnerships and limited partnerships where the borrower or sponsor has an equity stake. It will also include those loans where the borrower or sponsor is a guarantor.
- 8. **Underwriting Standards.** The Corporation will review all applications that meet Threshold Criteria, using the following underwriting standards (“Underwriting Standards”). Borrowers must understand that Underwriting Standards are subjective in many aspects. The Corporation’s lending activities are generally subject to greater risks than typically experienced by conventional lenders and therefore must utilize criteria that are not easily measurable. The Corporation’s review process will consider five key factors to determine feasibility of a Development:

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- a. *Financial Feasibility.* The Corporation will thoroughly evaluate the Development budget, cash flow analysis, and pro forma to determine the feasibility of each Development. The Corporation will use the following minimum standards to determine feasibility:
- i. **Loan to Value Ratio (LTV):** Generally, the maximum LTV for all loans is 80%. The LTV will be calculated on the amount of the loan request and the total appraised value of land and completed on-site improvements including housing units. The Corporation may consider other loan-to-value limits based on financial strength and the amount of guarantees provided by the Applicant;
 - ii. **Sales and Income Projections.** For applications to develop for-sale housing, the cash flows and proforma sales projections must demonstrate that 100% of the principal balance and interest can be repaid prior to the Maturity Date (as defined herein) of the loan. The Corporation may include extensions to the Maturity Date in its calculation of sales projections;
 - iii. **Debt Coverage Ratio.** All rental Developments must maintain, for the life of the loan or 15 years, whichever is longer, a minimum debt coverage ratio (DCR) of at least 1.15. The Corporation reserves the right to raise the minimum DCR requirement based on the source of funds to be used and the perceived risk of the transaction;
 - iv. **Vacancy Rate.** For rental Developments, the Corporation will use a minimum vacancy rate of 7% for all loans. Developments with 100% Project Based Section 8 Vouchers may be underwritten using a vacancy rate of 5%. The Corporation may use higher vacancy rates based on the current and historical rate reported in the third-party market analysis or data obtained by the Corporation;
 - v. **Expense Ratio.** For rental Developments, the Corporation will limit the amount of operating expenses to 70% of effective gross income ("EGI") for the life of the loan or 15 years, whichever is less. The calculation of operating expenses and EGI will be determined solely by the Corporation;
 - vi. **Repayment Sources.** The Corporation will consider the availability of repayment financing commitments in its analysis. Borrowers must submit executed commitment agreements to the Corporation for consideration in underwriting. The Corporation will work with borrowers to review alternative-financing structures; and
 - vii. **Reserve Requirements.** All rental Developments are subject to the following escrows and reserve accounts:
 - A. Escrows may be required for property taxes and insurance;
 - B. Replacement Reserves for Developments involving the permanent financing of multifamily rental developments will be: \$250 per unit per year for new construction Developments; or \$300 per unit per year for rehabilitation Developments; and
 - C. Operating Reserves in the amount of 2 to 6 months of operating expenses plus debt service.
- b. *Collateral.* The Corporation strives to make loans that are fully collateralized through real property, letters of credit, or other financial instruments. The Corporation may consider unsecured loans for predevelopment lending on a case-by-case basis. In the case of real property, the Corporation will obtain

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a primary or subordinate mortgage lien on the subject real estate with full recourse to borrower evidenced by a security agreement and UCC-1 filings. Assignments of rents, leases and contracts affecting real estate may also be taken. When appropriate, a secondary source of collateral repayment may also be identified (e.g., personal guarantees, assignments or other appropriate security) if the Corporation determines that its primary source of collateral could deteriorate.

- c. *Financial Strength.* In order to assess the financial strength of every Borrower, the Corporation will require all Borrowers to submit the most recent 2-years of audited financial statements, and year-to-date balance sheet statements. If the Borrower does not conduct an annual corporate audit, 2- years of income tax statements, an Independent Accountants' Review Report with financial statements for the most recent 2-years, and year-to-date balance sheet and income statement will be acceptable.

Based on the Corporation's review of the financial statements, Borrowers may be required to provide a personal guarantee or letter of credit to meet the Corporation's financial strength requirements.

