AUDIT COMMITTEE
MEETING OF MARCH 10, 2010
Gloria Ray, Chair

TEXAS DEPARTMENT OF
HOUSING & COMMUNITY AFFAIRS
Building Homes. Strengthening Communities.

Gloria Ray, Chair
Tom Gann, Member
Lowell Keig, Member

AUDIT COMMITTEE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

March 10, 2010
4:00 p.m.

TDHCA Headquarters
221 E. 11th Street, Room 116
Austin, TX

AGENDA

CALL TO ORDER, ROLL CALL — Gloria Ray, Chair

CERTIFICATION OF QUORUM — Gloria Ray, Chair

PUBLIC COMMENT

The audit committee of the board of the Texas Department of Housing and Community Affairs will solicit public comment at the beginning of the meeting and will also provide for public comment on each agenda item after the presentation made by the department staff and motions made by the committee.

The audit committee of the board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

REPORT ITEMS — Sandy Donoho, Dir Internal Audit

Item 1 Presentation, Discussion, and Possible Approval of Audit Committee Minutes for October 14, 2009

Item 2 Presentation and Discussion of the Internal Audit Peer Review Results

Item 3 Presentation, Discussion and Possible Approval of the Audit Committee Charter and Board Resolutions

Item 4 Presentation and Discussion of Audit Results from Deloitte and Touche, CPAs — Julia Petty, Deloitte & Touche
Communications with Audit Committee
Opinion Audit on FY 2009 Basic Financial Statements
Opinion Audit on FY 2009 Revenue Bond Program Financial Statements
Opinion Audit on FY 2009 Computation of Unencumbered Fund Balances
Report to Management (Management Letter)

Item 5 Presentation and Discussion of Recent Internal Audit Reports

Item 6 Presentation and Discussion of Status of Prior Audit Issues

Item 7 Discussion of Hotline/Fraud Investigation Workload

Item 8 Discussion of Davis Bacon Requirements

EXECUTIVE SESSION

The Committee may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551 and under Texas Government Code §2306.039

ADJOURN — Gloria Ray, Chair

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Nidia Hiroms, TDHCA, 221 East 11th Street, Austin, Texas 78701-2410, 512-475-3934 and request the information.

Individuals who require the auxiliary aids, services or sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

Non-English speaking individuals who require interpreters for this meeting should contact Nidia Hiroms, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

Internal Audit Division

BOARD ACTION REQUEST

March 10, 2010

Action Items

Presentation, discussion and possible approval of the October 14, 2009 audit committee meeting minutes.

Required Action

Review and approve the minutes of the October 14, 2009 audit committee meeting.

Background

None.

Recommendation

Staff recommends approval.

AUDIT COMMITTEE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

October 14, 2009
5:00 pm

TDHCA Headquarters
221 E. 11th Street, Room 116
Austin, TX

SUMMARY OF MINUTES

CALL TO ORDER, ROLL CALL ; CERTIFICATION OF QUORUM

The Audit Committee Meeting of the Texas Department of Housing and Community Affairs of October 14, 2009 was called to order by Chair, Gloria Ray, at 5:00 p.m. It was held at the 221 E. 11th Street, Room 116, Austin, TX. Roll call certified a quorum was present.

Members Present:
Gloria Ray, Chair
Tom Gann, Member
Members Absent:
Leslie Bingham-Escareño, Member

PUBLIC COMMENT

The audit committee of the board of the Texas Department of Housing and Community Affairs will solicit public comment at the beginning of the meeting and will also provide for public comment on each agenda item after the presentation made by the department staff and motions made by the committee.
No public comment.

The audit committee of the board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

REPORT ITEMS

AGENDA ITEM 1 Presentation, Discussion, and Possible Approval of Audit Committee Minutes for July 15, 2009
Motion by Mr. Gann to approve staff recommendation; seconded by Ms. Ray; passed unanimously.

AGENDA ITEM 2 Presentation, Discussion and Possible Approval of the FY2010 Audit Work Plan
Motion by Mr. Gann to approve staff recommendation; seconded by Ms. Ray; passed unanimously.

AGENDA ITEM 3 Presentation and Discussion of Status of Prior Audit Issues
Report item. No action taken.

AGENDA ITEM 4 Presentation and Discussion of Recent Internal Audit Reports
Report item. No action taken.

AGENDA ITEM 5 Presentation and Discussion of Status of External Audit Reports
Report item. No action taken.

AGENDA ITEM 6 Presentation and Discussion of Recent External Audit Reports
Report item. No action taken.

AGENDA ITEM 7 Peer Review Process
Report item. No action taken.

EXECUTIVE SESSION
The Committee may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551 and under Texas Government Code §2306.039.
None required.

ADJOURN
Since there was no further business to come before the Committee, Gloria Ray adjourned the meeting of the Audit Committee at 6:13 p.m. on October 14, 2009.

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Mr. Timothy K. Irvine, Board Secretary

For a full transcript of this meeting, please visit the TDHCA website at www.tdhca.state.tx.us.

Internal Audit Division

BOARD ACTION REQUEST

March 10, 2010

Action Items

Presentation and discussion of the December 2009 internal audit peer review report.

Required Action

None, information item only.

Background

Internal Audit Standards and the Internal Auditing Act require the Internal Audit Division to undergo a peer review every three years. The Internal Audit Division received a rating of "Fully Complies" which is the highest possible rating.

Recommendation

None, information item only.

REPORT ON THE
EXTERNAL QUALITY ASSURANCE REVIEW
OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT DIVISION

December 16, 2009

PERFORMED BY

Linda J Sherrard, CPA, CISA, CFE
Technology Audit Supervisor
Texas Department of State Health Services

Cynthia Hancock, CIA, CICA, CFE
Internal Auditor
Texas Parks and Wildlife Department

PERFORMED IN ACCORDANCE WITH THE
STATE AGENCY INTERNAL AUDIT FORUM
PEER REVIEW POLICIES AND PROCEDURES

OVERALL OPINION

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Department of Housing and Community Affairs' Internal Audit Division "fully complies" with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing*, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Auditing Act (*Texas Government Code*, Chapter 2102). This opinion, which is the highest of the three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal audit function.

We found that the Internal Audit Division is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are communicated clearly and concisely.

The Internal Audit Division is well managed. In addition, the Division has effective relationships with the Board and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers Internal Audit a useful part of the overall agency operations and finds that the audit process and report recommendations add value and help improve the agency's operations. The interviews and surveys of agency management and audit personnel gave the internal audit function an overall average rating of **A-**, on a scale from A – F, with A being the highest rating.

ACKNOWLEDGEMENTS

We appreciate the courtesy and cooperation extended to us by the Internal Audit Director, Internal Audit staff, the Chairman and Vice-Chairman of the Board, the Executive Director, Deputy Executive Directors, Directors, and other members of management who participated in the interview process. We would also like to thank each person who completed surveys for the quality assurance review. The feedback from the surveys and the interviews provided valuable information regarding the operations of the Internal Audit Division and its relationship with management.

Linda Sherrard, *CPA, CISA, CFE* — *Date*
Technology Audit Supervisor
Texas Department of State Health Services
SAIAF Peer Review Team Leader

Cynthia Hancock, *CIA, CICA, CFE* — *Date*
Internal Auditor
Texas Parks and Wildlife Department
SAIAF Peer Review Team Member

BACKGROUND

The Institute of Internal Auditors (IIA) *Standards for the Professional Practice of Internal Auditing*, U.S. Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Auditing Act require that internal audit functions obtain external quality assurance reviews to assess compliance with standards and the Act and to appraise the quality of their operations. Government auditing standards require these reviews at least every three years. A periodic external quality assurance review, or peer review, of the internal audit function is an essential part of a comprehensive quality assurance program. This quality assurance review was performed in accordance with State Agency Internal Audit Forum (SAIAF) Peer Review guidelines.

OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objective of the quality assurance review was to evaluate the TDHCA Internal Audit Division's compliance with auditing standards and the Texas Internal Auditing Act. Additional objectives included identifying best practices as well as areas where improvement may be needed.

The most recent quality assurance review for the Texas Department of Housing and Community Affairs' Internal Audit Division was performed in October 2006. However, the Internal Audit Division has changed leadership during the period since this review and has made significant changes to division policies and procedures; annual risk assessment and planning; Board and Executive management reporting processes; and to audit processes, including the following:

- Project methodology,
- Evidence gathering procedures,
- Audit client communications,
- Quality review, and
- Reporting.

As a result, the scope of this review was limited to activities attributable to the current Internal Audit Director and audit team members employed between August 2008 and November 2009. Testing included two projects performed by the TDHCA Internal Audit Division during that time frame.

The work performed during the review included:

- Review, verification, and evaluation of the self-assessment prepared by the Internal Audit Division according to SAIAF guidelines.
- Review and evaluation of e-mailed surveys completed by management.
- Interviews with the Internal Audit Director, Internal Audit Division staff, the Executive Director, seven executive and senior managers, and two Board members (the Chairman of the Board and the Chairman of the Audit Committee).
- Review and evaluation of audit working papers.
- Review of Internal Audit's policies and procedures, annual risk assessment, annual audit plan, and other relevant documents.

DETAILED RESULTS

The results of the quality assurance review for the Texas Department of Housing and Community Affairs' Internal Audit Division are presented in the order of the *Standards for the Professional Practice of Internal Auditing.* No significant weaknesses were identified during the review that would prevent the Division from fulfilling its responsibilities or complying with applicable requirements. The detailed results include identification of best practices to illustrate those areas where the Division was rated highly by agency personnel, received positive comments in interviews or surveys, or was identified as noteworthy by peer reviewers.

IIA Code of Ethics
The Internal Audit Division demonstrates its commitment to the IIA *Code of Ethics* by including it in the *Internal Audit Policies and Procedures Manual*, attending periodic ethics training classes, and practicing ethical behavior in the course of daily work. In addition, the agency's *Ethics Policy* and fraud hotline are indications of an organization-wide commitment to accountability and integrity.

Standard 1000: Purpose, Authority, and Responsibility
The purpose, authority, and responsibility of Internal Audit have been defined in a charter that is consistent with auditing standards. The current charter was signed by the Board and the Executive Director in February 2009. It defines the nature of audit and consulting services and grants the Internal Audit Division unrestricted access to agency records, property, and personnel.

Standard 1100: Independence and Objectivity
The Internal Audit Division is independent both in terms of the agency's organizational structure and the Division's practices. The Internal Audit Director reports directly to the Board, which provides sufficient authority to promote independence and to ensure adequate consideration of audit reports and appropriate action on audit issues and recommendations. Appointment and removal of the Internal Audit Director requires Board action.

The charter helps ensure continued independence by specifying that internal auditors must remain free of operational and management responsibilities that could impair their ability to make independent reviews of all areas of the agency's operations. None of the internal auditors has had prior responsibility for any areas that the Division audits. In addition, auditors are required to sign independence statements for each audit they perform.

Standard 1200: Proficiency and Due Professional Care
The internal auditors individually and collectively possess the knowledge, skills, and abilities to perform their responsibilities. Four auditors hold at least one relevant professional certification. Internal auditors are required by the Division's policies and procedures to enhance their knowledge, skills, and abilities by obtaining at least 40 hours of continuing professional education each year.

Standard 1300: Quality Assurance and Improvement Program
The Internal Audit Director has implemented a quality assurance and improvement program to help ensure that Internal Audit adds value and improves the agency's operations and to provide assurance that the Division complies with *Standards* and the IIA Code of Ethics. The quality assurance program involves auditor performance evaluations, audit client surveys after each audit, annual customer surveys, periodic self-assessments, and periodic peer reviews, which are communicated to the Board. Each audit report indicates that the work was performed in accordance with *Standards.*

The latest version of the *Standards* (January 2009) requires the chief audit executive to report to senior management and to the oversight entity on the Internal Audit Division's quality assurance program and improvement program. (Standard 1320) The interpretation of this standard indicates that this report must be made at least annually. The Director of Internal Audit had evaluated the quality assurance program and presented a report to the governing Board and the Executive Director in May of 2009.

Standard 2000: Managing the Internal Audit Activity
The Internal Audit Director conducts an annual risk assessment that forms the basis for the Annual Audit Plan, which is approved by the Board. Each internal audit report addresses risk and control issues within the agency. The Director has developed policies and procedures to guide the internal audit activity. The Director reports the Division's performance relative to the annual plan formally to the Audit Committee and the agency's Executive Director at least three time per year, and in an Annual Report on Internal Audit submitted to the Governor's Office and the State Auditor.

Standard 2100: Nature of Work
Internal Audit evaluates risks related to financial and operating information as well as the effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws and regulations. The Division also evaluates the extent to which operating and program objectives have been achieved.

To comply with the 2002 revision to the IIA *Standards* that requires Internal Audit to contribute to the organization's risk management and governance processes, the Division provides information and assistance to Executive management and the Board about how the accomplishment of goals is monitored and how accountability is ensured.

Standard 2200: Engagement Planning
During planning, internal auditors consider the objectives of the activity being reviewed and the related risks and controls. Resources needed for each audit are adequately considered during planning. Risk assessments are used to develop the objectives of each audit. Surveys and interviews conducted during this quality assurance review indicated that the objectives of audits are clearly communicated to the audit clients. An Audit Plan and an Audit Program are documented and approved for each audit. The scope of audits is adequately planned and documented in planning documents and audit reports.

Standard 2300: Performing the Engagement
Internal auditors obtain, evaluate, and document sufficient, reliable, and relevant information to achieve their audit objectives. Results and conclusions are based on analysis. Division policies and procedures contain guidance on sampling techniques.

Audits are properly supervised by the Internal Audit Director. The Auditor-in-charge for each project monitors the progress of the individual audits. The Internal Audit Director attends planning meetings, approves all control documents, and reviews working papers to ensure sufficiency of evidence and compliance with *Standards*.

Standard 2400: Communicating Results
Audit results are communicated in a timely manner. Potential findings are communicated throughout each audit, which allows audit client management the opportunity to provide additional information and/or to start taking corrective action. Audit results are presented to management before they are finalized in a report, which helps ensure there is agreement about the areas for improvement and the recommended solutions.

Audit reports contain the audit objectives, results, conclusions, recommendations, and management's responses and action plans. The results of our surveys and interviews with management indicated that internal audit reports are accurate, objective, clear, concise, and complete. The Internal Audit Director distributes internal audit reports to the Board, to Executive management, and to management of the activity being audited.

Standard 2500: Monitoring Progress
The agency has a system for monitoring the disposition of audit issues. The status of management's progress in implementing recommendations is reported quarterly, and the results are made accessible to all levels of management. Additionally, the Division verifies recommendations that have been implemented and assesses their effectiveness during the survey phase of audits and as time permits during the year.

A. Standard 2600: Management's Acceptance of Risks
During the quality assurance review, no instances were identified of management accepting an inappropriate level of risk that would require the Internal Audit Director to notify the Board.

BEST PRACTICES

The Texas Department of Housing and Community Affairs' Internal Audit Division is a progressive function dedicated to continuous improvement. During the quality assurance review, we observed a number of practices that demonstrate outstanding commitment and professionalism. These leading practices include the following:

- IA has relationships with the Board, Executive and Division management based on mutual respect and commitment to improving controls within the agency. The IA Director and staff work in concert with the Board and executive management on diverse audit assurance projects. Consulting projects have been limited under recent audit plans.

- The internal auditors are professional and proficient. They collectively hold eight professional certifications and two graduate degrees. Certifications held include Certified Internal Auditor (CIA), Certified Public Accountant (CPA), Certified Information Systems Auditor (CISA), Certified Fraud Examiner (CFE), Certified Government Auditing Professional (CGAP), and Certified Internal Controls Auditor (CICA).

- All IA staff members obtain at least 80 hours of continuing professional education each two-year period provided by local professional auditing organizations including the State Auditor's Office (SAO); the Texas Society of Certified Public Accountants (TSCPA); and local chapters of the Institute of Internal Auditors (IIA), the Information Systems Control and Audit Association (ISACA), and the Association of Certified Fraud Examiners (ACFE). Agency managers and SAO managers stated in interviews that the internal auditors are competent professionals and are committed to continuously enhancing their knowledge, skills, and abilities.

- There is an excellent system for tracking and reporting the status of prior audit recommendations. The audit follow-up system includes periodic reviews and updates provided to line management, executive management, and the Board. Tracking and reporting includes all audit recommendations for the agency by external and federal auditors, not just those issued by the Division.

- IA has developed the *Internal Audit Standard Operating Procedures* manual, an excellent, comprehensive guide that provides direction to staff auditors and assures more consistent IA practices.

- IA staff members are active and well respected in local professional organizations including the SAIAF, IIA, ISACA, and ACFE.

- IA summarizes its audit engagement planning process in a comprehensive manner to include the identification of potential risks, testing methodology, preliminary interviews, and audit objectives and scope.

REPORT DISTRIBUTION LIST

Mr. Kent Conine, Chairman of the Board

Ms. Gloria Ray, Board Member and Chairman of the Audit Committee

Mr. Michael Gerber, Executive Director

Ms. Sandra Donoho, Internal Audit Director

INTERNAL AUDIT CHARTER

(Effective October 17, 2001, Amended March 11, 2010
as approved by the Department's Governing Board)

D E F I N I T I O N

Internal audit is an independent, objective assurance and consulting activity within the Texas Department of Housing and Community Affairs (Department) designed to add value and improve the Department's operations. Internal audit helps the Department accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

P U R P O S E

The purpose of internal audit's work is to determine whether:

- risks are appropriately identified and managed,
- management information is reliable, accurate and timely,
- acceptable policies and procedures are followed,
- compliance with applicable laws and regulations is achieved,
- resources are safeguarded and used efficiently and economically,
- planned missions are accomplished effectively, and
- the Department's objectives are met.

The internal audit division supports management in its responsibilities by furnishing analyses, appraisals, observations and recommendations to assist the Department in evaluating and improving the effectiveness of its risk management, control and governance processes.

A U T H O R I T Y

The Internal Auditing Act (Chapter 2102, Government Code) and the Department's enabling legislation (Chapter 2306, Government Code) authorizes the establishment of an internal audit program. Internal auditors shall have full access to all of the Department's records, facilities, properties and personnel relevant to the performance of engagements or investigations, and are free to review and evaluate all policies, plans, procedures and records. However, internal auditors shall have no direct responsibility for, or authority over, any of the activities reviewed, and the auditing, review and evaluation of an area shall in no way relieve management of its assigned responsibilities.

Department management shall respond to all information requests by the internal auditor or internal audit staff pursuant to this authority within two business days of such requests, including requests of information considered confidential by its nature or due to pending or actual litigation. The internal audit staff shall use discretion in its review of records and assure the confidentiality of all matters that come to its attention.

The director of internal audit or a designated representative will be included in exit conferences conducted by any external, federal or state auditors and shall receive copies of the audit reports along with management's written response. The internal audit division shall be available to assist management in providing additional information, preparing responses to reports and examinations, and subsequently reviewing the progress made to correct the deficiencies reported.

I N D E P E N D E N C E

Internal auditors shall not develop or install procedures, prepare records, perform internal control functions, or engage in any other activity which they would normally review and evaluate and which could reasonably be construed to compromise the independence of the internal audit division. However, the independence of the internal audit division shall not be adversely affected by determining and recommending standards of control to be applied to the development of the systems and procedures reviewed. The internal audit division shall be responsive to requests for assistance from management, provided that the subject of the request is related to auditing or internal controls. The internal audit division staff shall not assume operating responsibilities or direct the activities of any employee not employed by the internal audit department or assigned to assist the internal auditors.

The internal audit division shall be available to perform consulting and advisory services at the specific request of the board, or of management with the board's approval. The nature and scope of these services are subject to agreement with management and the board. Consulting and advisory services are intended to add value and improve the Department's governance, risk management and control processes. These consulting and advisory services will only be performed if the director of internal audit deems that the engagement can be performed while still maintaining the auditors' objectivity and independence, and if the assignment does not result in the internal audit division or any member of the internal audit staff assuming any management responsibility.

A C C O U N T A B I L I T Y

The director of internal audit shall report directly to the audit committee of the governing board of the Department and administratively to the executive director of the Department. The director of internal audit shall furnish copies of all audit reports to the audit committee and to the governing board in accordance with the criteria established by the audit committee. The director of internal audit shall periodically appear before the audit committee and/or the governing board at its meetings to report on audit findings and the operations of the internal audit division.

The audit committee and the governing board shall periodically assess whether resources allocated to the internal audit division are adequate to implement an effective program of internal auditing. To facilitate the this process, the director of internal audit will emphasize significant risks to the Department that are not addressed in the annual audit plan as proposed to the audit committee and/or the governing board for approval, and will periodically report to the audit committee and/or the governing board on internal audit staffing levels.

R E S P O N S I B I L I T I E S

The internal audit division shall:

- comply with the Texas Internal Auditing Act.
- execute a comprehensive audit program to insure all activities of the Department are reviewed at appropriate intervals as determined by the director of internal audit and as approved by the audit committee and/or the governing board.
- review and evaluate systems of control and the quality of ongoing operations, recommend actions to correct any deficiencies and follow-up on management's response to assure that corrective action is taken on a timely basis.
- perform an objective assessment of evidence to provide an independent opinion or conclusions regarding the Department, its operations, functions, processes and systems.

- evaluate the quality of management performance in terms of compliance with policies, plans, procedures, laws and regulations.

- evaluate the effectiveness and contribute to the improvement of risk management processes, including evaluating the potential for the occurrence of fraud and how the Department manages fraud risk.

- assess and make appropriate recommendations for improving the governance process in promoting ethics and values within the Department, ensuring effective organizational performance, communicating risk and control information to appropriate areas of the Department, and coordinating and communicating information among the governing board, external auditors and management.

- review the controls of significant new systems and subsequent revisions before they are implemented. In addition, the environmental, operational and security controls of the Department's automated processes shall be assessed and reviewed as needed.

- verify the existence of Department assets and assure that proper safeguards are maintained to protect them from losses of all kinds.

- audit the reliability and operation of the accounting and reporting system as needed.

- consider the scope of work of external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the Department .

- conduct or participate in internal investigations of suspected fraud, theft or mismanagement, and provide advice relating to internal fraud and security.

- identify operational opportunities for performance improvement by evaluating the functional effectiveness against Department and industry standards. From time to time other divisions and individuals may also be engaged in this or similar functions.

- coordinate its audit efforts with those of the Department's external, state, and federal auditors.

- evaluate the adequacy of management's corrective actions and perform necessary follow-up procedures to ensure that the corrective actions have been implemented.

The Director of Internal Audit shall:

- ensure that written reports are prepared for every internal audit and that such reports are furnished to the director responsible for the audited activity. Copies of each audit report and management's responses shall be provided to the audit committee and the governing board in accordance with the criteria established by the audit committee. Management is responsible for providing the internal audit division with a detailed written response to reported deficiencies. Such response, stating corrective action taken or planned, including a target date for completion, should be received by the director of internal audit within ten (10) business days after management has received the report draft disclosing the deficiencies conditions. Additional response time may be granted by the director of internal audit if circumstances warrant additional time.

- present a summary of audit activities to the audit committee or to the governing board at least three times annually. Each presentation will include comments about major audit findings and if necessary, an opinion of the adequacy of management's response to the audit reports. In addition, the director of internal audit will meet, as needed, with the executive director and/or the audit committee to discuss the purpose, authority, responsibility and performance of the internal audit division, the status of the audit plan, the status of management's resolution of audit recommendations, and other significant issues involving the internal audit function.

- prepare an annual summary report of audit activities, including opinions on the overall condition of the Department's controls and operations.

- confirm to the audit committee and/or the governing board on an annual basis the independence of the internal audit division and its audit staff.

- periodically review the internal audit charter and present it to management, the audit committee and/or the governing board for approval.

- promote and encourage the advancement of audit and control knowledge through the dissemination of related information and the active participation in professional groups and organizations.

STANDARDS OF AUDIT PRACTICE

As a means of assuring the quality and performance of the internal audit division, the audit committee requires the internal audit division to meet or exceed the *International Standards for the Professional Practice of Internal Auditing* and to comply with the *Code of Ethics* prescribed by the Institute of Internal Auditors and with generally accepted governmental auditing standards, as may be periodically amended. It is also expected that the internal audit division will obtain an external peer review of the internal audit division to evaluate the quality of its operations at least once every three years.