- d. *Market Conditions.* The Corporation will require the submission of market conditions data by borrowers, and may conduct its own assessment of market conditions to determine the feasibility of the Development. Market data that will be required includes current information on demographics, population growth, employment trends, median homes prices, zoning requirements, absorption rates, and any other indicators of the market capacity for the Development.
- e. *Community Impact.* The Corporation will evaluate the Development in the context of the Corporation's organizational mission. Specifically, the Corporation will evaluate the degree of housing need in the local community and the number of units to be produced by the Development. The Corporation will give priority to Developments that include short-term LURAs, equity limitation provisions or other mechanisms that ensure the affordability of housing units.

- 9. **Targeted Housing Needs.** In order to increase the production of housing located in rural areas and/or accessible to persons with disabilities, the Corporation will provide an interest rate reduction in the amount of .25% from the minimum interest required in this policy if the Development meets one or both of the following standards:

- a. Rural development: The property is 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; or
- b. Accessible rental Development: All ground floor units are designed to be accessible for persons with mobility impairments and at least 30% of all units in the development are accessible for persons with mobility impairments and/or visual and hearing impairments. For for-sale Developments all single-family new construction homes are required to be accessible pursuant to the Corporation's development standards.

- 10. **Awards.** Once the Corporation has determined that an application has passed all Threshold Criteria and Underwriting Standards the application will be submitted to the Loan Committee made up of an appointee of the Board, and the Corporation's President, Executive Vice President, and Chief Financial Officer. The Loan Committee will review a loan summary, underwriting report, and any additional supplementary materials collected and prepared for presentation by the Fund manager. The Loan Committee must have a simple majority vote of a quorum of the members to approve an award or recommendation to the Board. A quorum of the Loan Committee will be at least three members. If a loan is not approved, the Corporation will notify a

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borrower, in writing, that the application was not approved. The approval of loans will be limited in the following manner:

- a. The Loan Committee may approve awards pursuant to this policy up to but not exceeding \$500,000.
- b. The Loan Committee may approve awards up to but not exceeding \$2 million if the Corporation is acting as a conduit for another financial institution that will purchase the loan upon closing.
- c. The Loan Committee will present all other loans to the Board for consideration and/or approval.

11. **Loan Agreements.** The Corporation's President and Executive Vice President, will be authorized to consent to, accept, execute and attest any such agreements, assignments, certifications, contracts, documents, instruments, releases, financing statements, letter of instruction, written requests, Notices of Intent, Commitment Letters, closing documents and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Policy

12. **Structure of Loans.** The Corporation will structure loan agreements, rates and terms using the following guidelines:

- a. *Term.*
 - i. For revolving lines of credit used for the construction of new homes or rehabilitation of existing homes for sale to Qualified Households, the standard length of loan agreements will be 24 months from the date of closing ("Term"). Full repayment of the line of credit will be due on the first day of the month following the end of the loan Term (Maturity Date"). Borrowers may be granted one 6-month extension to the Maturity Date, if certain benchmarks are met in the development process as detailed in the loan agreement.
 - ii. For rental housing developments, the Term of loan agreements may be between 5 and 15 years. The amortization period for loans will be based on the financial analysis and source of funds but is generally 20 to 30 years. The Corporation's maximum term and amortization period will be 40 years. Full payment of principal and interest must be made by the end of the Term or the Maturity Date. The Corporation may set other Term or renewal schedules, as necessary.
 - iii. For construction loans to rental housing developments, the standard length of loan agreements will be 24 months from the date of construction loan closing ("Term"). Full repayment of the loan will be due at the sooner of: 1) the Borrower's closing on permanent financing sources; or 2) on the first day of the month following the end of the loan Term (Maturity Date"). Borrowers may be granted one 6-month extension to the Maturity Date, if certain benchmarks are met in the development process as detailed in the loan agreement.
 - iv. For predevelopment loans, the Term of the loan will be two years. Full payment of principal and interest must be made by the end of the Term or the Maturity Date. The Corporation may set other Term or renewal schedules, as necessary.
- b. *Interest Rate.* Interest rates for the Fund are generally set at a fixed rate of interest above the Corporation's cost of funds. The minimum interest rate for the Fund will be at least two percent (2%) above the cost of funds to the Corporation, except as may be permitted in accordance with this policy. The cost of funds (the "Cost of Funds") will be calculated using the blended interest rates of all sources to be used in the financing. Loans not paid in full at the Maturity Date or extended Maturity Date will accrue

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interest at a rate of fifteen (15.00%) annually after the Maturity Date has passed. Interest rates for the Fund will be set based on the following factors:

- i. Base Rate: the base rate ("Base Rate") is the Corporation's lowest possible rate and is equal to its cost of funds, whether the source of funding is from investments, grants or other sources;
- ii. Cost of Operations: The Corporation will generally add two-percent (2%) to the Base Rate to cover its cost of operations. The Loan Committee may make reasonable adjustments based on the characteristics of the loan on a case by case basis.
- iii. Default Risk: The Loan Committee may add to the Base Rate an amount based on their review of the Borrower's financial statements, experience, market conditions, or any other factors the Loan Committee deems reasonable;

c. *Payment.*

- i. For revolving lines of credit used for the construction of new homes or rehabilitation of existing homes for sale to Qualified Households, the Loan Committee may approve (1) payments of interest on a monthly basis, with all accrued interest, if any, and principal due upon sale of the home; or (2) payments of principal and interest, if any, made from the net sales proceeds (i.e., those proceeds remaining after the payment of normal and customary closing costs) received from the sale of lots or homes. Interest payments will be calculated on the principal balance of the loan outstanding from time to time and based upon the actual number of days elapsed divided by 360. Payment of all principal and interest, if any, will be made from financial guarantees within 45 days after the Maturity Date in the event that full payment has not been made.
 - ii. For rental housing developments, Payments of principal and interest must be paid on the first of each month from revenues of the Development (or from any guarantees if revenues are not available) in accordance with an amortization schedule as discussed under "Term" above. Interest payments shall be calculated on the principal balance of the loan outstanding from time to time and based upon the actual number of days elapsed divided by 360. Payment of all principal and interest, if any, will be made from financial guarantees within 45 days after the Maturity Date in the event that full payment has not been made.
 - iii. For construction loans to rental housing developments, payments of interest on the outstanding principal balance of the loan shall be due on the 1st of each month, with all accrued interest, if any, and principal due upon the Borrower closing on permanent financing or the Maturity Date, whichever comes first.
 - iv. For predevelopment loans, payments of interest are due on a monthly basis, with all accrued interest, if any, and principal due upon closing on construction financing for the proposed project(s). Payment of all principal and interest, if any, will be made by financial guarantors within 45 days after the Maturity Date in the event that full payment has not been made by the Borrower.
- d. *Late Payments, Delinquencies, and Defaults.* The Corporation will maintain complete records of the status of each loan, including any late payments, delinquencies or defaults. Penalty fees may be assessed in compliance with loan documents and state laws. Each of the following events will be considered events of default for the purpose of the loan documents:

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- i. If a loan payment is more than ten (10) days late, a notice of late payment will be forwarded to the borrower and a late fee of Fifty Dollars (\$50) will be added to principal balance of the loan.
- ii. If a loan payment is more than twenty (20) days late, the Corporation will notify Borrower in writing and demand immediate payment.
- iii. If a loan payment is more than 30 days late, a notice of default will be issued by the Corporation to the Borrower in writing. An additional late fee of Fifty Dollars (\$50) will be added to the principal balance of the loan.
- iv. If a loan payment is more than 45 days late the Corporation will issue a second notice of default to the Borrower in writing, and a report will be provided to the Corporation's Board, unless all defaults are cured prior to the next regularly scheduled Board meeting. Staff may make the following recommendations to the Board including, but not limited to:
 - A. Correspondence or meeting with members of the borrower's managers and/or officers;
 - B. An on-site inspection of borrower's operations, including their books;
 - C. The sending of a third notice of default;
 - D. The charging of additional late fees;
 - E. The development of a re-structuring plan; and/or
 - F. Other action staff may recommend.
- v. If a loan payment is more than Sixty (60) days late the Corporation's Loan Committee may be convened for a special meeting. The Loan Committee will examine the situation, based upon a meetings and communication with the borrower and a detailed account of operational information. The Loan Committee may carry out the following actions:
 - A. A loan re-structuring;
 - B. A strategy to sell the loan;
 - C. A notice of intent to foreclose; and/or
 - D. A further forbearance of action based upon certainty of repayment and confidence in operations.
- e. *Foreclosures.* Notwithstanding the timeline provided above, in the event the Corporation determines in its sole discretion that a foreclosure action is necessary to protect its security for the loan prior to the 30th day after an event of default, the Corporation may initiate foreclosure proceedings prior to such date. The Corporation will consider foreclosure as a last option when considering actions on loans in default. In instances of foreclosure, the Corporation will make a detailed assessment of the situation to the Board, including a full analysis of the plans and consequences of foreclosure. All foreclosure proceedings and actions will be done in such a way as to provide maximum protection for the Corporation and for the interest of affected parties, especially any families or individuals who have committed to purchase housing units. In the event of a collateral liquidation, every attempt will be made to cover the cost of the Corporation's loan principal, accrued interest, if any, and the transaction costs of liquidation (i.e. legal, marketing, staff time).