Internal Audit Division

BOARD ACTION REQUEST

March 10, 2010

Action Items

Presentation, discussion and possible approval of the Internal Audit Charter and Board Resolutions.

Required Action

Review and approve the Internal Audit Charter and Board Resolutions.

Background

Internal Audit Standards (the Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*) require annual approval of the Internal Audit Charter and the Board Resolutions regarding internal audit. The charter and resolutions have not changed since their last approval in February 2009.

Recommendation

Staff recommends approval.

AUDIT COMMITTEE - BOARD RESOLUTIONS

Resolution # 10-017

(As approved by the Board on March 12, 2010)

WHEREAS the original audit committee (Committee) members were appointed by the chairman of the governing board (Board) in April, 1992, pursuant to the Texas Government Code, Chapter 2306, *Texas Department of Housing and Community Affairs* (Department), section 2306.056, *Committees*, and whereas the Committee's authority and composition has not been specified, and whereas the Committee members' duties and responsibilities have not been previously enumerated, the Board hereby resolves the following:

RESOLVED, that the Committee shall have the authority to investigate any organizational activity as it deems necessary and appropriate, and shall have unrestricted access to all information, including documents and personnel, and shall have adequate resources in order to fulfill the oversight responsibilities it conducts on behalf of the Board, including full cooperation of Department employees. The Committee has the authority to pre-approve the annual audit plan, and to approve any non-audit services or requests for audits or investigations outside of the annual audit plan.

RESOLVED, that the Committee shall be composed of three board members appointed by the Board's chairperson who shall serve for two year terms each or until their respective successor shall be duly appointed and qualified. Audit committee members shall be free of any relationships that would interfere with their ability to exercise independent judgment as a member of the Committee.

RESOLVED, that a chairperson of the Committee shall be appointed by the Board's chairperson.

RESOLVED, that the Committee shall meet a minimum of three times each year, either in a separate meeting or as part of a larger Board meeting, or at such additional or special meetings as may be called as needed by the Board chairperson, the Committee chairperson, or the executive director; and that the Committee shall report on its proceedings and actions to the Board with such recommendations as the Committee deems appropriate.

RESOLVED, that the Committee's primary function is to assist the Board in carrying out its oversight responsibilities as they relate to financial and other reporting practices, internal control, and compliance with Board and ethics policies, and to ensure the independence of the internal audit function.

RESOLVED, that in fulfilling its function, the Committee's responsibility for (i) financial and other reporting practices is to provide assurance to the Board that financial and other reporting information reported by management reasonably portrays the circumstances or plans reported; (ii) internal control is to monitor the effectiveness of control systems and processes through the results of internal and external audits and reviews; (iii) compliance with Board and ethics policies is to periodically inquire of management, the internal audit director, and the independent accountant about significant risks or exposures and assess the steps management has taken to minimize such risk; (iv) the internal audit function is to support the internal audit division so that internal auditors can gain the cooperation of auditees and perform their work independently and free from interference and to provide reasonable assurance that the internal auditors perform their responsibilities.

PASSED AND APPROVED this 11th day of March, 2010.

Chair of the Governing Board ____________________________________

Executive Director ____________________________________

Board Secretary ____________________________________

Texas Department of Housing and Community Affairs

Report to Management for the
Year Ended August 31, 2009

Deloitte.

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December 18, 2009

To the Governing Board of
Texas Department of Housing and Community Affairs:

Dear Members of the Board of Directors:

In planning and performing our audit of the basic financial statements of the Texas Department of Housing and Community Affairs (the "Department") as of and for the year ended August 31, 2009 (on which we have issued our report dated December 18, 2009), in accordance with auditing standards generally accepted in the United States of America, we considered the Department's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, in connection with our audit, we identified, and included in the attached Exhibit, deficiencies and other matters related to the Department's internal control over financial reporting as of August 31, 2009, that we wish to bring to your attention.

The definition of a deficiency is also set forth in the Section III of the attached Exhibit.

Although we have included management's written response to our comments in the attached Exhibit, such responses have not been subjected to the auditing procedures applied in our audit and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix and should be read in conjunction with this report.

This report is intended solely for the information and use of management, the Governing Board and others within the Department and is not intended to be, and should not be, used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP

Our observations concerning deficiencies and other matters related to operations, compliance with laws and regulations, and best practices involving internal control over financial reporting that we wish to bring to your attention are as follows:

SECTION I —DEFICIENCIES

We identified, and have included below, deficiencies involving the Department's internal control over financial reporting as of August 31, 2009, that we wish to bring to your attention:

GENERAL COMPUTER CONTROLS OBSERVATIONS

Database Change Management – PeopleSoft/Oracle

Observation —The PeopleSoft support team makes changes to financial data stored in the Oracle database after receiving approvals through email by business users. Such requests are entered in Track-It to ensure they are completed timely. Changes made to the production database include SQL queries which update and delete data. Such changes are made through individual user identification to establish accountability on the system.

However, such database changes are not logged systematically through individual user accounts to ensure only changes intended by management are made to the production database.

Recommendation — All requests by the business to allow IT support to make data changes should be written, maintained and monitored for appropriateness.

Management's Response — TDHCA's Information Systems Division will implement a process to log direct database changes made through the individual system accounts of the PeopleSoft support team. The Director of Information Systems will monitor these logs for appropriateness. We originally targeted implementing this new control by January 31, 2009, but due to some technical challenges and other, high priority production support projects and tasks, the target date was delayed. We are now nearing completion of this control and will implement it by the end of this month.

Target Date for Implementation: November 30, 2009

SECTION II — OTHER MATTERS AND STATUS OF PRIOR-YEAR OBSERVATIONS

Our observations concerning other matters related to loan allowance calculations, recently issued financial accounting standards, and status of prior year observations that we wish to bring to your attention are as follows:

OTHER MATTERS

Estimated Loan Loss Reserve Methodology

Observation — In testing of allowances for estimated losses on loans, the recorded allowance balances appeared to be at the high end of a range of possible estimated allowances. Actual losses experienced by the Department reflect losses consistently lower than the estimated allowances. The allowances have been calculated consistently in accordance with the Department's methodology which is disclosed in Note 1 of the Department's basic financial statements.

Recommendation — The Department should review and challenge the current methodology of calculating related allowances. Additional assumptions that could be used to refine the allowance calculation may include consideration of the effect of all remedies available to the Department in the event of loan default or nonpayment as well as a comparison of actual loan losses experienced to estimates previously recorded.

Management's Response — Management will review the methodology used in calculating its loan loss reserve taking into consideration any TDHCA Board action taken regarding delinquent loans.

RECENTLY ISSUED GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

GASB 51: Accounting and Financial Reporting for Intangible Assets

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, was issued and is effective for the Department beginning in fiscal year 2010. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets.

GASB 53: ACCOUNTING AND FINANCIAL REPORTING FOR DERIVATIVE INSTRUMENTS

The GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, was issued and is effective for the Department beginning in fiscal year 2010. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The statement requires that the fair value of financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of state and local governments. Additional information about derivatives is disclosed in the notes to the financial statements, including identification of the risks to which hedging derivative instruments themselves expose a government.

GASB 54: FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS

The GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was issued and is effective for the Department beginning in fiscal year 2011. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types.

Recommendation — Begin reviewing GASB Statement Nos. 51, 53 and 54 and their implications to determine the potential impact on the TDHCA's financial statements.

Management's Response — Management will proactively review GASB Statement Nos. 51, 53 and 54 for their potential implications for TDHCA's financial statements.

STATUS OF PRIOR-YEAR OBSERVATIONS

GENERAL COMPUTER CONTROLS OBSERVATIONS

Database Change Management – PeopleSoft/Oracle

Observation was carried forward in current year. Refer to Section I above.

Network and Systems Software Change Management (Windows, UNIX, Firewall, Network Components)

Observation — Policies have been created to govern network and systems software change management. Individuals have been granted authority to approve, test and deploy their own changes. Access to implement such changes has been limited to very few personnel. However, such changes are not formally reviewed by management to ensure they are consistent with management's intentions.

Recommendation — Changes made to network and operating systems software should be documented. Documentation should evidence testing and approvals of changes made.

Management's Response — In December 2007, management updated SOP 2264.14, "Network Change Procedures," to clarify the levels of authorization that the Director of Information Systems has granted to TDHCA's Network Administrator, Unix Administrator, and Database Administrator and to establish the Unix, Windows, and Cisco Change Log. The Information Systems Division has been in compliance with the updated version of SOP 2264.14 since that time.

By December 31, 2008, management will add an additional control to SOP 2264.14 requiring that employees in these positions email a description of the planned change to a new distribution list named "IS System Changes" prior to initiating certain types of network and operating systems software changes identified in the SOP. The Director of Information Systems will be a member of this distribution list. Email sent to this distribution list will also be posted to a public folder to which all division employees will have read access.

Target Date for Implementation: December 31, 2008.

Fiscal 2009 Update — Observation was not carried forward to the current year.

SECTION III — DEFINITIONS

The definition of a deficiency that is established in AU 325, *Communicating Internal Control Related Matters Identified in an Audit*, is as follows:

A *deficiency* 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

The Department's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process effected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Texas Department of Housing and Community Affairs — Housing Finance Division

Computation of Unencumbered Fund Balances as of August 31, 2009, and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of the
Texas Department of Housing and Community
Affairs — Housing Finance Division:

We have audited the accompanying Computation of Unencumbered Fund Balances (the "Computation") of the Texas Department of Housing and Community Affairs — Housing Finance Division (the "Division") as of August 31, 2009. The Computation is the responsibility of Division management. Our responsibility is to express an opinion based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Computation is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Computation. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Computation. We believe that our audit provides a reasonable basis for our opinion.

The Computation is presented on the basis of criteria described in Note 2 to the Computation for compliance with the provisions of Chapter 2306, Texas Government Code, Sections 2306.204 and 2306.205. The Computation is not intended to present unencumbered fund balances in accordance with accounting principles generally accepted in the United States of America. Unencumbered fund balances determined under the basis of presentation described in Note 2 may materially differ from those determined under accounting principles generally accepted in the United States of America.

In our opinion, the aforementioned Computation presents fairly, in all material respects, the unencumbered fund balances of the Division as of August 31, 2009, in conformity with the criteria specified by management of the Division for compliance with the computations described in the Texas Government Code, Sections 2306.204 and 2306.205, as set forth in Note 2 to the Computation.

This report is intended solely for the information and use of the Division's management and the Governing Board in accordance with the Texas Government Code, Sections 2306.204 and 2306.205, and is not intended to be, and should not be, used by anyone other than these specific parties.

Deloitte & Touche LLP

December 18, 2009

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — HOUSING FINANCE DIVISION

COMPUTATION OF UNENCUMBERED FUND BALANCES
AS OF AUGUST 31, 2009
(Amounts in thousands)

	SFMRB Program	RMRB Program	CHMRB Program	M/F Program	Commercial Paper Program	Operating Fund
BOND LIABILITIES:						
Bonds payable/commercial paper notes payable	$1,087,675	$337,570	$ 9,100	$1,224,002	$	$
Accrued interest payable on bonds	24,760	2,281	9	8,877		
TOTAL	$1,112,435	$339,851	$ 9,109	$1,232,879	$	$
ASSET TEST RATIO REQUIREMENT	102 %	102 %	102 %	100 %	100 %	%
QUALIFYING ASSETS:						
Cash and temporary investments	$ 118,034	$ 93,785	$ 175	$ 41,413	$ 26	$12,268
Investments — at fair value	15,101	6,872	168	23,661		
Mortgage-backed securities — at fair value	1,021,823	263,157	10,624	53,396		
Less fair value adjustment	(39,878)	(13,681)	(942)			
Unamortized premium/discount	6,166	1,118	39			
Loans/notes receivable — net	36,006	898		1,224,002		787
Real estate owned — net	138					
Accrued interest receivable	4,391	1,650	63	8,621		
Subtotal	1,161,781	353,799	10,127	1,351,093	26	13,055
LESS RESTRICTIONS:						
Self-insurance fund	1,611	401				
Operating reserve fund	1,216	174	6	329	1	469
Debt service fund	9,366	733		1,696		1
Rebate payable	1,838	236				
Due to lenders/other departments	23			118,613		29
Housing assistance programs	9,678	5,093				
Board/department restrictions					25	12,110
Amounts reserved for special redemptions subsequent to August 31, 2009	275	225				
Subtotal	24,007	6,862	6	120,638	26	12,609
Total qualifying assets less restrictions	1,137,774	346,937	10,121	1,230,455		446
LESS ASSET TEST REQUIREMENT	1,134,684	346,648	9,291	1,232,879		
AMOUNT NEEDED TO MEET ASSET TEST REQUIREMENT				2,424		
UNENCUMBERED FUND BALANCES	$ 3,090	$ 289	$ 830	$	$	$ 446

See accompanying independent auditors' report and accompanying notes to the computation.

1. BACKGROUND OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

General Statement — The Texas Department of Housing and Community Affairs (the "Department") was created effective September 1, 1991, by an act of the 72nd Texas Legislature, pursuant to Senate Bill 546 (subsequently codified as Chapter 2306, Texas Government Code) (the "Department Act"), passed by the Texas Legislature on May 24, 1991, and signed by the Governor of the State of Texas. Effective September 1, 1991, the Department was established to assist local governments in helping residents overcome financial, social, and environmental problems; to address low- to moderate-income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the Legislature in coordinating federal and state programs affecting local governments; and to continually inform the State and the public about the needs of local government. The Department was created by merging two former agencies: the Texas Housing Agency and the Texas Department of Community Affairs.

The Department is governed by a Governing Board composed of seven members appointed by the Governor with advice and consent of the Senate. The Department is administered by an Executive Director to be employed by the Board with the approval of the Governor. The Department is authorized to issue tax-exempt or taxable bonds, notes, or other obligations to finance or refinance multifamily housing developments and single-family residential housing. Bonds and notes of the Department do not constitute a debt of the State or any political subdivision thereof. The Department Act specifically provides for the assumption by the Department of the outstanding indebtedness of the former agencies. The Housing Finance Division (the "Division") of the Department is required to continue to carry out all covenants with respect to any bonds outstanding, including the payments of any bonds from the sources provided in the proceedings authorizing such bonds. The Department Act requires a portion of the unencumbered fund balances, as defined, of the Division of the Department to be transferred to the Housing Trust Fund from the bond programs should certain conditions be met.

The Division operates several bond programs under separate trust indentures, as follows:

General — Single-Family — Since 1979, the year of creation of the Texas Housing Agency (the "Agency"), a predecessor to the Department, through August 31, 2009, the Agency or the Department has issued 29 series of Residential Mortgage Revenue Bonds, 51 series of Single-Family Mortgage Revenue Bonds, 4 series of Junior Lien Single-Family Mortgage Revenue Refunding Bonds, 10 series of GNMA/FNMA Collateralized Home Mortgage Revenue Bonds, 11 series of Collateralized Home Mortgage Revenue Bonds, and 2 series of Government National Mortgage Association (GNMA) Collateralized Home Mortgage Revenue Bonds. As of August 31, 2009, the outstanding principal amount of bonded indebtedness of the Department for single-family housing purposes was $1,434,345.

General — Multifamily (M/F) — The Department and the Agency have issued 213 multifamily housing revenue bonds, which have been issued pursuant to separate trust indentures and are secured by individual trust estates, which are separate and distinct from each other. As of August 31, 2009, 137 series were outstanding, with an aggregate outstanding principal amount of $1,224,002.

Single-Family Mortgage Revenue Bonds (SFMRBs) — The Department has issued 51 series of SFMRBs under a SFMRB Trust Indenture, dated as of October 1, 1980, and 51 indentures supplemental thereto, which are secured on an equal and ratable basis by the trust estate established by the SFMRB Indenture. As of August 31, 2009, 23 series were outstanding, with an aggregate outstanding principal amount totaling $1,079,825.

Junior Lien Bonds — The Department has issued four series of its Junior Lien SFMRBS (the "Junior Lien Bonds") pursuant to a Junior Lien Trust Indenture, as supplemented by the First Supplemental Junior Lien Trust Indenture and the Second Supplemental Junior Lien Trust Indenture, each dated as of May 1, 1994, the Third Supplemental Junior Lien Trust Indenture dated as of March 27, 2002; and the Fourth Supplemental Junior Lien Trust Indenture dated as of April 1, 2004, by and between the Department and J.P. Morgan Trust Company, Texas, NA, as trustee. The Junior Lien Bonds are secured on an equal and ratable basis with each other and on a subordinated basis to the SFMRBs by the trust estate held under the SFMRB Indenture. As of August 31, 2009, two series are outstanding, with an aggregate outstanding principal of $7,850.

Residential Mortgage Revenue Bonds (RMRBs) — As of August 31, 2009, the Department has issued 29 series of RMRBs pursuant to the RMRB Trust Indenture and 26 separate series supplements, which are secured on an equal and ratable basis by the trust estate established by the RMRB Indenture. As of August 31, 2009, 14 series were outstanding, with an aggregate outstanding principal amount of $337,570.

Collateralized Home Mortgage Revenue Bonds (CHMRBs) — The Department has issued 11 series of CHMRBs pursuant to the CHMRB Master Indenture and six separate series supplements, which are secured on an equal and ratable basis by the trust estate established by such trust indentures. As of August 31, 2009, 2 series of CHMRBs was outstanding, with an aggregate outstanding principal amount of $9,100.

Housing Trust Fund — The Department Act provided for a transfer of a portion of the unencumbered fund balance from the bond programs for use in the Housing Trust Fund. The fund will be used to provide assistance for low- and very-low-income persons and families in financing, acquiring, rehabilitating, and developing affordable, decent, and safe housing. The fund will be made available to local units of government, public housing authorities, the Department, community housing development organizations, and nonprofit organizations, as well as eligible low- and very-low-income individuals and families.

Commercial Paper Notes — By resolution adopted November 10, 1994, the Department's Governing Board has authorized the issuance of two series of commercial paper notes: its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series A, and its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series B (the "Notes"). Pursuant to the resolution, the Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000 outstanding. The Department currently has no commercial paper notes outstanding. Proceeds of the initial issuance of the Notes and of future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single-family mortgage revenue bonds, which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department. The commercial paper notes are issued in anticipation of the issuance of refunding bonds that will refund the Notes.

2. BASIS OF PRESENTATION

Management of the Department has determined the following criteria and definitions should be used in the computation of unencumbered fund balances specified by the Department Act, Texas Government Code, Sections 2306.204 and 2306.205. These criteria and definitions were determined based on the requirements of the bond trust indentures, the Board's designated purposes, and financial advisors' recommendations for credit rating purposes:

Definition of Unencumbered Fund Balance — The bond trust indentures of the Department include certain restrictions and encumbrances on Department assets for the benefit, protection, and security of the owners of the outstanding Department bonds. In addition, the Department's financial advisor has recommended that additional restrictions be maintained in the determination of unencumbered fund balance for ensuring the maintenance of parity over the immediate future.

The unencumbered fund balances of the Department represent qualifying assets less restrictions in excess of a percentage (the "Asset Test Ratio") of the total bond liabilities specified in the respective bond trust indentures.

Generally, the unencumbered fund balances cannot be distributed or utilized except when certain conditions have been met within the bond trust indentures, including filing of a statement of projected revenues that projects that anticipated cash flows will be sufficient to pay Department expenses of the Division and aggregate debt service through the maturity of the bonds and to maintain all other reserve fund requirements of the respective bond trust indentures.

Total Bond Liabilities — The following represents the amounts included in determination of total bond liabilities:

- The bonds and commercial paper notes payable represent the contractual balance of bonds and commercial paper notes outstanding at August 31, 2009. Where the bonds are concerned, the amount excludes unamortized bond premiums or discounts.

- Accrued interest on bonds and commercial paper notes payable represents contractual interest due on outstanding balances at August 31, 2009.

Asset Test Ratio — This represents the ratio in excess of total bond liabilities considered necessary by the respective bond trust indentures.

Asset Test Requirement — This represents the encumbered qualifying assets considered necessary by the respective bond trust indentures. These amounts are calculated by multiplying the total bond liabilities by the Asset Test Ratio for the related programs.

Qualifying Assets — Qualifying assets exclude deferred issuance costs, deferred commitment fees, other assets, and the interfund receivables (payables). The following is a summary of amounts considered to be qualifying assets in determination of unencumbered fund balance by the respective bond trust indentures and the bond rating agencies:

- Cash, cash equivalents, and investments are included at fair value.

- Mortgage-backed securities are included at fair value. Deferred commitment fees are excluded.

- Fair value adjustment represents the adjustment to eliminate the unrealized gain or loss in investments marked to fair value, since these funds are not currently available.

- Unamortized premium/discount represents adjustment to value investments at par.

- Loans are included at their current contractual balances outstanding, net of the estimated allowance for estimated loan losses. Deferred commitment fees are excluded.

- Real estate owned is included at the carrying amount, net of the allowance for estimated losses.

- Accrued interest receivable is included at the contractual balances of accrued interest on investments, mortgage-backed securities, and loans.

Restrictions — The restrictions represent amounts to be deducted from qualifying assets for amounts required by the respective bond trust indentures, other Governing Board-designated purposes, or recommendations by the Department's financial advisors in the determination of unencumbered fund balance. The restrictions consist of the following:

- Self-insurance fund represents a required fund within the single-family and RMRB programs that is restricted for losses on self-insured loan pool programs.

- Operating reserve fund represents a restriction of approximately six months' operating expenses of the related bond programs. The single-family operating reserve also includes an estimate for future costs of issuance.

- Debt service fund represents qualifying assets restricted for debt service requirements by the respective bond trust indentures.

- Rebate payable represents a restriction for amounts calculated to be payable under the rebate rules of the U.S. Treasury.

- Amounts due to lenders/other departments represent qualifying assets that are due to lenders under the bond trust indentures, as well as due to other Department funds, and are not available for any other purposes.

- Amounts reserved for Housing Assistance Programs represent amounts that are restricted for certain Department programs as designated by the Governing Board and respective bond trust indentures and, therefore, are not available for any other purpose as of August 31, 2009.

- Board/Department restrictions represent funds designated for a specific purpose by either Board action or management decision.

- Bank Bond Reserve – Amount reserved to supplement and further support the Department's Bond Indentures. It may be used for future bond requirements such as collateral, pledges or issuer contributions, as deemed necessary by management.

- Amounts reserved for special redemptions subsequent to August 31, 2009, represent amounts calculated for the redemption of bonds (debt service) according to provisions stipulated in each bond series' respective supplemental indenture.

(Amounts in thousands)

A summary of the restrictions within the Housing Assistance Programs is as follows:

	Single-Family Program
Mortgage/housing development:	
Down Payment Assistance Program	$ 57
REO Foreclosure Expense for Special Loan Programs	49
1991 Series A — Self-help/HCA&IL Program	2,219
1996 Series A-C Special Mortgage Loan Fund (designated for future Buydown / 0% loans)	132
1996 Series D&E Special Mortgage Loan Fund (designated for future Buydown / 0% loans)	151
1997 Series D-F Special Mortgage Loan Fund (designated for future Buydown / 0% loans)	158
2002 Jr. Lien Acquisition Fund Account	5
2002 Jr. Lien Bootstrap	418
2002 A-C Special Mortgage Loan Fund (designated for future Buydown / 0% loans)	223
2002 A-C Servicing Release Premium Fund (designated for SF Debt Service)	1
2004 Series AB SRP Fund (designated for SF Debt Service)	1
2004 CDE Special Mortgage Loan Fund (designated for future Buydown / 0% loans)	516
2004 Series CDE SRP Fund (designated for SF Debt Service)	
2005 Series A SRP Fund (designated for SF Debt Service)	311
2006 ABC Special Mortgage Fund Fund (designated for future Buydown / 0% loans)	21
2006 FGH Down Payment Assistance Fund	35
2006 FGH Special Mortgage Fund Fund (designated for future Buydown / 0% loans)	29
2007 A Special Mortgage Fund Fund (designated for future Buydown / 0% loans)	5,054
2007 B Down Payment Assistance Fund	298
	$ 9,678

	RMRB Program
1998 A/B RMRB Special Mortgage Loan Fund (designated for P74)	$ 1,392
2000 B-E Servicing Release Premium Fund (designated for RMRB Debt Service)	584
2001 A-C RMRB Servicing Release Premium Fund (designated for RMRB Debt Service)	
2001 DE RMRB Servicing Release Premium Fund (designated for RMRB Debt Service)	
2003 A Servicing Release Program Fund (designated for RMRB Debt Service)	
2009A/B Down Payment Assistance Fund	3,117
	$ 5,093

(Amounts in thousands)

As of August 31, 2009, the following additional restrictions existed:

	Commercial Paper Program and Operating Fund
Supplemental Bond Contingency Reserve	
Supplemental Bond Contingency Reserve (Designated for Mortgage Advantage Program)	$ 4,316
Bank Bond Reserve	2,519
	6,835
Sinlge Family & Multifamily Asset Presevation & Workout	
Arkansas Development Finance Authority/Below Market Interest Rate Program	$ 226
Multi-Family Housing Preservation	428
Below Market Interest Rate Program/Asset Management	502
Single Family & Multi-Family Asset Workout	345
	1,501
Bond/MCC Program	
Bond Programs/COI	$ 1
2003 Mortgage Credit Certificate Program (Designated for Mortgage Advantage Program)	901
Bond Programs/Marketing	234
2005 CitiMortgage Market Rate Program	64
2008 Mortgage Credit Certificate Program	3
2009 Mortgage Credit Certificate Program	230
Pending arbitrage computation	25
M/F bond issuance fees reserved for HTF and/or other program use	2,341
	3,799
	$ 12,135

Supplemental Bond Contingency Reserve – This reserve will be used to supplement the Single Family Surplus and Swap Termination Value Holdback requirement, pursuant to Section 2.16© of the 37th Supplement and/or for other bond requirements such as collateral, pledges or issuer contributions.