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- f. *Subordination.* On a case by case basis, the Corporation may agree to subordinate the payment of its loan to that of one or more senior loans. In addition, the Corporation may also agree to allow a loan to be payable only from net cash flow in specific circumstances. All decisions regarding subordination will first be made by the Loan Committee; however, if the terms of subordination are not typical in the marketplace for a particular type of transaction, the determination will be provided by the Board.
- g. *Permanent/Take-Out Financing.* All loans used for the development of new subdivisions or the construction of infrastructure will require the borrower to meet certain marketing and/or pre-sale requirements. If the borrower will be constructing site improvements to the property, the borrower must present a sales contract(s) for at least 70% of the proposed lots. If the borrower will be the primary contractor for completed housing units, the borrower must provide a sales contract(s) for at least 40% of the lots and homes to be developed. The Corporation may also require a purchaser waiting list that includes at least 50% of the number of lots or housing units to be developed.
- h. *Revolving and Renewable Loans:* The Corporation may consider on a case-by-case basis revolving loans that allow borrowers to pay back all or a portion of the principal balance and later draw additional funds against the principal balance during the initial Term. The Corporation may consider on a case-by-case basis renewable loans that allow the borrower and Corporation to agree upon the terms of renewing a loan after the full payment of principal balance and interest of the original loan. Renewable loans will require the payment of closing fees, as well as the setting of a new Term, Interest Rate and Maturity Date.
- i. *Equity Investments.* The Corporation will consider any financing, loan or investment of funds into a Development as an equity investment ("Equity Investment") when the borrower cannot provide sufficient guarantees or owner equity, as determined by the Corporation. The Corporation may consider Equity Investments in Developments that serve ~~very low income (50% AMI and below)~~ households at 50% or below AMI or special needs populations. A minimum number of ~~very low income~~ 50% AMI households or special needs units may be required based on the amount and nature of the contributions made by the Corporation. Additional fees or charges may be included in loan payment terms for units or lots sold to non-qualified households.
- j. *Deferred Forgivable Loans:* The Corporation may award deferred forgivable loans in cases where the funding source used for the loans is specifically designated for such purposes by the funding entity. In such cases, the Corporation may permit zero interest (0%) loans to be issued, where repayment of the principal is deferred and potentially forgiven if the Borrower fulfills all other requirements of the loan agreement.
- k. *Loan Participations:* The Corporation may participate with other lenders in providing loans to qualified Borrowers through a participation agreement ("Participation Agreement") in order to minimize lending risk and to expand the number of affordable housing projects we can finance. The Participation Agreement shall define the amount of participation by both parties, the terms and rates of the loan, and the responsibilities of each party. Generally, the Corporation will work to be the lender responsible for servicing the loan, collecting payments and conducting oversight of the Borrower.

13. **Commitment of Funds.** The Corporation will provide borrowers whose loans have been approved a letter detailing the commitment of funding made by the Corporation ("Commitment Letter"). The Commitment Letter will detail the rates, terms and other conditions of the loan, as well as any due diligence materials or documents that must be submitted by the borrower prior to closing. The Commitment Letter will set timelines for the execution of the commitment, payment of fees and closing of the loan. The borrower will be solely responsible for fulfilling the requirements of the Commitment Letter. The Corporation will have the right to

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terminate any Commitment Letter if it becomes aware of any changes or adverse events that may conflict with assumptions made during underwriting or that negatively affect the financial position of the borrower.