Single Family & Multifamily Asset Preservation & Workout – These funds are reserved for single family and multifamily asset preservation and workout.

Bond/MCC Program – These funds are reserved for the MCC bond program and future bond programs.

* * * * * *

Texas Department of Housing and Community Affairs — Revenue Bond Program Enterprise Fund

Financial Statements and Supplemental Schedules as of and for the Year Ended August 31, 2009, and Independent Auditors' Report

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM ENTERPRISE FUND

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INDEPENDENT AUDITORS' REPORT

To The Honorable Rick Perry, Governor, and the Governing Board
Texas Department of Housing and Community Affairs:

We have audited the accompanying statement of net assets of Texas Department of Housing and Community Affairs — Revenue Bond Program Enterprise Fund (the "Bond Program") as of August 31, 2009 and the related statements of revenues, expenses and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the Bond Program's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Revenue Bond Program Enterprise Fund of the Texas Department of Housing and Community Affairs (the "Department") and are not intended to present fairly the financial position of the Department or the results of its operations and the cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Texas Department of Housing and Community Affairs — Revenue Bond Program Enterprise Fund at August 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of the Bond Program's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information by bond program, included as Schedules 1 and 2, listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. These schedules are also the responsibility of the Bond Program's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting schedules 3 though 8 listed in the table of contents are presented for the purpose of additional analysis as required by the Texas Comptroller of Public Accounts and are not a required part of the basic financial statements. These schedules are the responsibility of the Bond Program's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

December 18, 2009

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS – REVENUE BOND PROGRAM ENTERPRISE FUND MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED AUGUST 31, 2009

This section of the Texas Department of Housing and Community Affairs - Revenue Bond Program (the "Bond Program") annual financial report presents management's discussion and analysis of the financial performance of the Bond Program of the Texas Department of Housing and Community Affairs ("Department") during the fiscal year that ended on August 31, 2009. Please read it in conjunction with the Department's Bond Program financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Bond Program's net assets increased by $69.1 million. This was primarily because of the change in fair value of investments as explained below.

- The Bond Program had an Operating Income of $76.4 million, an improvement of $67.9 million over the prior year. The change in operating income was a result of the following factors. The change in fair value of investments increased from an unrealized gain of $6.5 million in fiscal year 2008 to an unrealized gain of $78.1 million in fiscal year 2009, or $71.7 million, which accounted for the majority of the increase in operating results. Bond interest expense decreased $2.3 million due to lower interest rates related to variable rate debt. In addition, interest and investment income decreased by $9.5 million.

- The Bond Program's debt outstanding of $2.7 billion as of August 31, 2009, decreased $1.9 million. Debt issuances and debt retirements totaled $145.3 million and $147.2 million, respectively. Loan originations for the year totaled $43.5 million in the Bond Program.

- The Department currently has five outstanding swaps with three different counterparties at combined notional amount of $351.6 million. The fair market value of swaps fluctuates with changes in interest rates. Given the current low level of interest rates, the fair value of the swaps was ($22.8 million) as of August 31, 2009.

- Subprime lending continues to receive significant attention in the financial market. A rise in the number of borrowers who are unable to pay debt obligations has led to increased foreclosures causing uncertainty in the housing market. According to Standard and Poor's, Housing Finance Agencies (HFAs) face lower risk from defaults on their loans. Homebuyer education programs, conservative underwriting, generous reserves, and ongoing HFA asset management have resulted in strong portfolio performance which is expected to continue for the long-term. Since 1988, the Department has had its single family mortgage loans guaranteed by Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corporation (FHLMC).

FINANCIAL STATEMENTS

The financial statements provide information about the Bond Program's funds. The Bond Program has only one type of fund, the proprietary fund, which is as follows:

- ***Proprietary Fund*** — The Bond Program's activities in its proprietary fund are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuances of taxable and tax-exempt bonds whose proceeds are used primarily to fund various types of loans to finance low- and moderate-income housing. The net assets of these funds represent accumulated earnings since their inception and are generally restricted for program purposes or debt service.

FINANCIAL ANALYSIS OF THE REVENUE BOND PROGRAM

Bond Program — Condensed Statement of Net Assets

	Bond Program		Increase (Decrease)	
	2009	**2008**	**Amount**	**Percentage**
ASSETS:				
Cash and investments	$ 1,660,503,359	$ 1,684,002,058	$ (23,498,699)	(1.40)%
Loans, contracts, and notes receivable	1,258,552,665	1,262,313,072	(3,760,407)	(0.30)%
Interest receivable	14,725,422	14,900,890	(175,468)	(1.18)%
Real estate owned	138,169	341,169	(203,000)	(59.50)%
Deferred issuance cost	10,971,377	11,991,756	(1,020,379)	(8.51)%
Other assets	424,682	283,629	141,053	49.73 %
Total assets	2,945,315,674	2,973,832,574	(28,516,900)	(0.96)%
LIABILITIES:				
Bonds/notes payable	2,668,859,650	2,742,521,154	(73,661,504)	(2.69)%
Interest payable	35,926,575	38,307,372	(2,380,797)	(6.21)%
Deferred revenue	11,407,250	8,541,937	2,865,313	33.54 %
Other liabilities	124,357,238	148,794,858	(24,437,620)	(16.42)%
Total liabilities	2,840,550,713	2,938,165,321	(97,614,608)	(3.32)%
NET ASSETS:				
Restricted for Bonds	91,457,425	17,304,914	74,152,511	428.51 %
Unrestricted	13,307,536	18,362,339	(5,054,803)	(27.53)%
Total net assets	$ 104,764,961	$ 35,667,253	$ 69,097,708	193.73 %

Net assets of the Bond Program increased $69.1 million, or 193.7%, to $104.8 million. The net increase primarily resulted from an increase in fair value of the Bond Program's investments. Restricted net assets of the Bond Program increased $74.2 million, or 428.5%. Unrestricted net assets decreased $5.1 million, or 27.5%.

Cash and investments decreased $23.5 million, or 1.40%, to $1.66 billion, due to draws on multi family investments to fund construction projects for previously issued multifamily bonds. The Bond Program loans receivable (current and non-current) decreased $3.8 million, or 0.30%, to $1.26 billion, due primarily to the transfer of Bootstrap loans in the amount of $3.7 million to the Housing Trust Fund from the Operating Fund. Total bonds and notes payable (current and non-current) decreased $73.7 million, or 2.7%, primarily due to the retirement of the Department's Commercial Paper Notes in the amount of $71 million.

A comparison between 2009 and 2008 for the Statement of Revenues, Expenses, and Changes in Net Assets is as follows:

Bond Program - Statement of Revenues, Expenses, and Changes in Net Assets

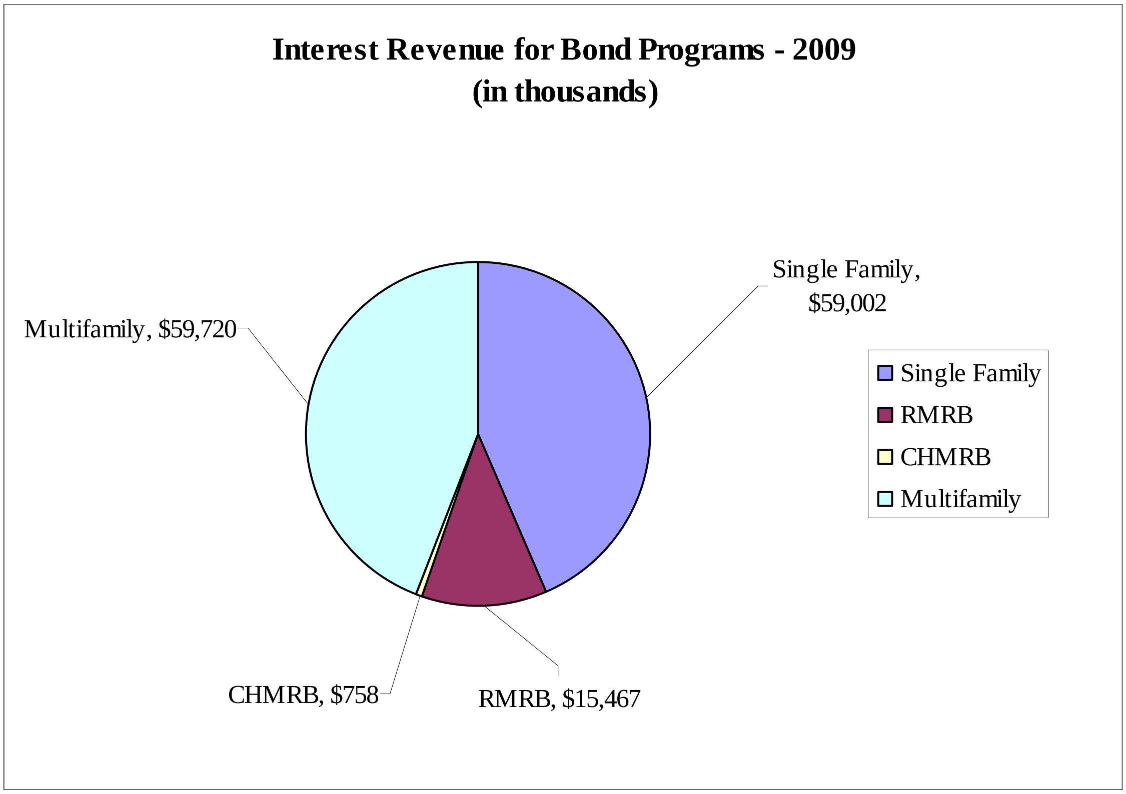
	2009	2008	Increase (Decrease) Amount	Increase (Decrease) Percentage
OPERATING REVENUES:				
Interest and investment income	$ 135,097,423	$ 144,584,681	$ (9,487,258)	(6.56)%
Net increase in fair value	78,139,311	6,488,245	71,651,066	1,104.32%
Other operating revenues	3,696,926	2,597,291	1,099,635	42.34 %
Total operating revenues	216,933,660	153,670,217	63,263,443	41.17 %
OPERATING EXPENSES:				
Professional fees and services	2,403,914	1,133,870	1,270,044	112.01 %
Depreciation expense	1,483,706	882,289	601,417	68.17 %
Interest	134,544,338	136,892,908	(2,348,570)	(1.72)%
Bad debt expense	166,492	116,512	49,980	42.90 %
Down payment assistance	704,559	5,144,249	(4,439,690)	(86.30)%
Other operating expenses	1,233,401	1,009,871	223,530	22.13 %
Total operating expenses	140,536,410	145,179,699	(4,643,289)	(3.20)%
OPERATING INCOME	76,397,250	8,490,518	67,906,732	799.79 %
NONOPERATING REVENUES (EXPENSES)	(7,299,542)	(3,660,684)	(3,638,858)	99.40 %
CHANGE IN NET ASSETS	69,097,708	4,829,834	64,267,874	1,330.64%
BEGINNING NET ASSETS	35,667,253	30,837,419	4,829,834	15.66 %
ENDING NET ASSETS	$ 104,764,961	$ 35,667,253	$ 69,097,708	193.73 %

Earnings within the Bond Program’s various bond indentures were $216.9 million, of which $214.4 million is classified as restricted and $2.5 million as unrestricted.

Restricted earnings are composed of $135.1 million in interest and investment income, $78.1 million increase in fair value of investments, and $1.2 million in other revenue. Interest and investment income is restricted per bond covenants for debt service, fair value in investments is an unrealized gain due to the fact that the Bond Program holds investments until maturity, and other revenue is predominantly an accounting recognition of fees received in previous years that were deferred when received and are being amortized over a period of time.

Unrestricted earnings are composed of $21.7 thousand in interest and investment income and $2.5 million in other operating revenue.

The graph below will illustrate the composition of interest revenue for the various bond indentures that make up the Bond Program:



Interest earned on program loans decreased by $6.2 million, or 9.3%, due primarily to a decrease of $5.9 million, or 9.0%, within the Bond Program's Multi-Family Program, due to lower loan amounts outstanding throughout the year and lower interest rates.

Investment income decreased $3.3 million, or 4.21%, and reflected lower investment yields. The primary changes in investment income were within the Residential Mortgage Revenue Bond Program funds, which decreased $1.8 million, or 10.5%, and the Commercial Paper Program funds, which decreased $1.0 million, or 88.6%.

Expenses of the Bond Program consist primarily of interest expense of $134.5 million, which decreased $2.3 million, or 1.72%, on the Bond Program's debt incurred to fund its various lending programs.

The changes in net assets by bond indenture for the Bond Program for fiscal years 2009 and 2008 are as follows:

Changes in Net Assets by Fund Groups, Year Ended August 31,
(Amounts in thousands)

			Increase (Decrease)	
Fund	**2009**	**2008**	**Amount**	**Percentage**
Single Family	$ 65,447	$ 5,693	$ 59,754	1049.6 %
RMRB	24,470	9,800	14,670	149.7 %
CHMRB	1,514	1,915	(401)	(20.9)%
Multifamily	(126)	(135)	9	(6.7)%
Commercial paper	26	32	(6)	(18.8)%
General funds	13,433	18,362	(4,929)	(26.8)%
Total	$ 104,764	$35,667	$ 69,097	193.7 %

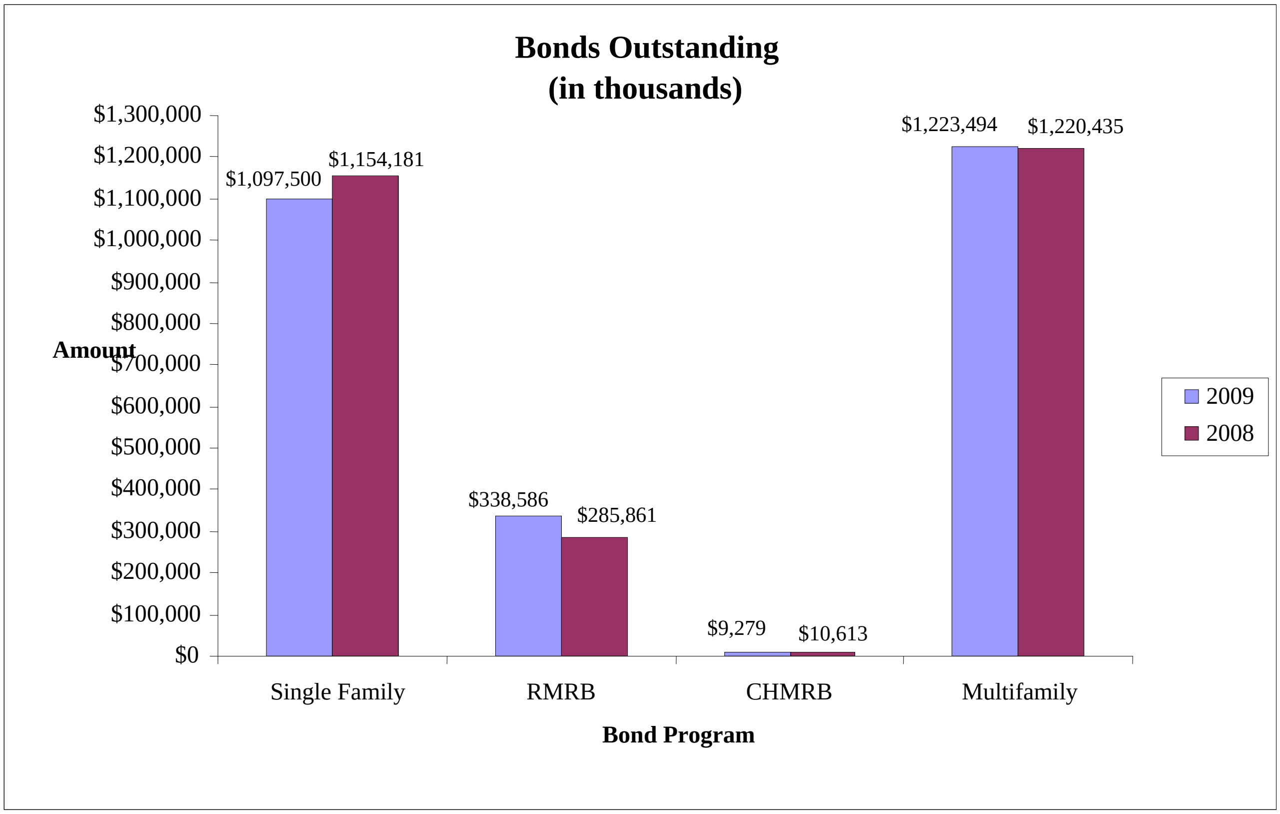
The Net assets of the Single Family Bond Programs increased by $59.8 million, or 1,049%, primarily due to an increase of $63.6 million to the fair value of investments offset by an increase in interest expense of $5.8 million.

Net assets of the RMRB Bond Programs increased $14.7 million or 150% primarily due to an increase of $14.3 million to the fair value of investments.

BOND PROGRAM DEBT

The Bond Program’s new debt issuances during fiscal year 2009 totaled $145.3 million. The Residential Mortgage Revenue Bond Program issued $102.6 million and the Multi-Family Bond Program issued $42.7 million. The Bond Program also had $147.2 million in debt retirements during the year primarily due to consumer refinancing and paying off original loans. The net result was a decrease in bonds payable of $1.9 million to $2.7 billion of which $28.5 million is due within one year. For additional information, see Note 7, Bonds Payable, and supplementary bond information schedules.

The following graph will illustrate a comparison of bonds outstanding between fiscal year 2009 and 2008 per bond program:



REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Texas Department of Housing and Community Affairs' Bond Program Enterprise Fund operations for all parties interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Texas Department of Housing and Community Affairs, Director of Financial Administration, P.O. Box 13941, Austin, Texas, 78711-3941.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM ENTERPRISE FUND

STATEMENT OF NET ASSETS
AS OF AUGUST 31, 2009

ASSETS:	
Current assets:	
Cash and cash equivalents:	
Cash in bank	$ 9,200
Cash equivalents	12,258,712
Restricted assets:	
Cash and cash equivalents:	
Cash in bank	735,042
Cash equivalents	252,699,174
Short-term investments	17,757,655
Loans and contracts	11,704,842
Interest receivable	14,725,350
Receivables:	
Interest receivable	72
Accounts receivable	263,921
Loans and contracts	326,238
Other current assets	160,761
Total current assets	310,640,967
Noncurrent assets:	
Loans and contracts	460,649
Restricted assets:	
Investments	1,377,043,576
Loans and contracts	1,246,060,936
Other noncurrent assets:	
Deferred bond issuance cost — net	10,971,377
Real estate owned — net	138,169
Total noncurrent assets	2,634,674,707
Total assets	2,945,315,674

See notes to financial statements. (Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM ENTERPRISE FUND

STATEMENT OF NET ASSETS
AS OF AUGUST 31, 2009

LIABILITIES:	
Current liabilities:	
Payables:	
Accounts payable	$ 6,725
Accrued bond interest payable	35,926,575
Deferred revenues	11,407,250
Revenue bonds payable	28,509,412
Other current liabilities	5,714,119
Total current liabilities	81,564,081
Noncurrent liabilities:	
Notes payable	
Revenue bonds payable	2,640,350,238
Other noncurrent liabilities	118,636,394
Total noncurrent liabilities	2,758,986,632
Total liabilities	2,840,550,713
NET ASSETS:	
Restricted for Bonds	91,457,425
Unrestricted	13,307,536
TOTAL NET ASSETS	$ 104,764,961

See notes to financial statements. (Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED AUGUST 31, 2009

OPERATING REVENUES:	
Interest and investment income	$135,097,423
Net increase in fair value of investments	78,139,311
Other operating revenues	3,696,926
Total operating revenues	216,933,660
OPERATING EXPENSES:	
Professional fees and services	2,403,914
Depreciation and amortization	1,483,706
Interest	134,544,338
Bad debt expense	166,492
Down payment assistance	704,559
Other operating expenses	1,233,401
Total operating expenses	140,536,410
OPERATING INCOME	76,397,250
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS — Transfers to the Department's Governmental Fund	(7,299,542)
CHANGE IN NET ASSETS	69,097,708
NET ASSETS — September 1	35,667,253
NET ASSETS — August 31	$104,764,961

See notes to financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM ENTERPRISE FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Proceeds from loan programs	$ 81,366,094
Proceeds from other revenues	3,302,335
Payments to suppliers for goods/services	(2,683,439)
Payments for loans provided	(43,520,160)
Net cash provided by operating activities	38,464,830
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Proceeds from debt issuance	146,571,200
Payments to other costs of debt	(1,329,892)
Payments to other funds	(7,299,542)
Payments of principal on debt	(147,165,195)
Payments of interest	(138,660,648)
Net cash used for noncapital financing activities	(147,884,077)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	357,506,411
Proceeds from interest and investment income	78,094,971
Payments to acquire investments	(238,613,214)
Net cash provided by investing activities	196,988,168
INCREASE IN CASH AND CASH EQUIVALENTS	87,568,921
CASH AND CASH EQUIVALENTS — Beginning of year	178,133,207
CASH AND CASH EQUIVALENTS — End of year	$ 265,702,128

See notes to financial statements. (Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM ENTERPRISE FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2009

RECONCILIATION OF CASH FROM OPERATING ACTIVITIES TO OPERATING LOSS:	
Operating Income	$ 76,397,250
Adjustments to reconcile operating income to net cash used in operating activities:	
Amortization and depreciation	(1,483,706)
Provision for estimated losses	(166,492)
Changes in assets and liabilities:	
Decrease in accrued interest receivable	175,468
Decrease in loans	3,760,407
Decrease in property owned	203,001
Decrease in mortgage loan acquisition costs	1,020,379
Increase in deferred revenues	2,865,313
Decrease in other assets and liabilities	(41,925,993)
Decrease in accrued interest payable	(2,380,797)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 38,464,830
NONCASH TRANSACTIONS — Net change in fair value of investments	$ 78,139,311

See notes to financial statements. (Concluded)

1. GENERAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES

General Statement — The Texas Department of Housing and Community Affairs (the "Department"), was created effective September 1, 1991, by an act of the 72nd Texas Legislature, pursuant to Senate Bill 546 (codified as Article 4413 (501), Texas Revised Civil Statutes) (the "Department Act"), passed by the Texas Legislature on May 24, 1991, and signed by the Governor of the State of Texas. Effective September 1, 1991, the Department was established to assist local governments in helping residents overcome financial, social, and environmental problems; to address low- to moderate-income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the Legislature in coordinating federal and state programs affecting local governments; and to continually inform the State and the public about the needs of local government. The Department was created by merging two former agencies: the Texas Housing Agency and the Texas Department of Community Affairs.

The accompanying financial statements represent the financial status of the Revenue Bond Program Enterprise Fund (the "Bond Program"), which is included in the enterprise fund of the Department, and are not intended to present the financial position of the Department or its results of operations or cash flows. The Department is governed by a Board composed of seven members, all of whom are appointed by the Governor with advice and consent of the Senate. The Board then appoints the Executive Director with the approval of the Governor. The Department is authorized to issue tax-exempt or taxable bonds, notes, or other obligations to finance or refinance multifamily housing developments and single-family residential housing. Bonds and notes of the Department do not constitute a debt of the State or any political subdivision thereof. The Department Act specifically provides for the assumption by the Department of the outstanding indebtedness of the former agencies. The Department is required to continue to carry out all covenants with respect to any bonds outstanding, including the payments of any bonds from the sources provided in the proceedings authorizing such bonds. For financial reporting purposes, the Department is an agency of the State and is included in its reporting entity.

The Bond Program operates several bond programs under separate trust indentures, as follows:

Single-Family Bond Program ("Single-Family") — These bonds are limited obligations of the Department. Bond proceeds were used to originate below-market rate loans for eligible low- and moderate-income residents who were purchasing a residence. These bonds were issued pursuant to a Single-Family Mortgage Revenue Bond Trust Indenture, dated October 1, 1980, and indentures supplemental thereto, and are secured on an equal and ratable basis by the trust estate established by such trust indentures.

Residential Mortgage Revenue Bond Program (RMRB) — Twenty-seven series (five of which have been refunded) of these bonds have been issued pursuant to the RMRB master indenture and 24 separate Series Supplements, and are secured on an equal and ratable basis by the trust estates established by such trust indentures. Proceeds from the 1987 A Bonds were used to purchase single-family loans, while proceeds from the remaining RMRB bond issues were used to purchase pass-through certificates created through the origination of single-family loans.

Collateralized Home Mortgage Revenue Bond Program (CHMRB) — The Department issued eleven series of bonds pursuant to the CHMRB Trust Indenture with six separate supplements for each series. The bonds are secured on an equal and ratable basis. Proceeds from the bonds are being used to purchase pass-through certificates created through the funding of loans made to finance the purchase by eligible borrowers of new and existing single-family residences in the state.

Multifamily Housing Revenue Bond Programs ("Multifamily") — These bonds were issued pursuant to separate trust indentures and are secured by individual trust estates, which are not on an equal and ratable basis with each other. The bonds are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the individual trust indentures. Under these programs, the proceeds were either provided to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing or used to refund other multifamily bonds issued for the same purposes.

Collateralized Home Mortgage Revenue Bond Program — Series 1994 and 1995 (COBs) — On November 1, 1994, the Department issued Single-Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bond Program), Series 1994. This bond program was issued as a Private Placement Memorandum with Federal National Mortgage Association (FNMA). The Series 1994 and 1995 COBs were issued to provide funds for the purchase of mortgage-backed, pass-through certificates backed by qualifying FHA-insured, VA-guaranteed, FMHA-guaranteed mortgage loans, or conventional mortgage loans acceptable for pooling by FNMA, made to eligible borrowers for single-family residences.

Commercial Paper Notes — By resolution adopted November 10, 1994, the Department's Board has authorized the issuance of two series of commercial paper notes: its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series A, and its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series B (collectively, the "Notes"). Pursuant to the resolution, the Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000,000 outstanding. Proceeds of the initial issuance of the Notes and of future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single-family mortgage revenue bonds (the "Refunded Bonds"), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department. The Notes are being issued in anticipation of the issuance of refunding bonds that will refund the Notes.

Housing Trust Fund — The Department Act provided for a transfer of a portion of the unencumbered fund balance from the bond programs for use in the Housing Trust Fund. The Housing Trust Fund is used to provide assistance for low- and very-low-income persons and families in financing, acquiring, rehabilitating, and developing affordable, decent, and safe housing. The Housing Trust Fund is made available to local units of government, public housing authorities, the Department, community housing development organizations, and nonprofit organizations, as well as eligible low- and very-low-income individuals and families.

Continuance Subject to Review — Under the Texas Sunset Act, the Department will be abolished effective September 1, 2011, unless it is continued in existence as provided in the Texas Sunset Act. If abolished, the Department may continue in existence until September 1, 2012, to close out its operations.

Significant Accounting Policies — The significant accounting policies of the Bond Program are as follows:

Fund Accounting — The Bond Program's financial statements have been prepared on the basis of the proprietary fund concept as set forth by the Governmental Accounting Standards Board (GASB). The proprietary fund concept provides that financial activities operated similarly to private business enterprises and financed through fees and charges assessed primarily to users of the services are presented as a proprietary fund. Proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred. The Bond Program has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989, as allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

Investments — The Bond Program follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB Statement No. 31 requires certain types of investments to be reported at fair value on the balance sheet. The Bond Program utilizes established quoted market prices for determining the fair value of its debt securities in reserve funds. The Bond Program's portfolio of mortgage-backed securities consists of pools of mortgage loans exchanged for mortgage-backed securities or mortgage pass-through certificates. Fair value of the Bond Program's securitized mortgage loans (GNMA/FNMA) has been estimated by each bond issue's trustee using a pricing service.

The Bond Program has reported all investment securities at fair value as of August 31, 2009, with the exception of certain money market investments and nonparticipating interest-earning investment contracts, which are reported at amortized cost (historical cost adjusted for amortization of premiums and accretion of discounts), provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors (see Note 2).

In accordance with GASB Statement No. 31, changes in the fair value of investments are reported in the statement of revenues, expenses, and changes in net assets as net increase (decrease) in fair value of investments.

Loans Receivable — Loans receivable are carried at the unpaid principal balance outstanding less the allowance for estimated loan losses and deferred commitment fees. Interest on loans is credited to income as earned. Loans are generally placed on nonaccrual status when the Department becomes aware that the borrower has entered bankruptcy proceedings or when the loans are 90 days past due as to either principal or interest or when payment in full of principal and interest is not expected. Deferred commitment fees are recognized using the interest method over the estimated lives of the single-family loans and the contractual lives, adjusted for actual repayments, of the multifamily loans.

Real Estate Owned — Properties acquired through foreclosure are carried at the unpaid principal balance on the related property plus accrued interest and reimbursable expenses through the date of foreclosure, less any sales proceeds, reimbursements received from mortgage insurers, and an allowance for estimated losses on such properties. After foreclosure, foreclosed assets are carried at lower of cost or fair value minus selling costs.

Interest on real estate owned is credited to income as earned based on a calculation of interest recoverable in accordance with the Department's agreements with its mortgage insurers.

Allowance for Estimated Losses on Loans and Foreclosed Properties — The allowance for estimated losses on loans is available for future chargeoffs on single-family and multifamily loans. The allowance for estimated losses on real estate owned is available for future chargeoffs on foreclosed single-family loans.

All losses are charged to the allowance when the loss actually occurs or when a determination is made that a loss is likely to occur. Periodically, management estimates the likely level of future losses to determine whether the allowances for estimated losses are adequate to absorb anticipated losses in the existing loan and real estate owned portfolios. Based on these estimates, a provision for estimated losses on loans and real estate owned is made to the allowances in order to adjust the allowances to levels estimated to be adequate to absorb reasonably foreseeable losses.

While management uses available information to recognize losses in the loan and real estate owned portfolios, future adjustments may be necessary based on 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 loan and real estate owned portfolios.

Commitment Fees — Commitment fees received in connection with the origination of loans are deferred and recognized using the interest method over the estimated life of the related loans and mortgage-backed securities, or if the commitment expires unexercised, it is credited to income upon expiration of the commitment.

Deferred Issuance Costs — Deferred issuance costs on bonds are amortized using the interest method over the contractual life of the bonds to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of deferred issuance costs.

Discounts and Premiums on Debt — Discounts and premiums on debt are recognized using the interest method over the life of the bonds or collateralized mortgage obligations to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of discounts and premiums on debt.

General and Administrative Expenses — Certain General and Administrative expenses are accounted for in the Department's Administrative Program and are not reflected in the Operating Fund section of the Bond Program.

Restricted Net Assets — Certain net assets of the Bond Program are restricted for various purposes of the bond trust indentures.

Cash Flows — For purposes 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 are readily exchanged for cash at amounts equal to their stated value.

Interfund Transactions — The Bond Program has transactions between and with other funds of the Department. Quasi-external transactions are charges for services rendered by one fund to another, and they are accounted for as revenue or expense. All other interfund transactions are reported as transfers.

Gain/Loss on Refundings of Debt — Any gain/loss on refunding of bonds is deferred and amortized as a component of interest expense using the interest method.

Loss on Early Extinguishment of Debt — Any loss on extinguishment of debt prior to its stated maturity is recorded in the period the debt is retired.

Estimates — In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheet and the reported revenues and expenses for the period. Actual results could differ significantly from those estimates. Management judgments and accounting estimates are made in the evaluation of the allowance for estimated losses on loans and real estate owned and in determination of the assumptions with respect to prepayments on loans and mortgage-backed securities in the recognition of deferred commitment fees to income.

2. CASH AND CASH EQUIVALENTS, INVESTMENTS, AND MORTGAGE-BACKED SECURITIES

The Department is authorized by statute to make investments following the “prudent person rule” and based upon provisions within the master bond indentures and its Investment Policy adopted by the Board in accordance with the Public Funds Investment Act. There were no significant violations of such provisions during the period.

Deposits of Cash in Bank — As of August 31, 2009, the carrying amount of deposits was $744 (in thousands).

Program funds — current assets — cash in bank:	
Texas Treasury Safekeeping Trust (TTSTC)	$ 9
Program funds — current assets — restricted cash in bank:	
Texas Treasury Safekeeping Trust	188
Demand deposits	547
Cash in bank	$ 744

Investments — The types of investments in which the Department may invest are restricted by the provisions of the master bond indentures and the Department’s Investment Policy adopted by its Board in accordance with the Public Funds Investment Act. The indentures allow for investments in direct obligations of or guaranteed by the U.S. government; obligations, debentures, notes, or other evidences of indebtedness issued or guaranteed by agencies or intermediaries of the U.S. government; obligations issued by public agencies or municipalities; obligations and general obligations of or guaranteed by the state; demand deposits, interest-bearing time deposits or certificates of deposit; repurchase agreements in U.S. government securities; direct or general obligations of any state within the territorial U.S.; investment agreements with any bank or financial institution; commercial paper; and guaranteed investment contracts. Certain trust indentures restrict the Department from investing in certain of the aforementioned investments.

At August 31, 2009, the fair values of investments as of the statement of net assets date (including both short term and long term) are shown below (in thousands).

Program Activities	Carrying Value	Fair Value
U.S. government agency obligations	$ 1,306,065	$ 1,360,566
Repurchase agreements (TTSTC)	142,649	142,649
Fixed income money markets	122,309	122,309
Miscellaneous (investment agreements/guaranteed investment contracts)	34,235	34,235
Total	$ 1,605,258	$ 1,659,759

Credit Risk — Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Preservation and safety of principal is the foremost objective of the investment program. According to the Department's investment policy, investments should be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk is mitigated by:

- Limiting investments to the safest types of securities.
- Prequalifying the financial institution, broker/dealers, intermediaries, and advisors with which the Department will do business.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

As of August 31, 2009, the Bond Program's credit quality distribution for securities with credit risk exposure was as follows (in thousands):

Standard & Poor's

Investment Type	Not Rated	AAA
U.S. government agency obligations	$	$ 235,923
Repurchase agreements (TTSTC)	142,649	
Miscellaneous (investment agreements/GICs)	34,235	
	Not Rated	**AAA-M**
Fixed income money markets	$	$ 122,309

A total of $1,124,643 was not subject to credit risk disclosure due to their explicit guarantee by the U.S. government, which is composed of U.S. government agency obligations issued by the Government National Mortgage Association as of August 31, 2009.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2009, the Department's concentration of credit risk is as follows.

Issuer	Carrying Value (In thousands)	% of Total Portfolio
Paribas Corporation	$ 142,649	8.59%

Interest Rate Risk — Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of any investment. Longer maturity of an investment will result in greater sensitivity of its fair value to changes in the market interest rates. The Department's investment policy allows for the mitigation of interest rate risk by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

- Investing operating funds primarily in shorter-term securities.

Information about the sensitivity of the fair values of the Bond Program's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Bond Program's investments by maturity (in thousands):

Program Activities	Fair Value	12 months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. government agency obligations	$ 1,360,566	$ 11,674	$ 15,995	$	$ 1,332,897
Repurchase agreements (TTSTC)	142,649	142,649			
Fixed income money markets	122,309	122,309			
Miscellaneous (investment agreements/GICs)	34,235	6,083	10,092		18,060
Total	$ 1,659,759	$282,715	$ 26,087	$	$ 1,350,957

Highly Sensitive Investments — U.S. government agency obligations held in the form of mortgage-backed securities are subject to early payment in a period of declining interest rates. These prepayments result in a reduction of expected total cash flows affecting the fair value of these securities and make the fair value of these securities highly sensitive to the changes in interest rates. The Department does not make it a common practice to sell these investments. Any fluctuation in fair value generates an unrealized gain or loss. The fair value of these investments is inversely affected by national mortgage interest rates. In an environment of rising interest rates, the Department would recognize an unrealized loss in fair market value and vice versa. Since the end of the 2009 fiscal year, the national mortgage rates have begun to decrease; as such, the Department does not believe that the value of these assets has been impaired. As of August 31, 2009, the Department holds $1,360,566,000 in mortgage-backed securities.

3. SUMMARY OF LONG-TERM LIABILITIES

Commercial Paper Notes Payable — The Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000,000. Proceeds of the initial issuance of the Notes and future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single family mortgage revenue bonds (the "Refunded Bonds"), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department. During fiscal year 2009, Notes in the amount of $71,431,000 that were outstanding at August 31, 2008, were retired. There were no amounts outstanding at August 31, 2009.

Other Noncurrent Liabilities — Other noncurrent liabilities totaling $118,636,394 primarily account for funds due to developers as a result of Multifamily bond proceeds as of August 31, 2009. These proceeds are conduit debt issued on behalf of the developer for the purpose of Multifamily developments and are held by the trustee. Due to the variables related to the balance, the current portion cannot be reasonably estimated.

4. RESTRICTED ASSET ACCOUNTS

Cash in bank, cash equivalents, short-term investments, loans and contracts, interest receivable, and investments (which include mortgage-backed securities) totaling $2.9 billion are restricted by the trust indentures of the related bonds and collateralized mortgage obligations as of August 31, 2009.

The trust indentures of the Department also require the establishing of accounts for the segregation of certain assets and restricting the use of bond proceeds, and other funds in connection with each bond program. Such restricted accounts, primarily including restricted cash and cash equivalents, short-term investments, and investments less the fair value of U.S. government agency obligations, at August 31, 2009, are as follows (in thousands):

Program	Mortgage and Debt Service Reserve	Unspent Bond Proceeds	Revenue Account	Self-Insurance	Rebate Account
Single-family	$ 1,066	$ 34,481	$ 75,456	$ 1,611	$ 1,839
RMRB		78,913	11,205	401	241
CHMRB			229		
Multifamily	1,108	77,372	5,439		
Commercial paper					26
Total	$ 2,174	$ 190,766	$ 92,329	$ 2,012	$ 2,106

Additionally, deferred issuance costs and real estate owned totaling $11 million and $138,000, respectively, are also restricted.

5. LOANS RECEIVABLE

Loans receivable as of August 31, 2009, consisted of the following (in thousands):

Single-family loans	$ 36,006
Multifamily loans	1,223,852
RMRB (1987 Series A) single-family loans	898
Miscellaneous loans	789
Total loans	1,261,545
Deferred commitment fees — net of accumulated amortization of $39 in 2009	(789)
Allowance for estimated loan losses	(2,203)
Total	$ 1,258,553

All of the loans made directly by the Department are secured by real estate properties located in the state.

Single-family loans are collateralized by first-lien mortgages on the applicable real estate and (i) are federally insured or guaranteed or (ii) are insured by a private mortgage insurer approved by the Department for the amount by which the loan exceeds 80% of the original appraised value.

Certain properties acquired through foreclosure are covered by mortgage pool insurance. The mortgage pool insurance covers the unpaid principal balance of the loan at the ultimate date of sale, delinquent interest up to the claim settlement date, and certain other expenses.

The single-family trust indenture requires the Department to obtain and maintain mortgage pool insurance on loans collateralizing each series of bonds issued under that trust indenture. Except with respect to four series, the requirement has been satisfied by purchasing and maintaining a mortgage pool insurance policy for each bond series. For loans collateralizing the other four series of bonds, the Department has entered into Mortgage Pool Self-Insurance Fund Agreements ("Agreements") with the trustee. The funding requirements of these Agreements have been met as of August 31, 2009.

Multifamily mortgage and lender loans are collateralized by first-lien mortgages on the applicable housing developments, letters of credit, guarantees provided by third parties and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The activity in the allowance for estimated loan losses for the year ended August 31, 2009, is as follows (in thousands):

Balance — beginning of year	$ 2,588
Provision for estimated losses on loans	(385)
Balance — end of year	$ 2,203

6. REAL ESTATE OWNED

Real estate owned for the Bond Program as of August 31, 2009, was as follows (in thousands):

Real estate owned	$ 341
Allowance for estimated losses	(203)
Real estate owned — net	$ 138

The activity in the allowance for estimated losses for the years ended August 31, 2009, was as follows (in thousands):

Balance — beginning of year	$ (531)
Amounts charged off	328
Balance — end of year	$ (203)

7. BONDS PAYABLE

Bonds payable activity for the year ended August 31, 2009, consisted of the following (in thousands):

	Original Face Amount	Balance September 1, 2008	Additions/ Accretions	Maturities/ Prepayments	Balance August 31, 2009	Final Maturity Date	Amounts Due Within One Year
Single-family:							
2002 Series A — 7.01%	$10,000	$ 4,140	$	$ 145	$ 3,995	2026	$
2002 Series A — 5.45% to 5.55%	38,750	36,535		615	35,920	2034	
2002 Series B — 5.35% to 5.55%	52,695	33,445		4,355	29,090	2033	14
2002 Series C — 2.80% to 5.20%	12,950	10,415		680	9,735	2017	513
2002 Series D — 2.0% to 4.5%	13,605	4,630		1,045	3,585	2012	832
2004 Series A — 2.0% to 4.7%	123,610	104,030		11,665	92,365	2035	2,975
2004 Series B — variable rate	53,000	53,000			53,000	2034	
2004 Series A — variable rate	4,140	3,855			3,855	2036	
2004 Series C — 4.3% to 4.8%	41,245	31,785		4,590	27,195	2036	215
2004 Series D — variable rate	35,000	35,000			35,000	2035	
2004 Series E — 2.45% to 4.3%	10,825	7,925		1,310	6,615	2013	1,047
2005 Series A — variable rate	100,000	94,860		4,035	90,825	2036	
2005 Series B — 4.38%	25,495	17,435		2,015	15,420	2026	563
2005 Series C — 4.31% to 5.39%	8,970	7,215		605	6,610	2017	
2005 Series D — 5.0%	3,730	3,040			3,040	2035	
2006 Series A — 5.0%	59,555	57,830		2,355	55,475	2037	530
2006 Series B — 5.0%	70,485	67,990		3,655	64,335	2034	1,536
2006 Series C — 5.13%	105,410	102,010		4,845	97,165	2037	1,799
2006 Series D — 4.50%	29,685	24,120		2,435	21,685	2028	(59)
2006 Series E — 4.06%	17,295	15,275		1,280	13,995	2017	1,225
2006 Series F — 4.65% to 5.75%	81,195	80,500		3,235	77,265	2038	658
2006 Series G — 3.75% to 4.60%	15,000	14,265		1,195	13,070	2019	1,225
2006 Series H — variable rate	36,000	36,000			36,000	2037	
2007 Series A — variable rate	143,005	141,070		4,255	136,815	2038	(34)
2007 Series B — 3.90% to 5.63%	157,060	157,055	-	1,435	155,620	2039	1,594
Total principal amount		1,143,425	$ -	$ 55,750	1,087,675		$14,633
Unamortized premium		14,121			12,241		
Unamortized discount and losses on refundings		(3,365)			(2,416)		
Total single-family		$1,154,181			$1,097,500		

(Continued)

	Original Face Amount	Balance September 1, 2008	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2009	Final Maturity Date	Amounts Due Within One Year
RMRB:							
1998 Series A — 4.05% to 5.35%	$102,055	$ 36,290	$ -	$ 4,155	$ 32,135	2031	$1,065
1998 Series B — 5.30%	14,300	6,350		550	5,800	2022	
1999 Series A — 4.80% to 5.50%	25,615	4,885		840	4,045	2021	(10)
1999 Series B-1 — 6.32% to 5.50%	52,260	20,825		20,825		2032	
1999 Series C — 5.05% to 6.25%	12,150	3,485		3,485		2024	
2000 Series A — 5.10% to 6.30%	50,000	15,305		1,340	13,965	2031	(7)
2000 Series B — 5.70%	82,975	44,335		4,565	39,770	2033	8
2000 Series C — 5.85% to 5.82%	13,675	8,530		145	8,385	2025	
2000 Series D — 4.55% to 5.85%	18,265	6,140		755	5,385	2020	620
2001 Series A — 3.15% to 5.70%	52,715	30,680		4,580	26,100	2033	443
2001 Series B — 5.0% to 5.25%	15,585	12,180		820	11,360	2022	
2001 Series C — 2.55% to 4.63%	32,225	7,745		1,520	6,225	2015	966
2001 Series D — 5.35%	300	230		230		2033	
2002 Series A — 2.25% to 5.35%	42,310	29,165		2,510	26,655	2034	458
2003 Series A — 1.70% to 5.00%	73,630	59,285		4,145	55,140	2039	838
2009 Series A — 1.70% to 5.00%	80,000		80,000		80,000	2022	56
2009 Series B — 1.70% to 5.00%	22,605		22,605		22,605	2034	574
Total principal amount		285,430	$ 102,605	$50,465	337,570		$5,011
Unamortized premium		1,423			1,896		
Unamortized discount and loss on refundings		(992)			(880)		
Total RMRB		$285,861			$338,586		
CHMRB:							
1992 Series C — linked rate averaging 6.90%	72,700	$ 10,400	$ -	$ 1,300	$ 9,100	2024	$ 7
Total principal		10,400	$ -	$ 1,300	9,100		$ 7
Plus unamortized premium		213			179		
Total CHMRB		$ 10,613			$ 9,279		

(Continued)

	Original Face Amount	Balance September 1, 2008	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2009	Final Maturity Date	Amounts Due Within One Year
Multifamily:							
1987 Series (South Texas Rental Housing) — 9.5%	$ 1,400	$ 519	$ -	$ 519	$	2012	$
1996 Series A and B (Brighton's Mark) — 6.13%	10,174	8,075			8,075	2026	
1996 Series A and B (Braxton's Mark) — 5.81%	14,867	14,274			14,274	2026	
1998 Series (Pebble Brook) — 4.95% to 5.60%	10,900	9,670		205	9,465	2030	215
1998 Series A, B, and C (Residence Oaks) — 5.98% to 7.18%	8,200	7,257		159	7,098	2030	169
1998 Series (Greens) — 5.2% to 6.03%	13,500	12,085		250	11,835	2030	270
1999 Series (Mayfield) — 5.7% to 7.25%	11,445	10,197		222	9,975	2031	235
2000 Series (Timber Point) — variable rate	8,100	7,570		100	7,470	2032	
2000 Series (Oaks @ Hampton) — 7.20% to 9.00%	10,060	9,679		82	9,597	2040	89
2000 Series (Deerwood) — 5.25% to 6.40%	6,435	5,980		95	5,885	2032	105
2000 Series (Creek Point) — variable rate	7,200	6,470		105	6,365	2032	
2000 Series A/B (Parks @ Westmoreland — 7.20% to 9.00%	9,990	9,631		80	9,551	2040	87
2000 MF Series A-C (Highland Meadow Apts) — 6.75% to 8%	13,500	8,444		130	8,314	2033	139
2000 MF Series A/B (Greenbridge) — 7.4% to 10%	20,085	19,557		83	19,474	2040	167
2000 MF Series A-C (Collingham Park) — 6.72% to 7.72%	13,500	12,761		208	12,553	2033	230
2000 MF Series A/B (Williams Run) — 7.65% to 9.25%	12,850	12,417			12,417	2040	302
2001 MF Series (Bluffview Senior Apts) — 7.65%	10,700	10,430		64	10,366	2041	69
2001 MF Series (Knollwood Villas Apts) — 7.65%	13,750	13,402		82	13,320	2041	89
2001 MF Series (Skyway Villas) — 6.0% to 6.5%	13,250	7,440		120	7,320	2034	130