14. **Fees.** The Corporation will be authorized to charge fees, penalties or other monetary accruals in the following manner:
- a. *Application Fee.* The Corporation may require the payment of an application fee (the “Application Fee”) to cover the cost of document preparation, data entry, staff review time and other expenses as necessary. The Application Fee will be no greater than \$500, and may be waived for non-profit applicants. An application will not be accepted by the Corporation unless it is accompanied by the appropriate Application Fee.
 - b. *Origination and Commitment Fees.* The Corporation may collect at closing a commitment fee (the “Commitment Fee”) in an amount of one-percent (1%) of the approved loan amount, but not less than \$2,500. For revolving lines of credit, the Corporation may collect an origination fee (the “Origination Fee”) of \$250 for each property added to the revolving deed of trust, and may collect a Commitment Fee less than one-percent of the approved loan amount, as long as, the sum of the Commitment Fee and projected Origination Fees is equal to or greater than one-percent of the approved loan amount.
 - c. *Closing Fee.* For Predevelopment loans, the Corporation may collect at closing a fee equal to the greater of 2% of the loan amount or \$1,500. This fee may be waived by the Corporation on a case by case basis, if the Corporation’s funding source for Predevelopment loans includes funding of administrative costs.
15. **Loan Closing.** Borrowers will receive instructions with the Commitment Letter that detail the required steps and actions necessary to close on their loan. The Corporation may require the following documentation prior to closing:
- a. Appraisal;
 - b. Site and Development Plans;
 - c. Final Budget and Timeline;
 - d. Construction Contracts;
 - e. Financial Statements;
 - f. Certificates of Corporate Status;
 - g. Title Insurance;
 - h. Surveys;
 - i. Insurance;
 - j. Legal Opinions;
 - k. Fees and Expenses;
 - l. Proof of Zoning;
 - m. Loan Documents; and
 - n. Other documents as required by the Corporation.

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16. Construction Loan Administration.

- a. *Draw Requests.* Borrowers are required to submit requests for reimbursement or advances on their line of credit using forms provided them by the Corporation. Contractor/Supplier invoices are required to maintain oversight of construction procedures and fiscal management.
- b. *Site Inspections.* The Corporation may engage an experienced construction supervisor or architect to act as the Corporation's inspector. The inspector will perform site visits for each draw request to evidence work-in-place, conformity with plans, specifications and building standards. The cost of inspections will be paid by borrowers, from loan proceeds if desired.
- c. *Advances to Borrower.* The Corporation may allow borrowers to receive loan funds in advance of the start of construction activities, based upon the sole determination of the Corporation. Advances for new construction activity will be limited to \$25,000 and advances for renovation or rehabilitation activities will be limited to \$15,000. Additional advances of loan funds may be approved based upon the borrower's continued compliance with the terms and conditions of the loan.
- d. *Retainage.* The Corporation will withhold 10% from each draw request made by the borrower and a total of 10% from the loan amount until the later of (a) the date when all contractors and/or subcontractors have submitted affidavits of lien releases for the subject property, or (b) 40 days after the borrower records an affidavit of completion in compliance with Texas Property Code 53.106.
- e. *Interest Reserve.* Wherever possible, the Corporation will require borrowers to pay interest from other Development sources or unrelated income. In instances where other sources are restricted, and/or unrelated income is unavailable or unreliable, the Corporation may permit a loan to self-fund accrued interest.
- f. *Third Party Lenders/Funders.* When possible, the Corporation will require other Development sources to fund prior to the Corporation's loan. When pro-rata funding occurs, the Corporation will seek to administer other Development sources. The Corporation will seek to hold all Development retainage when possible.