(Continued)

	Original Face Amount	Balance September 1, 2008	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2009	Final Maturity Date	Amounts Due Within One Year
Multifamily:							
2001 MF Series A/B (Cobb Park) — 6.77%	$ 7,785	$ 7,607	$	$ 23	$ 7,584	2041	$ 74
2001 MF Series A (Greens Road Apts) — 5.3% to 5.4%	8,375	7,940		130	7,810	2034	135
2001 MF Series A (Meridian Apts) — 5.45% to 6.85%	14,310	13,700		5,215	8,485	2034	72
2001 MF Series A (Wildwood Apts) — 5.45% to 6.75%	14,365	13,750		7,178	6,572	2034	60
2001 MF Series A-C (Fallbrook Apts) — 6.06% to 6.78%	14,700	14,035		220	13,815	2034	235
2001 MF Series A (Oak Hollow Apts) — 7.0% to 7.9%	8,625	6,341		43	6,298	2041	46
2001 MF Series A/B (Hillside Apts) — 7.0% to 9.25%	12,900	12,556		48	12,508	2041	83
2002 MF Series A (Millstone Apts) — 5.35% to 5.86%	12,700	10,410		175	10,235	2035	185
2002 MF Series A (Sugar Creek Apts) — 6.0%	11,950	11,635		85	11,550	2042	81
2002 MF Series A (West Oaks Apts) — 7.15% to 7.5%	10,150	9,516		62	9,454	2042	66
2002 MF Series A (Park Meadows Apts) — 6.53%	4,600	4,275		70	4,205	2034	65
2002 MF Series A (Clarkridge Villas Apts) — 7.0%	14,600	13,709		87	13,622	2042	93
2002 MF Series A (Hickory Trace Apts) — 7.0%	11,920	11,334		71	11,263	2042	77
2002 MF Series A (Green Crest Apts) — 7.0%	12,500	11,285		71	11,214	2042	76
2002 MF Series A/B (Ironwood Crossing) — 5.5% to 8.75%	16,970	16,779		79	16,700	2042	87
2002 MF Series A/B (Woodway Village Apts) — 4.9% to 5.2%	9,100	7,535		115	7,420	2023	120
2003 MF Series A/B (Reading Road Apts) — Variable not to exceed 12%	12,200	11,960		120	11,840	2036	30
2003 MF Series A/B (North Vista Apts) — 4.1% to 5.41%	14,000	12,710		210	12,500	2036	210
2003 MF Series A/B (West Virginia Apts) — 4.15% to 5.41%	9,450	9,170		150	9,020	2036	155
2003 MF Series A/B (Sphinx @ Murdeaux) — 3.55% to 5.0%	15,085	14,550		170	14,380	2042	180
2003 MF Series A/B (Primrose Houston School) — 5.5% to 8.0%	16,900	16,472		85	16,387	2036	93
2003 MF Series A/B (Timber Oaks Apts) — 6.75 to 8.75%	13,200	13,042		62	12,980	2043	67
2003 MF Series A/B (Ash Creek Apts) — 5.6% to 15.0%	16,375	16,198		86	16,112	2036	94
2003 MF Series A/B (Peninsula Apts) — 4.25 to 5.3%	12,400	11,965		185	11,780	2024	150
2003 MF Series A/B (Evergreen @ Mesquite) — 6.6% to 8.0%	11,000	10,746		117	10,629	2043	125
2003 MF Series A/B (Arlington Villas Apts) — Variable rate	17,100	16,980		81	16,899	2036	87
2003 MF Series A/B (Parkview Twnhms Apts) — 6.6% to 8.5%	16,600	16,403		87	16,316	2043	94
2003 MF Series A (NHP-Asmara Apts) Refunding — Variable rate	31,500	20,930		380	20,550	2033	390

(Continued)

	Original Face Amount	Balance September 1, 2008	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2009	Final Maturity Date	Amounts Due Within One Year
Multifamily:							
2004 MF Series A/B (Timber Ridge Apts) — 5.75% to 8.0%	$ 7,500	$ 6,634	$	$ 37	$ 6,597	2037	$ 39
2004 MF Series A/B (Century Park Apts) — Variable rate	13,000	12,455		170	12,285	2037	185
2004 MF Series A/B (Veterans Memorial Apts) — 6.6% to 8.5%	16,300	16,114		86	16,028	2044	94
2004 MF Series A (Rush Creek Apts) — 5.38% to 6.7%	10,000	8,771		52	8,719	2044	56
2004 MF Series A (Humble Park Apts) — 5.38% to 6.7%	11,700	11,510		110	11,400	2041	110
2004 MF Series A (Chisholm Trail Apts) — Variable rate	12,000	11,900		200	11,700	2037	
2004 MF Series A (Evergreen @ Plano Apts) — 5.25% to 6.55%	14,750	14,657		85	14,572	2044	91
2004 MF Series A (Montgomery Pines Apts) — Variable rate	12,300	12,300			12,300	2037	
2004 MF Series A (Bristol Apts) — Variable rate	12,625	12,300		100	12,200	2037	
2004 MF Series A (Pinnacle Apts) — Variable rate	14,500	14,265		100	14,165	2044	
2004 MF Series A (Tranquility Bay Apts) — Variable rate	14,350	14,169		90	14,079	2044	96
2004 MF Series A (Sphinx @ Delafield Apts) — 5.05% to 5.35%	11,380	11,136		110	11,026	2044	110
2004 MF Series A (Churchill @ Pinnacle Apts) — 5.25% to 6.55%	10,750	10,028		72	9,956	2044	77
2004 MF Series A/B (Post Oak East Apts) — Variable rate	13,600	13,600			13,600	2037	
2004 MF A Series (Village Fair Apts) — 5.0% to 6.5%	14,100	13,970		85	13,885	2044	91
2005 MF A Series (Pecan Grove Apts) — 5.0% to 6.5%	14,030	13,907		84	13,823	2045	90
2005 MF Series A (Prairie Oaks Apts) — 4.75% to 6.5%	11,050	10,954		66	10,888	2045	71
2005 MF Series A (Port Royal Apts) — 5.0% to 6.5%	12,200	12,100		73	12,027	2045	78
2005 MF Series A (Del Rio Apts) — 5.0% to 6.5%	11,490	11,395		69	11,326	2045	73
2005 MF Series A (Atascocita Pines Apts) — Variable rate	11,900	11,900		200	11,700	2037	
2005 MF Series A (Tower Ridge Apts) — Variable rate	15,000	15,000			15,000	2038	
2005 MF Series A (Alta Cullen Apts) — 5.89% to 6.6%	14,000	14,000		14,000		2045	
2005 MF Series A (Prairie Ranch Apts) — 4.85%	12,200	12,050		115	11,935	2045	125
2005 MF Series A (St. Augustine Apts) — Variable rate	7,650	7,650		500	7,150	2038	
2005 MF Series A (Park Manor Apts) — 5.0% to 6.4%	10,400	10,400			10,400	2045	

(Continued)

	Original Face Amount	Balance September 1, 2008	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2009	Final Maturity Date	Amounts Due Within One Year
Multifamily:							
2005 MF Series A (Mockingbird Apts) — 6.4%	$14,360	$ 14,280	$	$ 85	$ 14,195	2045	$ 91
2005 MF Series A (Chase Oaks Apts) — 5.05%	14,250	14,113		215	13,898	2035	227
2006 MF Series A (Canal Place Apts) — Variable rate	16,100	16,100			16,100	2039	56
2006 MF Series A (Coral Hills) — 5.05%	5,320	5,070		75	4,995	2038	70
2006 MF Series A (Harris Branch) — Variable rate	15,000	15,000		100	14,900	2039	
2006 MF Series A (Bella Vista) — 6.15%	6,800	6,785		45	6,740	2046	45
2006 MF Series A (Village Park) — 4.75% to 5.13%	13,660	13,660		3,095	10,565	2026	150
2006 MF Series A (Oakmoor) — 5.50% to 6.00%	14,635	14,635		214	14,421	2046	94
2006 MF Series A (Sunset Pointe) — Variable rate	15,000	15,000			15,000	2039	
2006 MF Series A (Hillcrest) — -5.25%	12,435	12,435			12,435	2039	175
2006 MF Series A (Pleasant Village) — -6.00%	6,000	5,971		74	5,897	2023	79
2006 MF Series A (Grove Village) — -6.00%	6,180	6,150		77	6,073	2023	81
2006 MF Series A (Red Hills Villas) — Variable rate	5,015	5,015		100	4,915	2023	
2006 MF Series A (Champion Crossing) — Variable rate	5,125	5,025			5,025	2036	
2006 MF Series A (Stonehaven) — -5.80%	11,300	11,300		61	11,239	2026	77
2006 MF Series A (Center Ridge) — -5.00%	8,325	8,325			8,325	2039	120
2006 MF Series A (Meadowlands) — -6.00%	13,500	13,500		1,096	12,404	2046	77
2006 MF Series A (East Tex Pines) — -4.95%	13,500	13,500			13,500	2046	
2006 MF Series A (Villas at Henderson) — Variable rate	7,200	7,200			7,200	2039	47
2006 MF Series A (Aspen Park Apts) — -5.00%	9,800	9,800			9,800	2039	105
2006 MF Series A (Idlewilde Apts) — Variable rate	14,250	14,250			14,250	2040	77
2007 MF Series A (Lancaster Apts) — Variable rate	14,250	14,250			14,250	2040	
2007 MF Series A (Park Place) — -5.80%	15,000	15,000			15,000	2047	
2007 MF Series A (Terrace at at Cibolo) — Variable rate	8,000	8,000			8,000	2040	
2007 MF Series A (Santora Villas) — Variable rate	13,072	13,072			13,072	2047	
2007 MF Series A (Villas @ Mesquite Creek) — 5.00 - 5.81%	16,860	16,860			16,860	2047	210

(Continued)

	Original Face Amount	Balance September 1, 2008	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2009	Final Maturity Date	Amounts Due Within One Year
Multifamily:							
2007 MF Series A (Summit Point)							
— 4.80 - 5.25%	$11,700	$ 11,700	$ -	$ -	$ 11,700	2047	$ 165
2007 MF Series A (Costa Rialto)							
— -5.35%	12,385	12,385			12,385	2047	
2007 MF Series A (Windshire)							
— Variable rate	14,000	14,000			14,000	2041	
2007 MF Series A (Residences at Onion C							
— Variable rate	15,000	15,000			15,000	2040	
2007 MF Series A (West Oaks)							
— Variable rate	13,125	13,125			13,125	2041	
2007 MF Series A (Costa Ibiza)							
— Variable rate	13,900	13,900			13,900	2041	
2007 MF Series A (Addision Park)							
— Variable rate	14,000	14,000		100	13,900	2044	
2008 MF Series A (Alta Cullen)							
— Variable rate	14,000		14,000		14,000	2045	
2008 MF Series A (Costa Mariposa)							
— Variable rate	13,690		13,690		13,690	2042	
2009 MF Series A (Woodmont)							
— Variable rate	15,000		15,000		15,000	2042	
Total principal amount		1,220,962	$ 42,690	$ 39,650	$1,224,002		$ 8,858
Unamortized discount		(527)			(508)		
Total multifamily		1,220,435			1,223,494		
Total		$2,671,090	$145,295	$ 147,165	$2,668,859		$ 28,509

(Concluded)

Proceeds from the issuance of bonds under the single-family and RMRB Series 1987A programs were used to acquire loans. Proceeds from the issuance of bonds under CHMRB and remaining RMRB programs were used to acquire pass-through certificates backed by mortgage loans. Pass-through certificates were purchased with proceeds from the multifamily 1985 Series G. Proceeds from the remaining multifamily bond issues were used to finance mortgage loans. Interest on bonds is payable periodically.

The single-family, RMRB, and CHMRB bonds are collateralized by the revenues and assets pledged under the trust indentures, primarily single-family mortgage loans, mortgage-backed securities, and investments. The multifamily bonds are collateralized by varying methods, including, but not limited to, the mortgage loans on the applicable housing developments, certificates of deposit, letters of credit, guarantees provided by third parties, and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The trust indentures contain positive and negative covenants. Events of default include failure to make timely payment of both principal and interest on any outstanding bond; failure to make timely payment of any other monies required to be paid to the trustee; and nonperformance or nonobservance of any other covenants, agreements, or conditions contained in the indentures. Management believes that it is in compliance with the covenants of the indentures.

Bond contractual maturities (principal only) at August 31, 2009, are as follows (in thousands):

Description	2010	2011	2012	2013	2014	2015 to 2019	2020 to 2024
Single-family	$ 14,260	$ 17,125	$ 20,765	$ 23,150	$ 24,330	$ 143,600	$ 177,075
RMRB	5,005	5,015	5,890	6,240	6,595	39,430	47,830
CHMRB							9,100
Multifamily	8,877	9,489	10,131	10,670	11,139	67,405	106,339
Total	$ 28,142	$ 31,629	$ 36,786	$ 40,060	$ 42,064	$ 250,435	$ 340,344

Description	2025 to 2029	2030 to 2034	2035 to 2039	2040 to 2044	2045 to 2049	Total
Single-family	$ 217,905	$ 263,565	$ 180,805	$ 5,095	$	$ 1,087,675
RMRB	72,415	118,615	30,535			337,570
CHMRB						9,100
Multifamily	168,804	167,806	329,501	265,866	67,975	1,224,002
Total	$ 459,124	$ 549,986	$ 540,841	$ 270,961	$ 67,975	$ 2,658,347

Actual maturities will differ from contractual maturities since the Department has the right to call or prepay obligations with or without call or prepayment penalties as the related loans and mortgage-backed securities mature or prepay.

Bond maturities (principal and interest) at August 31, 2009, are as follows (in thousands):

Description	2010	2011	2012	2013	2014	2015 to 2019	2020 to 2024
Single-family	$ 51,263	$ 53,454	$ 56,367	$ 57,945	$ 58,278	$ 300,506	$ 309,741
RMRB	22,638	22,445	23,089	23,190	23,264	118,027	113,744
CHMRB	624	624	626	624	624	3,122	12,124
Multifamily	70,112	67,019	67,121	67,072	66,931	328,629	343,592
Total	$ 144,637	$ 143,542	$ 147,203	$ 148,831	$ 149,097	$ 750,284	$ 779,201

Description	2025 to 2029	2030 to 2034	2035 to 2039	2040 to 2044	2045 to 2049	Total
Single-family	$ 315,900	$ 322,491	$ 193,857	$ 5,095	$	$ 1,724,897
RMRB	122,296	142,131	35,965			646,789
CHMRB						18,368
Multifamily	364,812	317,889	429,569	305,849	71,885	2,500,480
Total	$ 803,008	$ 782,511	$ 659,391	$ 310,944	$ 71,885	$ 4,890,534

Deferred issuance costs at August 31, 2009 consist of the following (in thousands):

Deferred issuance costs	$ 42,338
Less accumulated amortization	(31,367)
	$ 10,971

8. EMPLOYEE BENEFITS

Plan Description — The Department contributes to the Employees Retirement System of Texas (the "System"), a cost-sharing, multiple-employer, defined benefit plan. The Department has implemented GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, which standardizes financial reporting for pensions by state and local government employers. The System provides service retirement, disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Subtitle B, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Employees Retirement System of Texas, P.O. Box 13207, Austin, Texas, 78711-3207 or by calling (512) 476-6431.

Funding Policy — Under provisions in State law, plan members are required to contribute 6% of their annual covered salary, and the Department contributes an amount equal to 6.45% of the Department's covered payroll. The Department and the employees' contributions to the System for the years ended August 31, 2009, 2008, and 2007, were $1,084,329, $1,002,741, and $947,383, respectively, equal to the required contributions for each year.

9. SEGMENT FINANCIAL DATA

Segment financial data of the Bond Program's direct-debt activities at August 31, 2009 and for the year then ended are follows (in thousands):

	Single-Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Condensed statement of net assets:			
Restricted assets:			
Current assets	$ 130,287	$ 95,519	$ 238
Other assets	1,070,367	273,731	10,854
Total assets	1,200,654	369,250	11,092
Liabilities:			
Current liabilities	52,318	11,205	306
Long-term liabilities	1,082,889	333,575	9,272
Total liabilities	1,135,207	344,780	9,578
Net assets — restricted net assets	$ 65,447	$ 24,470	$ 1,514
Condensed statement of revenues, expenses, and changes in net assets:			
Operating revenues:			
Interest and investment income	$ 59,002	$ 15,467	$ 758
Net increase in fair value	63,610	14,302	227
Other operating revenues	766	372	41
Operating expenses	(62,510)	(15,013)	(668)
Depreciation and amortization	(1,315)	(161)	(3)
Operating income	59,553	14,967	355
Non-operating revenues (expenses) — other non-operating revenues (expenses):			
Special and extraordinary items			
Transfers out	201	(297)	(756)
Change in net assets	59,754	14,670	(401)
Net assets — September 1, 2008	5,693	9,800	1,915
Net assets — August 31, 2009	$ 65,447	$ 24,470	$ 1,514
Condensed statement of cash flows:			
Net cash provided by (used in):			
Operating activities	$ 2,145	$ 915	$ (46)
Noncapital financing activities	(118,450)	36,421	(2,750)
Investing activities	150,151	50,272	2,251
Cash and cash equivalents — September 1, 2008	84,188	6,177	720
Cash and cash equivalents — August 31, 2009	$ 118,034	$ 93,785	$ 175

10. BONDED INDEBTEDNESS

The Department has 126 bond issues outstanding at August 31, 2009. All series are revenue bonds backed by the pledged revenue sources and restricted funds specified in the bond resolutions. Each series is designed to be self-supporting with no repayment nor obligation from the State's General Revenue. The Department issues bonds to assist in financing the purchase of homes by or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (Detailed supplemental bond information is disclosed in Schedules 3–8.)

Interest on bonds and collateralized mortgage obligations is payable periodically on which interest is compounded semiannually and payable at maturity or upon redemption.

Changes in Bonds Payable — Changes in bonds payable for the year ended August 31, 2009 is as follows (amounts in thousands):

Description	Bonds Outstanding September 1, 2008	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2009	Amounts Due Within One Year
Single family	$ 1,143,425	$	$ 13,385	$ 42,365	$ 1,087,675	$ 14,633
RMRB	285,430	102,605	5,345	45,120	337,570	5,011
CHMRB	10,400			1,300	9,100	7
Multifamily	1,220,962	42,690	7,177	32,473	1,224,002	8,858
Total principal	2,660,217	$145,295	$ 25,907	$121,258	2,658,347	$ 28,509
Unamortized premium	15,230				13,809	
Unamortized refunding (loss)	(4,357)				(3,296)	
Total	$ 2,671,090				$ 2,668,860	

Variable to Fixed Interest Rate Swap

Objective — In order to hedge against increases in interest rates on variable rate demand bond issues, the Department has entered into five interest rate swap agreements with the objective of reducing the interest rate risk of certain variable rate demand bonds. The variable rate demand bonds were issued at a lower total interest cost than attainable through traditional fixed rate bond structures. The Department has entered into interest rate swap agreements with various rated counterparties. Under the terms of the agreements, the Department makes periodic fixed interest rate payments in exchange for receiving variable rate payments comparable to the rates payable on the variable rate demand bonds. The swap notional amounts amortize in accordance with the scheduled and/or anticipated reductions in the related variable rate demand bond liability. The Department is potentially exposed to loss in the event of nonperformance by the counterparties under the swap agreements. Termination of the swap agreements may result in the Department making or receiving termination payments. Each swap agreement includes optional early termination provisions granting the Department the right, but not an obligation, to terminate the interest rate swaps at par without a termination payment after an effective date.

Terms and Fair Value — The terms, including the fair value of the outstanding swaps as of August 31, 2009, are as follows. The notional amounts of the swaps match the principal amount of the associated debt.

Counterparty	Notional Amount	Fair Value	Effective Date	Fixed Rate	Variable Rate	Swap Termination Date
UBS AG	$ 53,000,000	$ (4,645,977)	September 1, 2004	3.84 %	63% of LIBOR + 0.30%	9/1/2034 (a)
Goldman Sachs Capital Markets, LP	35,000,000	(2,735,291)	January 1, 2005	3.64	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + 0.45%) and LIBOR	3/1/2035 (b)
JP Morgan Chase & Company	90,825,000	(5,029,602)	August 1, 2005	4.01	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + 0.45%) and LIBOR	9/1/2036 (c)
UBS AG	36,000,000	(3,092,690)	November 15, 2006	3.86	63% of LIBOR + 0.30%	9/1/2025 (d)
JP Morgan Chase & Company	136,815,000	(7,344,582)	June 5, 2007	4.01	Lesser of (the greater of (a) 65% of LIBOR and (b) 56% of LIBOR + 0.45%) and LIBOR	9/1/2038 (c)
Total	$ 351,640,000	$ (22,848,142)				

a. Swap agreement has an optional early termination date of March 1, 2014, and every March and September thereafter.
The maximum notional amount subject to early termination is equal to 60% of the current notional amount.
b. Swap agreement has an optional early termination date of September 1, 2014, and every March and September thereafter.
c. Swap agreement is subject to an early termination date at any time with a 10 business day notice.
d. Swap agreement has an optional early termination date of March 1, 2016, and every March and September thereafter.
The maximum notional amount subject to early termination is current notional amount per the amortization schedule.

Credit Risk — As of August 31, 2009, the Department is not exposed to credit risk on any of its outstanding swaps because the swaps have negative fair values. If interest rates change and the fair value of the swaps become positive, the department would be exposed to credit risk on those swaps. The swap agreements contain varying collateral agreements and insurance policies with the counterparties. The credit ratings for the counterparties are as follows:

Counterparty	Standard & Poor’s	Moody’s
UBS AG	A+	Aa2
Goldman Sachs Capital Markets, LP *	Not Rated	Not rated
JP Morgan Chase & Company	AA-	Aa1

*Goldman Sachs Group is the guarantor and is rated A by Standard & Poor’s and A1 by Moody’s.

Basis Risk — The Department’s variable-rate bond coupon payments are equivalent to the Bond Market Association Municipal Swap Index (BMA) rate. The swap agreements designate a function of London InterBank Offered Rate (LIBOR) as the rate for payments received on these swaps. The Department will be exposed to basis risk should LIBOR and BMA converge. The swap agreements provide an option to terminate as stated above.

Rollover Risk — Rollover is the risk that arises when a derivative associated with a government’s variable-rate debt does not extend all the way to the maturity date of the associated debt, thereby creating a gap in the protection otherwise afforded by the derivative. The Department is not exposed to rollover risk on swap agreements which mature or may be terminated prior to the maturity of the associated debt. The counterparties in the swap agreements have limited rights to terminate the swap. They can terminate only if the Department were to be downgraded below investment grade or default on any swap payments. The swap providers cannot unilaterally terminate any of the swaps subjecting the Department to rollover risk.The Department has retained optional termination rights which are listed below. They are intended to allow the Department to keep the notional amount in line with bonds outstanding to the extent the Department experiences prepayments.

Associated Debt Issuance	Debt Maturity Date	Swap Termination Date
2004B Single Family	September 2034	May be terminated as early as March 2014
2004D Single Family	March 2035	May be terminated as early as September 2014
2005A Single Family	September 2036	May be terminated at anytime giving 10-day notice
2006H Single Family	September 2037	May be terminated as early as March 2016
2007A Single Family	Septebmer 2038	May be terminated at anytime giving 10-day notice

Swap Payments and Associated Debt — Using rates as of August 31, 2009, debt service requirements of the Department's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate debt bond interest payments and new swap payments will vary. The Department's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds outstanding.

Fiscal Years Ending	Variable-Rate Bonds		Interest Rate	
August 31	Principal	Interest	Swaps — Net	Total
2010	$ -	$ 1,105,772	$ 12,482,109	$ 13,587,881
2011	1,535,000	1,105,508	12,479,029	15,119,537
2012	4,435,000	1,097,804	12,389,149	17,921,953
2013	5,220,000	1,082,540	12,211,112	18,513,652
2014	5,475,000	1,065,636	12,013,951	18,554,587
2015–2019	49,665,000	4,934,459	55,588,680	110,188,139
2020–2024	65,565,000	4,019,087	45,278,834	114,862,921
2025–2029	80,710,000	2,865,318	32,280,969	115,856,287
2030–2034	87,360,000	1,522,736	17,185,608	106,068,344
2035–2039	51,675,000	294,406	3,365,568	55,334,974
Total	$ 351,640,000	$ 19,093,266	$ 215,275,009	$ 586,008,275

Demand Bonds — The Department currently holds seven single family bond series in the amount $362,105,000 in variable rate demand bonds. The proceeds of these bonds were used to refund outstanding bonds or provide funds for the primary purpose of purchasing mortgaged-backed securities which are pools of first time homebuyer loans. These bond series have the following terms.

Demand Bonds - Standby Purchase Agreements

Single Family Bond Series	Liquidity Provider	Commitment Fee Rate	Outstanding Variable Rate Demand Bonds as of August 31, 2009	Liquidity Facility Expiration Date
2007A	Comptroller of Public Accounts	0.12 %	$ 136,815,000	11/30/2009*
2006H	Comptroller of Public Accounts	0.12 %	36,000,000	11/30/2009*
2005A	Comptroller of Public Accounts	0.12 %	90,825,000	11/30/2009*
2004D	Comptroller of Public Accounts	0.12 %	35,000,000	11/30/2009*
2004B	Comptroller of Public Accounts	0.12 %	53,000,000	11/30/2009*
2005C	Comptroller of Public Accounts	0.12 %	6,610,000	11/30/2009*
2004A Jr. Lien	Comptroller of Public Accounts	0.12 %	3,855,000	11/30/2009*
Total demand bonds			$ 362,105,000	

* Subsequent to August 31, 2009, the liquidity facility was extended to an expiration date of 3/1/2010.

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to remarket any bonds, the liquidity facility will purchase the bonds (bank bonds). The liquidity agreement is subject to renewal every ninety days on an ongoing basis. The Department shall use its best effort to cause the bonds to be purchased from the liquidity facility as soon possible. The purchased bonds are not subject to term out provisions.

Refunding Bonds

Current Refunding

On November 26, 2008, the Department issued $14,000,000 in variable rate debt (Series 2008 Alta Cullen Apartments Multifamily) with a maximum rate of 12% to refund $14,000,000 of outstanding 2005 Multifamily (Alta Cullen Apartments) bonds. The purpose of this bond issue is to refund the original bonds and establish a different financing structure converting the bonds from fixed rate to variable rate. Under this new structure, the bonds will be credit enhanced by Freddie Mac, carrying a AAA rating. The refunding transaction resulted in a cash flow gain of $31,527,067, and an economic gain of $29,355,793. Because the new debt is variable rate debt, the economic and cash differences were calculated using the current rate as of August 31, 2009 which is .40%. The cash flow and economic impact will fluctuate with the prevailing interest rates. Using the maximum rate allowable by the trust indenture of 12%, the Department could incur a maximum of additional $27,407,301 in debt service payments and an economic loss of $6,147,644 due to the refunding.

Advanced Refunding

On August 18, 2009, the Department issued the 2009 Residential Mortgage Revenue Bonds (Series A and B) in the amount of $102,605,000. The proceeds for Series B ($22,605,000) with an average rate of 4.72% were used to advance refund outstanding bonds. The proceeds refunded the 1999B Residential Mortgage Revenue Bonds ($19,205,000) with an average rate of 6.51% and the 1999C Residential Mortgage Revenue Bonds ($3,400,000) with an average rate of 6.25%. The bond proceeds were deposited with an escrow agent to provide for all future debt service on the 1999 bonds. As a result, the 1999 bonds are considered to be defeased and the liability for those bonds has been removed from the Department's financial statements. A detail schedule of each defeased bond issue outstanding as of August 31, 2009 which totals $22,605,000 is included in Schedule 7. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $52,804. Since the old debt will be redeemed on September 1, 2009, the entire difference will be amortized this fiscal year increasing interest expense. The Department advance refunded the 1999 Residential

Mortgage Revenue Bonds Series A and B to reduce its total debt service payments over the next 30 years by $17,024,166 and to obtain an economic gain of $4,380,133.

Pledged and Other Sources — GASB Statement No. 48 requires the following disclosures for "specific revenues that have been formally committed to directly collateralize or secure debt of the Department." The following table for the year ended August 31, 2009 summarizes by indenture, pledged and other sources and related expenditures for the Department's revenue bonds. A detail schedule of each bond issue is included in Schedule 6 (amounts in thousands).

	Pledged and Other Sources and Related Expenditures for FY 2009			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
Total Single Family Bonds	$ 99,199	$3,759	$13,385	$ 59,964
Total Residential Mtg Revenue Bonds	60,961	304	5,345	14,942
Total 1992 CHMRB	2,097	24		664
Total Multifamily Bonds	92,202	9	7,177	59,698
Total	$254,459	$4,096	$25,907	$135,268

11. COMMITMENTS AND CONTINGENCIES

The Department is a defendant in legal actions arising from transactions and activities conducted in the ordinary course of business. Management, after consultation with legal counsel, believes that the aggregate liabilities, if any, will not be material to the financial statements.

12. RISK FINANCING AND RELATED INSURANCE ISSUES

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. It is the Department's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The Department assumes substantially all risks associated with the performance of its duties. Currently there is no purchase of commercial insurance, nor is the Department involved in any risk pools with other government entities. The Department carries Public Official Liabilities Insurance coverage in the amount of $10,000,000; automobile liability insurance in the amount of $1,000,000, errors and omissions insurance of $300,000 related to loan servicing for others and a $350,000 Public Employee Fidelity Bond.

The Department's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There have been no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. The Department incurred no claims liability during fiscal year 2009 related to these policies.

* * * * * *

SUPPLEMENTAL SCHEDULES

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 1

SUPPLEMENTAL SCHEDULE — STATEMENT OF NET ASSETS (DEFICIT) INFORMATION BY INDIVIDUAL ACTIVITY (UNAUDITED) AS OF AUGUST 31, 2009

ASSETS	Single-Family Program	RMRB Program	CHMRB Program	Multifamily Program	Commercial Paper Program	Operating Fund	Total
CURRENT ASSETS:							
Cash and cash equivalents:							
Cash in bank	$	$	$	$	$	$ 9,200	$ 9,200
Cash equivalents						12,258,712	12,258,712
Restricted assets:							
Cash and cash equivalents:							
Cash in bank	187,911		600	546,531			735,042
Cash equivalents	117,846,379	93,785,313	174,204	40,866,853	26,425		252,699,174
Short-term investments	5,053,792			12,703,863			17,757,655
Loans and contracts	2,762,134	84,462		8,858,246			11,704,842
Interest receivable	4,391,055	1,649,630	63,423	8,621,242			14,725,350
Receivable:							
Interest receivable						72	72
Accounts receivable						263,921	263,921
Loans and Contracts						326,238	326,238
Other current assets	46,116					114,645	160,761
Total current assets	130,287,387	95,519,405	238,227	71,596,735	26,425	12,972,788	310,640,967
NONCURRENT ASSETS:							
Loans and Contracts						460,649	460,649
Restricted assets:							
Investments	1,031,870,166	270,029,045	10,791,615	64,352,750			1,377,043,576
Loans, contracts, and notes receivable	30,830,762	793,826		1,214,436,348			1,246,060,936
Other noncurrent assets:							
Deferred issuance cost — net	7,528,159	2,908,356	62,475	472,387			10,971,377
Real estate owned — net	138,169						138,169
Total noncurrent assets	1,070,367,256	273,731,227	10,854,090	1,279,261,485		460,649	2,634,674,707
TOTAL ASSETS	$ 1,200,654,643	$ 369,250,632	$ 11,092,317	$ 1,350,858,220	$ 26,425	$ 13,433,437	$ 2,945,315,674

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS —
REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 1

SUPPLEMENTAL SCHEDULE — STATEMENT OF NET ASSETS (DEFICIT) INFORMATION BY INDIVIDUAL ACTIVITY (UNAUDITED)
AS OF AUGUST 31, 2009

LIABILITIES	Single-Family Program	RMRB Program	CHMRB Program	Multifamily Program	Commercial Paper Program	Operating Fund	Total
CURRENT LIABILITIES:							
Payables:							
Accounts payable	$ 5,773	$ 952	$	$	$	$	$ 6,725
Accrued bond interest payable	24,759,995	2,280,988	8,549	8,877,043			35,926,575
Deferred revenues	8,223,063	2,893,991	290,196				11,407,250
Revenue bonds payable	14,633,889	5,010,157	7,120	8,858,246			28,509,412
Other current liabilities	4,695,335	1,018,545				239	5,714,119
Total current liabilities	52,318,055	11,204,633	305,865	17,735,289		239	81,564,081
NONCURRENT LIABILITIES:							
Notes and Loans Payable							
Revenue bonds payable	1,082,866,328	333,576,422	9,272,087	1,214,635,401			2,640,350,238
Other noncurrent liabilities	23,202			118,613,192			118,636,394
Total noncurrent liabilities	1,082,889,530	333,576,422	9,272,087	1,333,248,593			2,758,986,632
TOTAL LIABILITIES	$ 1,135,207,585	$ 344,781,055	$ 9,577,952	$ 1,350,983,882	$	$ 239	$ 2,840,550,713
NET ASSETS (DEFICIT)							
INVESTED IN CAPITAL ASSETS	$	$	$	$	$	$	$
RESTRICTED	65,447,058	24,469,577	1,514,365		26,425		91,457,425
UNRESTRICTED				(125,662)		13,433,198	13,307,536
TOTAL NET ASSETS (DEFICIT)	$ 65,447,058	$ 24,469,577	$ 1,514,365	$ (125,662)	$ 26,425	$ 13,433,198	$ 104,764,961

(Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 2

SUPPLEMENTAL SCHEDULE — STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT) INFORMATION BY INDIVIDUAL ACTIVITY (UNAUDITED) FOR THE YEAR ENDED AUGUST 31, 2009

	Single-Family Program	RMRB Program	CHMRB Program	Multifamily Program	Commercial Paper Program	Operating Fund	Total
OPERATING REVENUES:							
Interest and investment income	$ 59,002,497	$ 15,466,829	$ 758,158	$ 59,720,073	$ 128,130	$ 21,736	135,097,423
Net increase in fair value	63,610,262	14,301,823	227,226				78,139,311
Other operating revenues	765,531	372,220	40,618	11,212		2,507,345	3,696,926
Total operating revenues	123,378,290	30,140,872	1,026,002	59,731,285	128,130	2,529,081	216,933,660
OPERATING EXPENSES:							
Professional fees and services	1,700,399	83,000	16,000			604,515	2,403,914
Depreciation and amortization	1,315,262	161,219	2,551	4,674			1,483,706
Interest	59,176,879	14,869,840	646,572	59,717,489	133,558		134,544,338
Bad debt expense	167,992	(1,500)					166,492
Down Payment Assistance	454,559					250,000	704,559
Other operating expenses	1,010,456	61,551	5,369	269	5,475	150,281	1,233,401
Total operating expenses	63,825,547	15,174,110	670,492	59,722,432	139,033	1,004,796	140,536,410
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS	59,552,743	14,966,762	355,510	8,853	(10,903)	1,524,285	76,397,250
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS — Transfers in (out)	201,203	(297,218)	(755,846)	269	5,476	(6,453,426)	(7,299,542)
CHANGE IN NET ASSETS	59,753,946	14,669,544	(400,336)	9,122	(5,427)	(4,929,141)	69,097,708
NET ASSETS (DEFICIT) — September 1, 2	5,693,112	9,800,033	1,914,701	(134,784)	31,852	18,362,339	35,667,253
NET ASSETS (DEFICIT) — August 31, 20(	$ 65,447,058	$ 24,469,577	$ 1,514,365	$ (125,662)	$ 26,425	$ 13,433,198	$ 104,764,961

SUPPORTING SCHEDULES

REVENUE BOND PROGRAM ENTERPRISE FUND

MISCELLANEOUS BOND INFORMATION
AS OF AUGUST 31, 2009
(Amounts in thousands)

Description of Issue	Original Principal Bonds Issued to Date	Range of Interest Rates		Schedule Maturities First Year	Schedule Maturities Last Year	First Call Date	
		Interest	Rates				
2002 Single Family Series A (Jr. Lien)	10,000	7.01%	7.01%	2025	2026	09/01/2012	
2002 Single Family Series A	38,750	5.45%	5.55%	2023	2034	03/01/2012	
2002 Single Family Series B	52,695	5.35%	5.55%	2033	2033	03/01/2012	
2002 Single Family Series C	12,950	2.80%	5.20%	2004	2017	03/01/2012	
2002 Single Family Series D	13,605	2.00%	4.50%	2003	2012	03/01/2012	
2004 Single Family Series A	123,610	2.00%	4.70%	2006	2035	03/01/2013	
2004 Single Family Series B	53,000	VAR - Weekly		2015	2034	03/01/2015	(f)
2004 Single Family Series A (Jr. Lien)	4,140	VAR - Weekly		2036	2036	09/01/2036	(f)
2004 Single Family Series C	41,245	4.30%	4.80%	2019	2036	09/01/2014	
2004 Single Family Series D	35,000	VAR - Weekly		2035	2035	(g)	
2004 Single Family Series E	10,825	2.45%	4.30%	2006	2013	09/01/2014	
2005 Single Family Series A	100,000	VAR - Weekly		2007	2036	03/01/2006	
2005 Single Family Series B	25,495	4.38%	4.38%	2006	2026	03/01/2006	
2005 Single Family Series C	8,970	VAR - Weekly		2017	2017	03/01/2006	
2005 Single Family Series D	3,730	5.00%	5.00%	2025	2035	03/01/2006	
2006 Single Family Series A	59,555	5.00%	5.00%	2008	2037	09/01/2006	
2006 Single Family Series B	70,485	5.00%	5.00%	2008	2034	09/02/2006	
2006 Single Family Series C	105,410	5.13%	5.13%	2008	2037	09/03/2006	
2006 Single Family Series D	29,685	4.50%	4.50%	2018	2028	09/04/2006	
2006 Single Family Series E	17,295	4.06%	4.06%	2007	2017	09/05/2006	
2006 Single Family Series F	81,195	4.65%	5.75%	2008	2038	03/01/2016	
2006 Single Family Series G	15,000	3.75%	4.60%	2012	2019	03/01/2016	
2006 Single Family Series H	36,000	VAR - Weekly		2016	2037	03/01/2016	(f)
2007 Single Family Series A	143,005	VAR - Weekly		2008	2038	03/01/2008	(f)
2007 Single Family Series B	157,060	3.90%	5.63%	2008	2039	03/01/2008	
1998 RMRB Series A	102,055	4.05%	5.35%	2002	2031	01/01/2009	
1998 RMRB Series B	14,300	5.30%	5.30%	2022	2022	01/01/2009	
1999 RMRB Series A	25,615	4.80%	5.50%	2018	2021	01/01/2009	
1999 RMRB Series B-1	52,260	6.32%	7.10%	2021	2032	07/01/2009	
1999 RMRB Series C	12,150	5..05%	6.25%	2003	2024	07/01/2009	
2000 RMRB Series A	50,000	5.10%	6.30%	2003	2031	07/01/2010	
2000 RMRB Series B	82,975	5.70%	5.70%	2005	2033	07/01/2010	
2000 RMRB Series C	13,675	5.82%	5.85%	2011	2025	07/01/2010	
2000 RMRB Series D	18,265	4.55%	5.85%	2003	2020	07/01/2010	
2001 RMRB Series A	52,715	3.15%	5.70%	2004	2033	07/01/2011	
2001 RMRB Series B	15,585	5.00%	5.25%	2011	2022	07/01/2011	
2001 RMRB Series C	32,225	2.55%	4.63%	2003	2015	07/01/2011	
2001 RMRB Series D	300	5.35%	5.35%	2008	2033	07/01/2011	
2002 RMRB Series A	42,310	2.25%	5.35%	2004	2034	07/01/2012	
2003 RMRB Series A	73,630	1.70%	5.00%	2005	2034	01/01/2013	
2009 RMRB Series A	80,000	5.13%	5.13%	2011	2039	01/01/2019	
2009 RMRB Series B	22,605	4.72%	4.72%	2010	2022	01/01/2019	
1992 Coll Home Mtg Rev Bonds, Series C	72,700	3.48%	10.27%	2024	2024	05/04/1995	
TOTAL SINGLE FAMILY, RMRB & CHMRB BONDS	$ 2,012,070						

MISCELLANEOUS BOND INFORMATION
AS OF AUGUST 31, 2009
(Amounts in thousands)

Description of Issue	Original Principal Bonds Issued to Date	Range of Interest	Rates	Schedule Maturities First Year	Last Year	First Call Date	
1987 MF Series (South Texas Rental Housing)	$ 1,400	9.50%	9.50%	1988	2012	02/01/1988	
1996 MF Series A/B (Brighton's Mark)	10,174	6.13%	6.13%	2026	2026	01/01/2003	
1996 MF Series A/B (Braxton's Mark)	14,867	5.81%	5.81%	2026	2026	01/01/2003	
1998 MF Series A (Pebble Brook)	10,900	4.95%	5.60%	2001	2030	06/01/2001	
1998 MF Series A-C (Residence Oaks)	8,200	5.98%	7.18%	2001	2030	05/01/2001	
1998 MF Series A/B (Greens of Hickory Trial)	13,500	5.20%	6.03%	2001	2030	09/01/2008	
1999 MF Series A-C (Mayfield)	11,445	5.70%	7.25%	2001	2031	05/01/2002	
2000 MF Series A (Timber Point Apts)	8,100	VAR - Weekly		2003	2032	07/01/2000	(a)
2000 MF Series A/B (Oaks at Hampton)	10,060	7.20%	9.00%	2002	2040	03/01/2017	(a)
2000 MF Series A (Deerwood Apts)	6,435	5.25%	6.40%	2003	2032	06/01/2010	
2000 MF Series A (Creek Point Apts)	7,200	VAR - Weekly		2004	2032	07/01/2000	(a)
2000 MF Series A/B (Parks @ Westmoreland)	9,990	7.20%	9.00%	2002	2040	07/01/2017	(a)
2000 MF Series A-C (Highland Meadow Apts)	13,500	6.75%	8.00%	2004	2033	05/01/2019	
2000 MF Series A/B (Greenbridge)	20,085	7.40%	10.00%	2003	2040	03/01/2014	
2000 MF Series A-C (Collingham Park)	13,500	6.72%	7.72%	2004	2033	05/01/2019	
2000 MF Series A/B (Williams Run)	12,850	7.65%	9.25%	2002	2040	01/01/2011	
2001 MF Series A (Bluffview Senior Apts)	10,700	7.65%	7.65%	2003	2041	05/01/2018	
2001 MF Series A (Knollwood Villas Apts)	13,750	7.65%	7.65%	2003	2041	05/01/2018	
2001 MF Series A (Skyway Villas)	13,250	6.00%	6.50%	2005	2034	12/01/2011	
2001 MF Series A/B (Cobb Park)	7,785	6.77%	6.77%	2003	2041	07/01/2018	
2001 MF Series A (Greens Road Apts.)	8,375	5.30%	5.40%	2004	2034	12/01/2011	
2001 MF Series A/B (Meridian Apts.)	14,310	5.45%	6.85%	2004	2034	12/01/2011	
2001 MF Series A/B (Wildwood Apts.)	14,365	5.45%	6.75%	2004	2034	12/01/2011	
2001 MF Series A-C (Fallbrook Apts.)	14,700	6.06%	6.78%	2005	2034	01/01/2012	
2001 MF Series A (Oak Hollow Apts.)	8,625	7.00%	7.90%	2003	2041	11/01/2018	
2001 MF Series A/B (Hillside Apts.)	12,900	7.00%	9.25%	2003	2041	11/01/2018	
2002 MF Series A (Millstone Apts.)	12,700	5.35%	5.86%	2005	2035	06/01/2012	
2002 MF Series A (Sugar Creek Apts.)	11,950	6.00%	6.00%	2004	2042	01/01/2016	
2002 MF Series A (West Oaks Apts.)	10,150	7.15%	7.50%	2004	2042	12/01/2018	
2002 MF Series A (Park Meadows Apts)	4,600	6.53%	6.53%	2004	2034	05/01/2012	
2002 MF Series A (Clarkridge Villas Apts)	14,600	7.00%	7.00%	2004	2042	08/01/2019	
2002 MF Series A (Hickory Trace Apts)	11,920	7.00%	7.00%	2004	2042	12/01/2019	
2002 MF Series A (Green Crest Apts)	12,500	7.00%	7.00%	2004	2042	11/01/2019	
2002 MF Series A/B (Ironwood Crossing)	16,970	5.50%	8.75%	2005	2042	10/01/2027	
2002 MF Series A (Woodway Village Apts)	9,100	4.95%	5.20%	2006	2023	01/01/2013	
2003 MF Series A/B (Reading Road)	12,200	VAR-Weekly		2007	2036	01/01/2004	(a)
2003 MF Series A/B (North Vista Apts)	14,000	4.10%	5.41%	2006	2036	06/01/2013	
2003 MF Series A/B (West Virginia Apts)	9,450	4.15%	5.41%	2006	2036	06/01/2013	
2003 MF Series A/B (Sphinx @ Murdeaux)	15,085	3.55%	5.00%	2005	2042	06/20/2013	
2003 MF Series A/B (Primrose Houston School)	16,900	5.50%	8.00%	2006	2036	07/01/2003	(a)
2003 MF Series A/B (Timber Oaks Apts)	13,200	6.75%	8.75%	2005	2043	06/01/2020	
2003 MF Series A/B (Ash Creek Apts)	16,375	5.60%	15.00%	2006	2036	10/01/2003	(a)
2003 MF Series A/B (Peninsula Apts)	12,400	4.25%	5.30%	2007	2024	10/01/2013	

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 3

MISCELLANEOUS BOND INFORMATION
AS OF AUGUST 31, 2009
(Amounts in thousands)