17. **Acquisition Loan Administration.** The Corporation may provide up to 100% of its loan funds for the purpose of acquiring real property if the Corporation's financial interest in property does not exceed 50% of the total projected Development costs. If the Corporation does provide proceeds for acquisition, borrowers must provide the Corporation with a complete loan closing document package at least 7 days prior to the anticipated loan closing date. The Corporation may deposit the full amount of acquisition loan proceeds into an escrow account with the mortgage title company not more than 5 days prior to the closing of the loan. If delays in closing occur and exceed 5 days, the full amount of funds placed in escrow will be returned to the Corporation immediately upon the Corporation's request.

18. **Loan Loss Reserves.** The Corporation will establish a reserve fund to cover the cost of financial losses to the loan portfolio and for the repayment of funds borrowed by the Corporation to fund loans ("Loan Loss Reserve"). The amount of Loan Loss Reserve will be equivalent to at least 5% of the principal balance of all outstanding loans, or at least 3 months of payments on borrowed funds, whichever is greater. The Corporation may maintain a higher amount of Loan Loss Reserves based on an assessment of loan ratings of all loans in the portfolio.

19. **Loan Monitoring.** The Corporation will establish and maintain loan monitoring procedures in order to maintain the Corporation's security interest and to assist borrowers in organizational growth and asset

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management. The Corporation will maintain data on the regularity of payments, annual financial statements of borrowers, status of Development from site inspections, and updates on the collateral value. The Corporation may provide technical assistance, when necessary, to borrowers. The nature and frequency of loan monitoring will be based on loan type, the life cycle of the loan (construction period, business cycle, etc.), performance, and overall risk evaluation, and will be included in the loan agreement.

20. **Monitoring Social Impact.** The Corporation will compile a report on the social impacts of the Fund (the “Social Impact Report”) annually. The report presented to the Board and investors annually will include the following data:
- a. The geographic distribution of loans;
 - b. The type of loans;
 - c. The numbers and type of housing units created;
 - d. The economic and demographic characteristics of households; and
 - e. The leverage capacity of loans
21. **Conflict of Interest Policy.** The Corporation, in the process of reviewing and awarding loans under this Fund, will adhere to the conflict of interest policies set by the Corporation’s Board and pursuant to §2306.5545 of the Texas Government Code. Additionally, at or prior to each Board meeting, each staff member and Board member will disclose the nature of any potential conflicts of interest that would be created by their participation in the discussion of a particular loan, application, membership or policy.
22. **Board Waivers.** The Corporation’s Board may consider and approve a waiver to these policies at any time. Borrowers may request that the Board consider a waiver of these policies at a public meeting of the Board.



Development Finance Programs

Agenda Item

Presentation, Discussion and Possible Approval of Amended Policies for the Texas Housing Impact Fund.

Summary

Through the Texas Housing Impact Fund (“Fund”) TSAHC promotes its mission to support equal access to safe, decent, and affordable housing with an emphasis on serving rural and underserved markets. Through the Fund we provide financing to non-profit and for-profit developers for the purpose of increasing and preserving the stock of affordable housing throughout the State of Texas.

Staff is proposing to make the following changes to the policy to eliminate conflicts with other programs and increase opportunities for investments to our lending program.

- The terms “Extremely Low Income” and “Very Low Income” will be removed from Sections 7(c) and 12(i). This change is being made due to conflicts between differing federal and state definitions for these terms. An example is that while the term “very-low Income” is defined in State statute as 60% and below area median income, the U.S. Treasury Department’s Capital Magnet Fund, one of our funders, defines “Very Low Income” as households earning 50% and below the area median income.
- Section 12(k) is being added to the policy in order to allow TSAHC to incorporate participation loans into our program. Participation loans are used by two or more lenders that wish to jointly fund an affordable housing project through one loan agreement with the borrower. Participation loans are more prevalent in real estate lending and TSAHC has been approached by other lenders both seeking purchase participations in our loan pool and seeking investment in projects they intend to fund. If approved, staff will work with General Counsel to develop participation loan agreements and develop standard operating procedures for managing this new loan activity.

A complete copy of the proposed policy with redlined edits, is attached to this agenda item.

Staff Recommendation:

Staff recommends that the Board approve the attached policy for the Texas Housing Impact Fund. If adopted, Staff will accept all changes and post the final approved document.

Tab 5

Presentation and Discussion of the Texas State Affordable Housing Corporation's
Fiscal Year 2021 and 2022 Strategic Plans.