Description of Issue	Original Principal Bonds Issued to Date	Range of Interest Rates		Schedule Maturities First Year	Schedule Maturities Last Year	First Call Date
2003 MF Series A (Evergreen @ Mesquite)	11,000	6.60%	8.00%	2006	2043	09/01/2020
2003 MF Series A/B (Arlington Villas)	17,100	6.75%	8.00%	2007	2036	01/01/2007 (a)
2003 MF Series A/B (Parkview Twnhms)	16,600	6.60%	8.50%	2006	2043	12/01/2020
2003 MF Series A (NHP-Asmara) Refunding	31,500	VAR - Weekly		2007	2033	07/01/2007 (a)
2004 MF Series A/B (Timber Ridge)	7,500	5.75%	8.00%	2007	2037	03/01/2007 (a)
2004 MF Series A/B (Century Park)	13,000	5.75%	5.75%	2007	2037	05/01/2007 (a)
2004 MF Series A/B (Veterans Memorial)	16,300	6.60%	8.50%	2006	2044	03/01/2006 (a)
2004 MF Series A (Rush Creek)	10,000	5.38%	6.70%	2006	2044	03/01/2021
2004 MF Series A (Humble Park)	11,700	6.60%	6.60%	2007	2041	07/01/2021
2004 MF Series A (Chisholm Trail)	$ 12,000	VAR - Weekly (b)		2006	2037	10/15/2006 (a)
2004 MF Series A (Evergreen @ Plano)	14,750	5.25%	6.55%	2007	2044	06/01/2021
2004 MF Series A (Montgomery Pines)	12,300	VAR - Weekly		2006	2037	12/15/2006 (a)
2004 MF Series A (Bristol)	12,625	VAR - Weekly		2007	2037	06/15/2007 (a)
2004 MF Series A (Pinnacle)	14,500	VAR - Weekly (c)		2007	2044	09/01/2007 (a)
2004 MF Series A (Tranquility Bay)	14,350	VAR - Weekly (c)		2007	2044	06/01/2021 (e)
2004 MF Series A (Sphinx @ Delafield)	11,380	5.05%	5.35%	2006	2044	07/20/2014
2004 MF Series A (Churchill @ Pinnacle)	10,750	5.25%	6.55%	2007	2044	09/01/2021 (e)
2004 MF Series A/B (Post Oak East)	13,600	VAR - Weekly		(d)	2037	(d)
2004 MF Series A (Village Fair)	14,100	5.00%	6.50%	2007	2044	12/01/2021
2005 MF Series A (Pecan Grove)	14,030	5.00%	6.50%	2007	2045	01/01/2022
2005 MF Series A (Prairie Oaks)	11,050	4.75%	6.50%	2007	2045	01/01/2022
2005 MF Series A (Port Royal)	12,200	5.00%	6.50%	2007	2045	02/01/2022
2005 MF Series A (Del Rio)	11,490	5.00%	6.50%	2007	2045	02/01/2022
2005 MF Series A (Atascocita Pines)	11,900	VAR - Weekly (c)		2007	2037	(f)
2005 MF Series A (Tower Ridge)	15,000	VAR - Weekly (b)		2009	2038	(f)
2005 MF Series A (Alta Cullen)	14,000	5.89%	6.60%	2007	2045	06/01/2022
2005 MF Series A (Prairie Ranch)	12,200	4.85%	4.85%	2007	2045	12/20/2015
2005 MF Series A (St Augustine)	7,650	VAR - Weekly		2009	2038	n/a
2005 MF Series A (Park Manor)	10,400	5.00%	6.40%	2008	2045	09/01/2022
2005 MF Series A (Mockingbird)	14,360	6.40%	6.40%	2007	2045	08/01/2022
2005 MF Series A (Chase Oaks)	14,250	5.05%	5.05%	2007	2035	(h)
2005 MF Series A/B (Canal Place)	16,100	3.45%	8.00%	2019	2039	(i)
2005 MF Series A (Coral Hills)	5,320	5.05%	5.05%	2038	2038	08/01/2015
2006 MF Series A (Harris Branch)	15,000	VAR - Weekly		2009	2039	(j)
2006 MF Series A (Bella Vista)	6,800	6.15%	6.15%	2008	2046	04/01/2016
2006 MF Series A (Village Park)	13,660	4.75%	5.13%	2009	2026	06/01/2021
2006 MF Series A (Oakmoor)	14,635	5.50%	6.00%	2008	2046	03/01/2023
2006 MF Series A (Sunset Pointe)	15,000	VAR - Weekly		2039	2039	(i)
2006 MF Series A (Hillcrest)	12,435	5.25%	5.25%	2009	2039	04/01/2021
2006 MF Series A (Pleasant Village)	6,000	6.00%	6.00%	2008	2023	(k)
2006 MF Series A (Grove Village)	6,180	6.00%	6.00%	2008	2023	(k)
2006 MF Series A (Red Hills Villas)	5,015	VAR - Weekly		2036	2036	(j)
2006 MF Series A (Champion Crossing)	5,125	VAR - Weekly		2036	2036	(j)
2006 MF Series A (Stonehaven)	11,300	5.80%	5.80%	2008	2026	(h)
2006 MF Series A (Center Ridge)	8,325	5.00%	5.00%	2009	2039	05/01/2021
2006 MF Series A (Meadowlands)	13,500	6.00%	6.00%	2009	2046	09/01/2023
2006 MF Series A (East Tex Pines)	13,500	4.95%	4.95%	2010	2046	(l)
2006 MF Series A (Villas at Henderson)	7,200	VAR - Weekly		2010	2039	(m)
2006 MF Series A (Aspen Park Apts)	9,800	5.00%	5.00%	2010	2039	07/01/2021

(Continued)

MISCELLANEOUS BOND INFORMATION
AS OF AUGUST 31, 2009
(Amounts in thousands)

Description of Issue	Original Principal Bonds Issued to Date	Range of Interest Rates		Schedule Maturities First Year	Schedule Maturities Last Year	First Call Date
2006 MF Series A (Idlewilde Apts)	14,250	VAR - Weekly		2010	2040	(j)
2007 MF Series A (Lancaster Apts)	14,250	VAR - Weekly		2010	2040	(j)
2007 MF Series A (Park Place)	15,000	5.80%	5.80%	2010	2047	03/01/2024
2007 MF Series A (Terrace at Cibolo)	8,000	VAR - Weekly		2010	2040	(m)
2007 MF Series A (Santora Villas)	13,072	5.80%	5.80%	2010	2047	06/01/2024
2007 MF Series A (Villas @ Mesquite Creek)	16,860	5.00%	5.81%	2010	2047	01/20/2017
2007 MF Series A (Summit Point)	11,700	4.80%	5.25%	2009	2047	06/20/2017
2007 MF Series A (Costa Rialto)	12,385	5.35%	5.35%	2010	2047	08/01/2025
2007 MF Series A (Windshire)	14,000	VAR - Weekly		2010	2041	(j)
2007 MF Series A (Residences @ Onion Creek)	15,000	VAR - Weekly		2011	2040	(j)
2008 MF Series A (West Oaks)	13,125	VAR - Weekly		2011	2041	(n)
2008 MF Series A (Costa Ibiza)	13,900	VAR - Weekly		2011	2041	(f)
2008 MF Series A (Addison Park)	14,000	VAR - Weekly		2008	2044	(n)
2008 MF Series A (Alta Cullen Apartments)	14,000	VAR - Weekly		2011	2045	(n)
2009 MF Series A (Costa Mariposa Apartments)	13,690	VAR - Weekly		2012	2042	(n)
2009 MF Series A (Woodmont Apartments)	15,000	VAR - Weekly		2012	2042	(n)
TOTAL MULTIFAMILY BONDS	$ 1,321,778					
TOTAL BONDS ISSUED	**$ 3,333,848**					

(Concluded)

FOOTNOTES:

(a) The taxable bonds shall be subject to redemption prior to maturity in whole or any part on any interest payment date after the completion date from the proceeds of an optional prepayment of the loan by the borrower.

(b) Variable rate not to exceed the maximum rate permitted by applicable law.

(c) Variable rate could change to fixed rate provided the conversion option is exercised.

(d) No set amortization, per trustee, amortization will occur in $100,000 denominations when the amount in the principal reserve fund exceeds 20% of the issue.

(e) The bonds are subject to redemption, in whole, at the option of the issuer acting at the direction of the holders of a majority of the outstanding principal amount of the bonds.

(f) The bonds shall be subject to redemption prior to maturity, after giving the required notice, as follows: During the variable interest rate period the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.

(g) The series bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indenture, as follows: During a daily interest rate period or weekly interest rate period for the series bonds, the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.

(h) The bonds are subject to redemption at the option of the issuer, at the direction of the borrower, in whole or in part on the first day of any month, in the event and to the extent, the trustee receives funds from the borrower representing an optional prepayment of the principal of the note, at a redemption price equal to the principal thereof, plus accrued interest to the redemption date plus any premium remitted therewith as required by the note.

(i) Bonds are subject to redemption if and to the extent, the borrower is entitled to make, or is required to make, a prepayment pursuant to the loan agreement.

(j) The bonds are subject to optional redemption in whole or in part upon optional prepayment of the loan by the borrower as permitted by the loan documents.

(k) The Bonds are subject to optional redemption at the direction of the borrower on any interest payment date, in whole or in part, at the redemption price (as calculated by the sole bondholder) calculated in accordance with the indenture plus accrued and unpaid interest, if any, to the redemption date. Optional redemptions may be made only in denominations of $100,000 plus integral multiples of $5,000 or for the entire amount of the bonds outstanding.

(l) The Bonds shall be subject to redemption prior to maturity in whole but not in part on any Bond Payment Date on or after fifteen years from Conversion Date, from the proceeds of an optional prepayment of the Loan by the Borrower at a redemption price equal to the principal amount plus accrued and unpaid interest to the date fixed for redemption.

(m) The Bonds may be redeemed by the Trustee at the option of the Issuer, but only upon the written request of the Borrower pursuant of the Loan Agreement, and with the prior consent of the Bank, in whole or in part, at a redemption price equals to the principal amount, without premium, plus accrued interest to the date of redemption.

(n) With the prior Written consent of the Credit Facility Provider, the Bonds are subject to optional redemption, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and Financing Agreement.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 4

CHANGES IN BOND INDEBTEDNESS
AS OF AUGUST 31, 2009

Description of Issue	Bonds Outstanding September 1, 2008	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2009	Amounts Due Within One Year
2002 SERIES A (Jr Lien)	$ 4,140,000	$	$	$ 145,000	$ 3,995,000	$
2002 SERIES A	36,535,000			615,000	35,920,000	
2002 SERIES B	33,445,000			4,355,000	29,090,000	14,076
2002 SERIES C	10,415,000		515,000	165,000	9,735,000	513,317
2002 SERIES D	4,630,000		850,000	195,000	3,585,000	832,009
2004 SERIES A	104,030,000		3,690,000	7,975,000	92,365,000	2,975,464
2004 SERIES B	53,000,000				53,000,000	
2004 SERIES A (Jr Lien)	3,855,000				3,855,000	
2004 SERIES C	31,785,000		280,000	4,310,000	27,195,000	214,900
2004 SERIES D	35,000,000				35,000,000	
2004 SERIES E	7,925,000		1,065,000	245,000	6,615,000	1,047,304
2005 SERIES A	94,860,000			4,035,000	90,825,000	
2005 SERIES B	17,435,000		645,000	1,370,000	15,420,000	563,278
2005 SERIES C	7,215,000			605,000	6,610,000	
2005 SERIES D	3,040,000				3,040,000	
2006 SERIES A	57,830,000		475,000	1,880,000	55,475,000	530,200
2006 SERIES B	67,990,000		1,450,000	2,205,000	64,335,000	1,535,603
2006 SERIES C	102,010,000		1,525,000	3,320,000	97,165,000	1,798,847
2006 SERIES D	24,120,000			2,435,000	21,685,000	(58,613)
2006 SERIES E	15,275,000		1,280,000		13,995,000	1,225,128
2006 SERIES F	80,500,000		505,000	2,730,000	77,265,000	657,602
2006 SERIES G	14,265,000		1,105,000	90,000	13,070,000	1,225,000
2006 SERIES H	36,000,000				36,000,000	
2007 SERIES A	141,070,000			4,255,000	136,815,000	(34,208)
2007 SERIES B	157,055,000			1,435,000	155,620,000	1,593,983
1998 SERIES A	36,290,000		1,070,000	3,085,000	32,135,000	1,065,000
1998 SERIES B	6,350,000			550,000	5,800,000	
1999 SERIES A	4,885,000		155,000	685,000	4,045,000	(9,623)
1999 SERIES B-1	20,825,000		135,000	20,690,000		
1999 SERIES C	3,485,000			3,485,000		
2000 SERIES A	15,305,000		240,000	1,100,000	13,965,000	(7,293)
2000 SERIES B	44,335,000		245,000	4,320,000	39,770,000	8,352
2000 SERIES C	8,530,000			145,000	8,385,000	
2000 SERIES D	6,140,000		575,000	180,000	5,385,000	620,000
2001 SERIES A	30,680,000		505,000	4,075,000	26,100,000	442,622
2001 SERIES B	12,180,000			820,000	11,360,000	
2001 SERIES C	7,745,000		1,025,000	495,000	6,225,000	965,667
2001 SERIES D	230,000			230,000		
2002 SERIES A	29,165,000		480,000	2,030,000	26,655,000	457,617
2003 SERIES A	59,285,000		915,000	3,230,000	55,140,000	838,000
2009 SERIES A		80,000,000			80,000,000	55,750
2009 SERIES B		22,605,000			22,605,000	574,066
1992 SERIES A-C	10,400,000			1,300,000	9,100,000	7,120
Total Single Family, RMRB & CHMRB Bonds	1,439,255,000	102,605,000	18,730,000	88,785,000	1,434,345,000	19,651,166
1996 SERIES A&B (BRIGHTON'S MARK)	8,075,000				8,075,000	
1996 SERIES A&B (BRAXTON'S MARK)	14,273,700				14,273,700	
1987 SOUTH TEXAS RENTAL HOUSING	519,736		84,131	435,605		
1998 SERIES (PEBBLE BROOK)	9,670,000		205,000		9,465,000	215,000
1998 SERIES A-C (RESIDENCE OAKS)	7,257,000		159,000		7,098,000	169,000
1998 SERIES (GREENS-HICKORY TRAIL)	12,085,000		250,000		11,835,000	270,000
1999 SERIES (MAYFIELD)	10,198,000		222,000		9,976,000	235,000
2000 SERIES (TIMBER POINT APTS)	7,570,000			100,000	7,470,000	

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 4

CHANGES IN BOND INDEBTEDNESS
AS OF AUGUST 31, 2009

Description of Issue	Bonds Outstanding September 1, 2008	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2009	Amounts Due Within One Year
2000 SERIES A/B (OAKS at HAMPTON)	$ 9,679,198		$ 81,651		$ 9,597,547	$ 89,000
2000 SERIES (DEERWOOD APTS)	5,980,000		95,000		5,885,000	105,000
2000 SERIES (CREEK POINT APTS)	6,470,000			105,000	6,365,000	
2000 SERIES A/B (PARKS at WESTMORELAND)	9,631,280		80,038		9,551,242	87,000
2000 SERIES A-C (HIGHLAND MEADOW APTS)	8,444,000		130,000		8,314,000	139,000
2000 SERIES A/B (GREENBRIDGE @ BUCKING	19,557,459		83,384		19,474,075	167,000
2000 SERIES A-C (COLLINGHAM PARK APTS)	12,761,000		208,000		12,553,000	230,000
2000 SERIES A/B (WILLIAMS RUN APTS)	12,417,289				12,417,289	302,000
2001 SERIES (BLUFF SENIOR APTS)	10,429,654		64,013		10,365,641	69,000
2001 SERIES (KNOLLWOOD VILLAS APTS)	13,402,593		82,259		13,320,333	89,000
2001 SERIES A (SKYWAY VILLAS)	7,440,000		120,000		7,320,000	130,000
2001 SERIES A/B (COBB PARK APTS)	7,606,900		22,597		7,584,303	74,000
2001 SERIES A (GREENS ROAD APTS)	7,940,000		130,000		7,810,000	135,000
2001 SERIES A/B (MERIDIAN APARTMENTS)	13,700,000		136,000	5,079,000	8,485,000	72,000
2001 SERIES A/B (WILDWOOD BRANCH	13,750,000		135,000	7,043,000	6,572,000	60,000
2001 SERIES A-C (FALLBROOK APTS)	14,035,000		220,000		13,815,000	235,000
2001 SERIES (OAK HOLLOW APTS)	6,340,877		42,805		6,298,072	46,000
2001 SERIES A/B (HILLSIDE APTS)	12,555,798		47,455		12,508,343	83,000
2001 SERIES A (MILLSTONE APTS)	10,410,000		175,000		10,235,000	185,000
2002 SERIES (SUGARCREEK APTS)	11,635,000		85,000		11,550,000	80,589
2002 SERIES (WEST OAKS APTS)	9,515,512		61,599		9,453,913	66,000
2002 SERIES (PARK MEADOWS APTS)	4,275,000		70,000		4,205,000	65,000
2002 SERIES (CLARKRIDGE VILLAS APTS)	13,709,324		86,859		13,622,465	93,000
2002 SERIES A (HICKORY TRACE APTS)	11,334,436		71,359		11,263,077	77,000
2002 SERIES A (GREEN CREST APTS)	11,285,091		71,048		11,214,042	76,000
2002 SERIES A/B (IRON WOOD CROSSING)	16,779,045		79,476		16,699,569	87,000
2002 SERIES A (WOODWAY VILLAGE)	7,535,000		115,000		7,420,000	120,000
2003 SERIES A/B (READING ROAD)	11,960,000		20,000	100,000	11,840,000	30,000
2003 SERIES A/B (NORTH VISTA)	12,710,000		210,000		12,500,000	210,000
2003 SERIES A/B (WEST VIRGINIA)	9,170,000		150,000		9,020,000	155,000
2003 SERIES A/B (SPHINX @ MURDEAUX)	14,550,000		170,000		14,380,000	180,000
2003 SERIES A/B (PRIMROSE HOUSTON)	16,472,652		85,486		16,387,166	93,000
2003 SERIES A/B (TIMBER OAKS)	13,041,462		61,270		12,980,191	67,000
2003 SERIES A/B (ASH CREEK APTS)	16,198,740		86,316		16,112,424	94,000
2003 SERIES A/B (PENINSULA APTS)	11,965,000		160,000	25,000	11,780,000	150,000
2003 SERIES A (EVERGREEN @ MESQUITE)	10,746,268		116,987		10,629,280	125,000
2003 SERIES A/B (ARLINGTON VILLAS)	16,979,400		80,492		16,898,908	87,000
2003 SERIES A/B (PARKVIEW TWNHMS)	16,402,240		86,460		16,315,780	94,000
2003 SERIES (NHP-ASMARA)REFUNDING	20,930,000		380,000		20,550,000	390,657
2004 SERIES A/B (TIMBER RIDGE)	6,633,914		36,651		6,597,263	39,000
2004 SERIES A/B (CENTURY PARK)	12,455,000		170,000		12,285,000	185,000
2004 SERIES A/B (VETERANS MEMORIAL)	16,114,036		86,135		16,027,900	94,000
2004 SERIES (RUSH CREEK)	8,771,086		52,265		8,718,821	56,000
2004 SERIES (HUMBLE PARK)	11,510,000		110,000		11,400,000	110,000
2004 SERIES (CHISHOLM TRAIL)	11,900,000			200,000	11,700,000	
2004 SERIES (EVERGREEN @ PLANO)	14,657,580		85,020		14,572,560	91,000
2004 SERIES (MONTGOMERY PINES)	12,300,000				12,300,000	
2004 SERIES (BRISTOL)	12,300,000			100,000	12,200,000	
2004 SERIES (PINNACLE)	14,265,000			100,000	14,165,000	
2004 SERIES (TRANQUILITY BAY)	14,167,831		89,894		14,077,936	96,000
2004 SERIES (SPHINX @ DELAFIELD)	11,135,000		110,000		11,025,000	110,000
2004 SERIES (CHURCHILL @ PINNACLE)	10,027,469		71,664		9,955,805	77,000
2004 SERIES A/B (POST OAK EAST)	13,600,000				13,600,000	
2004 SERIES (VILLAGE FAIR)	13,969,946		85,051		13,884,895	91,000
2005 SERIES (PECAN GROVE)	13,907,399		84,172		13,823,227	90,000
2005 SERIES (PRAIRIE OAKS)	10,953,440		66,293		10,887,147	71,000
2005 SERIES (PORT ROYAL)	12,099,280		72,799		12,026,481	78,000
2005 SERIES (MISSION DEL RIO)	11,395,141		68,562		11,326,579	73,000

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 4

CHANGES IN BOND INDEBTEDNESS
AS OF AUGUST 31, 2009

Description of Issue	Bonds Outstanding September 1, 2008	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2009	Amounts Due Within One Year
2005 SERIES (ATASCOCITA)	$ 11,900,000	$	$	$ 200,000	$ 11,700,000	$
2005 SERIES (TOWER RIDGE)	15,000,000				15,000,000	
2005 SERIES (ALTA CULLEN)	14,000,000			14,000,000		
2005 SERIES (PRAIRIE RANCH)	12,050,000		115,000		11,935,000	125,000
2005 SERIES (ST. AUGUSTINE)	7,650,000			500,000	7,150,000	
2005 SERIES (PARK MANOR)	10,400,000				10,400,000	
2005 SERIES (PROVIDENCE @ MOCKINGBIRD	14,280,115		85,150		14,194,965	91,000
2005 SERIES (PLAZA CHASE OAKS)	14,112,269		215,470		13,896,799	227,000
2005 SERIES (CANAL PLACE)	16,100,000				16,100,000	56,000
2006 SERIES (CORAL HILLS)	5,070,000		75,000		4,995,000	70,000
2006 SERIES (HARRIS BRANCH)	15,000,000			100,000	14,900,000	
2006 SERIES (BELLA VISTA)	6,785,000		45,000		6,740,000	45,000
2006 SERIES (VILLAGE PARK)	13,660,000		140,000	2,955,000	10,565,000	150,000
2006 SERIES (OAKMOOR)	14,635,000		74,444	140,000	14,420,556	94,000
2006 SERIES (SUNSET POINTE)	15,000,000				15,000,000	
2006 SERIES (HILLCREST)	12,435,000				12,435,000	175,000
2006 SERIES (PLEASANT VILLAGE)	5,971,232		74,333		5,896,900	79,000
2006 SERIES (GROVE VILLAGE)	6,150,369		76,562		6,073,807	81,000
2006 SERIES (RED HILLS)	5,015,000			100,000	4,915,000	
2006 SERIES (CHAMPION'S CROSSING)	5,025,000				5,025,000	
2006 SERIES (STONEHAVEN)	11,300,000		61,207		11,238,793	77,000
2006 SERIES (CENTER RIDGE)	8,325,000				8,325,000	120,000
2006 SERIES (MEADOWLANDS)	13,500,000		6,232	1,090,000	12,403,768	77,000
2006 SERIES (EAST TEXAS PINES)	13,500,000				13,500,000	
2006 SERIES (VILLAS @ HENDERSON)	7,200,000				7,200,000	47,000
2006 SERIES (ASPEN PARKS)	9,800,000				9,800,000	105,000
2006 SERIES (IDLEWILDE)	14,250,000				14,250,000	77,000
2007 SERIES (LANDCASTER)	14,250,000				14,250,000	
2007 SERIES (PARK PLACE AT LOYOLA)	15,000,000				15,000,000	
2007 SERIES (TERRACE AT CIBOLO)	8,000,000				8,000,000	
2007 SERIES (SANTORA VILLAS)	13,072,000				13,072,000	
2007 SERIES (A/B VILLAS @ MESQUITE)	16,860,000				16,860,000	210,000
2007 SERIES (SUMMIT POINT)	11,700,000				11,700,000	165,000
2007 SERIES (COSTA RIALTO)	12,385,000				12,385,000	
2007 SERIES (WINDSHIRE)	14,000,000				14,000,000	
2007 SERIES (RESIDENCES @ ONION CREEK)	15,000,000				15,000,000	
2008 SERIES (WEST OAKS APTS)	13,125,000				13,125,000	
2008 SERIES (COSTA IBIZA APTS)	13,900,000				13,900,000	
2008 SERIES (ADDISON PARKS APTS)	14,000,000			100,000	13,900,000	
2008 SERIES (ALTA CULLEN)		14,000,000			14,000,000	
2009 SERIES (COSTA MARIPOSA)		13,690,000			13,690,000	
2009 SERIES (WOODMONT APTS)		15,000,000			15,000,000	
Total Multifamily Bonds	1,220,961,762	42,690,000	7,177,590	32,472,605	1,224,001,567	8,858,246
	$ 2,660,216,762	**$ 145,295,000**	**$ 25,907,590**	**$121,257,605**	**$ 2,658,346,567**	**$ 28,509,412**

FOOTNOTES:

(a) Bonds Outstanding balance at 8/31/09 does not include unamortized premium or discounts.

Bonds Outstanding per schedule	$ 2,658,346,567
Unamortized (Discount)/Premium:	
Single Family	12,241,388
RMRB	1,896,167
CHMRB	179,207
Multi-Family	(507,920)
Unamortized Deferred Gain/(Loss) on Refunding:	
Single Family	(2,416,171)
RMRB	(879,588)
Bonds Outstanding	**$ 2,668,859,650**

(Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) —
REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 5

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2009
(Amounts in thousands)

Description		2010	2011	2012	2013	2014	2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	Total Required
2002 SINGLE FAMILY, SERIES A JUNIOR LIEN	Principal								$ 3,995					$ 3,995
2002 SINGLE FAMILY, SERIES A JUNIOR LIEN	Interest	$ 280	$ 280	$ 280	$ 280	$ 280	$ 1,400	$ 1,400	351					4,551
2002 SINGLE FAMILY, SERIES A	Principal							13,125	7,225	$ 15,570				35,920
2002 SINGLE FAMILY, SERIES A	Interest	1,977	1,977	1,977	1,977	1,977	9,885	9,044	4,866	3,654				37,334
2002 SINGLE FAMILY, SERIES B	Principal								5,350	23,740				29,090
2002 SINGLE FAMILY, SERIES B	Interest	1,590	1,590	1,590	1,590	1,590	7,950	7,950	7,442	3,763				35,055
2002 SINGLE FAMILY, SERIES C	Principal	530	565	600	1,290	1,365	5,385							9,735
2002 SINGLE FAMILY, SERIES C	Interest	470	444	416	368	298	431							2,427
2002 SINGLE FAMILY, SERIES D	Principal	840	865	915	965									3,585
2002 SINGLE FAMILY, SERIES D	Interest	121	84	43										248
2004 SINGLE FAMILY, SERIES A	Principal	2,915	2,940	3,050	3,310	4,550	12,430	14,140	17,120	20,785	$ 11,125			92,365
2004 SINGLE FAMILY, SERIES A	Interest	4,084	3,978	3,861	3,730	3,565	16,117	13,141	9,454	4,924	325			63,179
2004 SINGLE FAMILY, SERIES B	Principal						8,680	11,530	13,955	16,955	1,880			53,000
2004 SINGLE FAMILY, SERIES B	Interest	175	175	175	175	175	805	629	419	160				2,888
2004 SINGLE FAMILY, SERIES A (JUNIOR LIEN)	Principal										3,855			3,855
2004 SINGLE FAMILY, SERIES A (JUNIOR LIEN)	Interest	12	12	12	12	12	60	60	60	60	33			333
2004 SINGLE FAMILY, SERIES C	Principal	195	205	215	230	245	3,905	5,975	5,875	7,405	2,945			27,195
2004 SINGLE FAMILY, SERIES C	Interest	1,272	1,262	1,251	1,240	1,228	5,666	4,534	3,131	1,556	89			21,229
2004 SINGLE FAMILY, SERIES D	Principal						6,255	8,160	8,030	10,165	2,390			35,000
2004 SINGLE FAMILY, SERIES D	Interest	105	105	105	105	105	474	366	243	109	3			1,720
2004 SINGLE FAMILY, SERIES E	Principal	1,085	1,130	1,190	1,245	1,305	660							6,615
2004 SINGLE FAMILY, SERIES E	Interest	232	191	146	96	43	64							772
2005 SINGLE FAMILY,SERIES A	Principal			1,575	2,215	2,305	12,970	15,770	19,180	23,320	13,490			90,825
2005 SINGLE FAMILY,SERIES A	Interest	291	291	288	280	273	1,245	1,014	732	389	43			4,846
2005 SINGLE FAMILY,SERIES B	Principal	640	665	700	720	725	4,300	5,380	2,290					15,420
2005 SINGLE FAMILY,SERIES B	Interest	670	643	615	585	554	2,217	1,100	80					6,464
2005 SINGLE FAMILY,SERIES C	Principal						6,610							6,610
2005 SINGLE FAMILY,SERIES C	Interest	21	21	21	21	21	64							169
2005 SINGLE FAMILY,SERIES D	Principal								1,945	820	275			3,040
2005 SINGLE FAMILY,SERIES D	Interest	152	152	152	152	152	760	760	501	160	9			2,950
2006 SINGLE FAMILY, SERIES A	Principal	495	530	570	610	650	3,975	5,530	7,250	11,635	24,230			55,475
2006 SINGLE FAMILY, SERIES A	Interest	2,755	2,729	2,701	2,671	2,639	12,633	11,431	9,821	7,638	1,950			56,968

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) — REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 5

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2009
(Amounts in thousands)

Description		2010	2011	2012	2013	2014	2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	Total Required
2006 SINGLE FAMILY, SERIES B	Principal	$ 1,480	$ 1,540	$ 1,605	$ 1,680	$ 1,760	$ 10,010	$ 12,290	$ 15,555	$ 17,475	$ 940			$ 64,335
2006 SINGLE FAMILY, SERIES B	Interest	3,162	3,085	3,006	2,923	2,836	12,736	9,936	6,428	2,078				46,190
2006 SINGLE FAMILY, SERIES C	Principal	1,560	1,640	1,725	1,825	1,910	11,095	14,365	18,515	23,885	20,645			97,165
2006 SINGLE FAMILY, SERIES C	Interest	4,920	4,837	4,750	4,657	4,561	21,176	17,888	13,645	8,172	1,639			86,245
2006 SINGLE FAMILY, SERIES D	Principal						2,335	8,985	10,365					21,685
2006 SINGLE FAMILY, SERIES D	Interest	983	983	983	983	983	4,811	3,322	1,023					14,071
2006 SINGLE FAMILY, SERIES E	Principal	1,315	1,370	1,420	1,480	1,545	6,865							13,995
2006 SINGLE FAMILY, SERIES E	Interest	525	472	416	356	294	463							2,526
2006 SINGLE FAMILY, SERIES F	Principal	530	565	585	620	660	3,970	11,790	15,945	21,320	21,280			77,265
2006 SINGLE FAMILY, SERIES F	Interest	4,043	4,011	3,978	3,943	3,906	18,937	16,752	13,099	8,176	1,924			78,769
2006 SINGLE FAMILY, SERIES G	Principal	1,225	1,290	1,365	1,455	1,535	6,115	85						13,070
2006 SINGLE FAMILY, SERIES G	Interest	522	472	418	358	294	584							2,648
2006 SINGLE FAMILY, SERIES H	Principal						3,145	5,780	7,725	10,335	9,015			36,000
2006 SINGLE FAMILY, SERIES H	Interest	115	115	115	115	115	557	478	368	223	43			2,244
2007 SINGLE FAMILY, SERIES A	Principal		1,535	2,860	3,005	3,170	18,615	24,325	31,820	26,585	24,900			136,815
2007 SINGLE FAMILY, SERIES A	Interest	438	435	426	416	407	1,863	1,516	1,064	591	139			7,295
2007 SINGLE FAMILY, SERIES B	Principal	1,450	2,285	2,390	2,500	2,605	16,280	19,845	25,765	33,570	43,835	$ 5,095		155,620
2007 SINGLE FAMILY, SERIES B	Interest	8,088	7,985	7,877	7,762	7,640	36,008	31,345	25,268	17,273	6,855			156,101
Total Single Family Bonds		51,263	53,454	56,367	57,945	58,278	300,506	309,741	315,900	322,491	193,857	5,095		1,724,897
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	1,065					6,945		4,035	20,090				32,135
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	1,672	1,642	1,642	1,642	1,642	7,784	6,385	6,349	1,240				29,998
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal							5,800						5,800
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	307	307	307	307	307	1,535	775						3,845
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal						875	3,170						4,045
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	216	216	216	216	216	1,031	236						2,347
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal						3,560			10,405				13,965
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	876	876	876	876	876	4,259	3,280	3,280	1,199				16,398
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal								12,000	27,770				39,770
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	2,317	2,317	2,317	2,317	2,317	11,585	11,585	8,677	4,913				48,345
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Principal							4,710	3,675					8,385
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Interest	489	489	489	489	489	2,445	1,299	76					6,265

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(Amounts in thousands)

Description		2010	2011	2012	2013	2014	2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	Total Required
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Principal	$ 620	$ 660	$ 700	$ 765	$ 820	$ 855	$ 965						$ 5,385
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Interest	278	246	211	172	130	308	20						1,365
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	435	60	55	70	80	430	3,665	$ 10,255	$ 11,050				26,100
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	1,392	1,380	1,377	1,373	1,369	6,778	6,483	4,457	1,312				25,921
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal		680	720	760	785	4,765	3,650						11,360
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	585	571	536	499	461	1,636	310						4,598
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Principal	1,005	1,035	1,090	1,170	1,225	700							6,225
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Interest	250	206	159	121	65	14							815
2002 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	440	450	470	515	525	3,025	3,680	7,935	9,615				26,655
2002 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	1,400	1,380	1,358	1,333	1,306	6,078	5,218	3,756	1,244				23,073
2003 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	840	865	890	910	1,020	5,880	7,960	15,950	20,825				55,140
2003 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	2,681	2,647	2,612	2,574	2,538	11,890	10,290	7,383	2,797				45,412
2009 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal		360	715	695	680	3,520	6,070	18,565	18,860	$ 30,535			80,000
2009 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	4,106	4,105	4,095	4,081	4,064	19,979	19,348	15,903	10,811	5,430			91,922
2009 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal	600	905	1,250	1,355	1,460	8,875	8,160						22,605
2009 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	1,064	1,048	1,004	950	889	3,275	685						8,915
Total Residential Mtg Revenue Bonds		22,638	22,445	23,089	23,190	23,264	118,027	113,744	122,296	142,131	35,965			646,789
1992 COLL HOME MTG REV BONDS, SERIES C	Principal							9,100						9,100
1992 COLL HOME MTG REV BONDS, SERIES C	Interest	624	624	626	624	624	3,122	3,024						9,268
Total Coll Home Mtg Revenue Bonds		624	624	626	624	624	3,122	12,124						18,368
1996 MF SERIES A&B (BRIGHTON'S MARK)	Principal								8,075					8,075
1996 MF SERIES A&B (BRIGHTON'S MARK)	Interest	495	495	495	495	495	2,475	2,475	990					8,415
1996 MF SERIES A&B (BRAXTON'S MARK)	Principal								14,274					14,274
1996 MF SERIES A&B (BRAXTON'S MARK)	Interest	829	829	829	829	829	4,145	4,145	1,666					14,101
1998 MF SERIES (PEBBLE BROOK APARTMENTS)	Principal	215	225	245	255	275	1,665	2,290	3,150	1,145				9,465
1998 MF SERIES (PEBBLE BROOK APARTMENTS)	Interest	519	508	495	481	467	2,077	1,536	785	50				6,918
1998 MF SERIES A-C (RESIDENCE AT THE OAKS)	Principal	169	180	189	202					6,358				7,098
1998 MF SERIES A-C (RESIDENCE AT THE OAKS)	Interest	420	410	399	387	381	1,905	1,905	1,905	478				8,190
1998 MF SERIES A&B (GREENS OF HICKORY TRAIL)	Principal	270	290	310	335	355	2,120	2,880	3,875	1,400				11,835
1998 MF SERIES A&B (GREENS OF HICKORY TRAIL)	Interest	624	608	590	571	553	2,459	1,820	953	70				8,248

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(Amounts in thousands)

Description		2010	2011	2012	2013	2014	2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	Total Required
1999 MF SERIES A-C (MAYFIELD)	Principal	$ 235	$ 248	$ 263	$ 279	$ 294	$ 1,750	$ 2,323	$ 3,084	$ 1,500				$ 9,976
1999 MF SERIES A-C (MAYFIELD)	Interest	562	548	534	518	502	2,228	1,653	887	89				7,521
2000 MF SERIES (TIMBER POINT APTS)	Principal									7,470				7,470
2000 MF SERIES (TIMBER POINT APTS)	Interest	29	29	29	29	29	145	145	145	90				670
2000 MF SERIES A&B (OAKS AT HAMPTON)	Principal	89	96	104	111	120	744	1,067	1,528	2,187	$ 3,132	$ 419		9,597
2000 MF SERIES A&B (OAKS AT HAMPTON)	Interest	689	681	674	667	658	3,145	2,823	2,362	1,702	758	8		14,167
2000 MF SERIES (DEERWOOD APTS)	Principal	105	115	120				1,305		4,240				5,885
2000 MF SERIES (DEERWOOD APTS)	Interest	372	365	359	354	354	1,770	1,438	1,355	952				7,319
2000 MF SERIES (CREEK POINT APTS)	Principal									6,365				6,365
2000 MF SERIES (CREEK POINT APTS)	Interest	25	25	25	25	25	125	125	125	73				573
2000 MF SERIES PARKS AT (WESTMORELAND)	Principal	87	94	101	108	116	724	1,037	1,484	2,124	3,040	636		9,551
2000 MF SERIES PARKS AT (WESTMORELAND)	Interest	809	801	793	784	774	3,702	3,334	2,805	2,048	967	26		16,843
2000 A/C MF SERIES (HIGHLAND MEADOWS)	Principal	139	149	159	170	182	1,112	1,557	2,170	2,676				8,314
2000 A/C MF SERIES (HIGHLAND MEADOWS)	Interest	556	546	536	524	512	2,353	1,904	1,277	411				8,619
2000 A&B MF SERIES (GREENBRIDGE)	Principal	167	148	159	171	184	1,156	1,671	2,418	3,495	5,053	4,852		19,474
2000 A&B MF SERIES (GREENBRIDGE)	Interest	3,416	1,421	1,410	1,397	1,384	6,686	6,167	5,416	4,332	2,763	328		34,720
2000 A/C MF SERIES (COLLINGHAM PARK)	Principal	230	244	259	274	291	1,745	2,368	3,234	3,908				12,553
2000 A/C MF SERIES (COLLINGHAM PARK)	Interest	905	888	869	850	829	3,790	3,046	2,033	655				13,865
2000 A&B MF SERIES (WILLIAMS RUN)	Principal	302	106	115	124	133	843	1,236	1,809	2,648	3,877	1,224		12,417
2000 A&B MF SERIES (WILLIAMS RUN)	Interest	1,545	923	915	905	896	4,302	3,911	3,337	2,498	1,268	63		20,563
2001A MF SERIES (BLUFFVIEW SR. APTS.)	Principal	69	74	80	87	93	591	861	1,258	1,838	2,685	2,730		10,366
2001A MF SERIES (BLUFFVIEW SR. APTS.)	Interest	889	883	876	869	861	4,167	3,859	3,409	2,753	1,797	325		20,688
2001A MF SERIES (KNOLLWOOD VILLAS APTS)	Principal	89	96	103	111	120	759	1,107	1,617	2,364	3,450	3,505		13,321
2001A MF SERIES (KNOLLWOOD VILLAS APTS)	Interest	1,149	1,142	1,134	1,126	1,116	5,417	5,050	4,516	3,735	2,593	490		27,468
2001A MF SERIES (SKYWAY VILLAS)	Principal	130	135	145	150	160	965	1,290	1,735	2,340	270			7,320
2001A MF SERIES (SKYWAY VILLAS)	Interest	406	399	391	383	375	1,723	1,412	990	421	5			6,505
2001A MF SERIES (COBB PARK)	Principal	74	56	60	64	69	435	618	909	1,316	1,904	2,079		7,584
2001A MF SERIES (COBB PARK)	Interest	1,194	590	585	581	575	2,782	2,575	2,275	1,839	1,209	243		14,448
2001 MF SERIES (GREENS ROAD APTS.)	Principal	135	145	155	165	175	1,045	1,420	1,930	2,640				7,810
2001 MF SERIES (GREENS ROAD APTS.)	Interest	415	408	400	391	382	1,756	1,432	986	374				6,544

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DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2009
(Amounts in thousands)

Description		2010	2011	2012	2013	2014	2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	Total Required
2001 MF SERIES (MERIDIAN APTS.)	Principal	$ 72	$ 75	$ 84	$ 84	$ 94	$ 551	$ 788	$ 1,065	$ 5,662	$ 10			$ 8,485
2001 MF SERIES (MERIDIAN APTS.)	Interest	507	502	498	493	487	2,342	2,145	1,866	252	1			9,093
2001 MF SERIES (WILDWOOD APTS.)	Principal	60	60	67	72	72	450	606	5,180		5			6,572
2001 MF SERIES (WILDWOOD APTS.)	Interest	392	389	385	381	376	1,807	1,649	1,367	5	1			6,752
2001 A/C MF SERIES (FALLBROOK APTS.)	Principal	235	251	268	283	302	1,808	2,437	3,285	4,427	519			13,815
2001 A/C MF SERIES (FALLBROOK APTS.)	Interest	831	815	800	783	765	3,518	2,882	2,020	860	8			13,282
2001 MF SERIES (OAK HOLLOW APTS.)	Principal	46	49	53	57	61	376	533	755	1,071	1,518	$ 1,779		6,298
2001 MF SERIES (OAK HOLLOW APTS.)	Interest	439	436	432	428	424	2,049	1,892	1,666	1,349	899	211		10,225
2001 A/B MF SERIES (HILLSIDE APTS.)	Principal	83	96	103	110	118	733	1,040	1,472	2,087	2,959	3,708		12,509
2001 A/B MF SERIES (HILLSIDE APTS.)	Interest	873	866	859	852	844	4,076	3,770	3,333	2,714	1,835	446		20,468
2002 MF SERIES (MILLSTONE APTS.)	Principal	185	195	215	215	230	1,350	1,765	2,320	3,045	715			10,235
2002 MF SERIES (MILLSTONE APTS.)	Interest	558	548	537	525	513	2,356	1,933	1,373	636	18			8,997
2002 MF SERIES (SUGAR CREEK APTS.)	Principal	90	100	105	110	120	345					10,680		11,550
2002 MF SERIES (SUGAR CREEK APTS.)	Interest	691	685	679	673	666	3,232	3,205	3,205	3,205	3,205	1,495		20,941
2002 MF SERIES (WEST OAKS APTS.)	Principal	66	71	76	82	88	547	782	1,117	1,595	2,278	2,752		9,454
2002 MF SERIES (WEST OAKS APTS.)	Interest	706	701	696	690	683	3,303	3,056	2,703	2,197	1,476	360		16,571
2002 MF SERIES (PARK MEADOWS APTS.)	Principal	65	80	80	85	90	550	760	1,050	1,445				4,205
2002 MF SERIES (PARK MEADOWS APTS.)	Interest	273	268	263	257	251	1,158	945	651	248				4,314
2002 SERIES (CLARKRIDGE VILLAS APTS)	Principal	93	100	107	115	123	764	1,081	1,533	2,173	3,080	4,453		13,622
2002 SERIES (CLARKRIDGE VILLAS APTS)	Interest	950	943	936	928	920	4,451	4,131	3,678	3,033	2,120	683		22,773
2002 SERIES A (HICKORY TRACE APTS)	Principal	77	82	88	94	101	626	889	1,260	1,785	2,531	3,730		11,263
2002 SERIES A (HICKORY TRACE APTS)	Interest	786	780	774	768	761	3,682	3,420	3,045	2,517	1,767	592		18,892
2002 SERIES A (GREEN CREST APTS)	Principal	76	82	88	94	101	624	884	1,255	1,778	2,521	3,711		11,214
2002 SERIES A (GREEN CREST APTS)	Interest	782	777	771	764	757	3,666	3,405	3,033	2,506	1,759	590		18,810
2002 SERIES A/B (IRON WOOD CROSSING)	Principal	87	95	103	113	123	804	1,218	1,737	2,461	3,490	6,469		16,700
2002 SERIES A/B (IRON WOOD CROSSING)	Interest	1,195	1,187	1,178	1,169	1,158	5,601	5,183	4,663	3,933	2,899	1,113		29,279
2002 SERIES A (WOODWAY VILLAGE)	Principal	120	130	135	145	155	905	5,830						7,420
2002 SERIES A (WOODWAY VILLAGE)	Interest	380	374	368	361	353	1,642	1,078						4,556
2003 SERIES A/B (READING ROAD)	Principal	30	30	30	30	30	210	285	400	565	10,230			11,840
2003 SERIES A/B (READING ROAD)	Interest	164	162	160	157	155	738	658	542	382	88			3,206

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DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
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(Amounts in thousands)

Description		2010	2011	2012	2013	2014	2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	Total Required
2003 SERIES A/B (NORTH VISTA)	Principal	$ 210	$ 230	$ 240	$ 250	$ 260	$ 1,540	$ 2,010	$ 2,635	$ 3,450	$ 1,675			$ 12,500
2003 SERIES A/B (NORTH VISTA)	Interest	623	613	603	592	581	2,686	2,235	1,649	880	86			10,548
2003 SERIES A/B (WEST VIRGINIA)	Principal	155	165	165	180	190	1,095	1,450	1,905	2,500	1,215			9,020
2003 SERIES A/B (WEST VIRGINIA)	Interest	450	443	435	428	419	1,941	1,621	1,195	638	59			7,629
2003 SERIES A/B (SPHINX @ MURDEAUX)	Principal	180	185	195	205	215	1,240	1,575	1,990	2,550	3,245	$ 2,800		14,380
2003 SERIES A/B (SPHINX @ MURDEAUX)	Interest	2,013	2,022	2,031	2,041	2,051	3,174	2,841	2,415	1,869	1,162	288		21,907
2003 SERIES A/B (PRIMROSE HOUSTON)	Principal	93	101	109	118	128	822	1,192	1,660	2,311	9,854			16,388
2003 SERIES A/B (PRIMROSE HOUSTON)	Interest	1,083	1,075	1,067	1,058	1,048	5,060	4,700	4,243	3,605	1,161			24,100
2003 SERIES A/B (TIMBER OAKS)	Principal	67	73	80	87	95	620	959	1,418	1,988	2,782	4,811		12,980
2003 SERIES A/B (TIMBER OAKS)	Interest	915	909	902	895	887	4,285	3,944	3,483	2,911	2,112	883		22,126
2003 SERIES A/B (ASH CREEK APTS)	Principal	94	101	110	119	129	826	1,176	1,645	2,304	9,609			16,113
2003 SERIES A/B (ASH CREEK APTS)	Interest	1,075	1,067	1,059	1,049	1,040	5,019	4,675	4,214	3,565	954			23,717
2003 SERIES A/B (PENINSULA APTS)	Principal	150	180	190	205	215	1,305	1,760	7,775					11,780
2003 SERIES A/B (PENINSULA APTS)	Interest	614	605	596	587	576	2,697	2,289	34					7,998
2003 SERIES (EVERGREEN @ MESQUITE)	Principal	125	133	142	151	161	979	1,347	1,852	2,549	1,744	1,446		10,629
2003 SERIES (EVERGREEN @ MESQUITE)	Interest	729	720	711	701	691	3,277	2,898	2,376	1,657	835	304		14,899
2003 SERIES A/B (ARLINGTON VILLAS)	Principal	87	95	102	111	120	770	1,144	1,628	2,297	10,546			16,900
2003 SERIES A/B (ARLINGTON VILLAS)	Interest	1,161	1,153	1,145	1,137	1,128	5,470	5,096	4,621	3,962	1,500			26,373
2003 SERIES A/B (PARKVIEW TWNHMS)	Principal	94	102	111	121	132	856	1,235	1,717	2,385	3,315	6,249		16,317
2003 SERIES A/B (PARKVIEW TWNHMS)	Interest	1,098	1,089	1,080	1,070	1,059	5,100	4,720	4,236	3,564	2,630	1,231		26,877
2003 SERIES (NHP-ASMARA)REFUNDING	Principal	400	430	450	480	510	3,045	4,080	5,465	5,690				20,550
2003 SERIES (NHP-ASMARA)REFUNDING	Interest	51	50	49	48	47	213	170	111	34				773
2004 SERIES A/B (TIMBER RIDGE)	Principal	39	42	45	48	52	322	454	642	910	4,043			6,597
2004 SERIES A/B (TIMBER RIDGE)	Interest	444	441	438	435	432	2,098	1,968	1,784	1,524	494			10,058
2004 SERIES A/B (CENTURY PARK)	Principal	185	190	200	210	230	1,370	1,815	2,430	3,230	2,425			12,285
2004 SERIES A/B (CENTURY PARK)	Interest	657	647	636	625	614	2,861	2,434	1,864	1,107	196			11,641
2004 SERIES A/B (VETERANS MEMORIAL)	Principal	94	102	111	121	132	847	1,196	1,661	2,310	3,209	6,245		16,028
2004 SERIES A/B (VETERANS MEMORIAL)	Interest	1,073	1,065	1,056	1,046	1,035	4,986	4,635	4,167	3,516	2,611	1,259		26,449
2004 SERIES (RUSH CREEK)	Principal	56	60	64	68	73	447	626	874	1,221	1,704	3,526		8,719
2004 SERIES (RUSH CREEK)	Interest	582	578	574	570	565	2,741	2,562	2,312	1,965	1,477	742		14,668

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DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2009
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Description		2010	2011	2012	2013	2014	2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	Total Required
2004 SERIES (HUMBLE PARK)	Principal	$ 110	$ 120	$ 130	$ 135	$ 145	$ 895	$ 1,245	$ 1,730	$ 2,375	$ 3,290	$ 1,225		$ 11,400
2004 SERIES (HUMBLE PARK)	Interest	749	742	734	725	716	3,416	3,069	2,584	1,915	994	68		15,712
2004 SERIES (CHISHOLM TRAIL)	Principal										11,700			11,700
2004 SERIES (CHISHOLM TRAIL)	Interest	42	42	42	42	42	210	210	210	210	113			1,163
2004 SERIES (EVERGREEN @ PLANO)	Principal	91	97	103	110	118	719	997	1,384	1,918	2,658	6,377		14,572
2004 SERIES (EVERGREEN @ PLANO)	Interest	951	945	939	932	924	4,489	4,209	3,822	3,286	2,539	1,446		24,482
2004 SERIES (MONTGOMERY PINES)	Principal										12,300			12,300
2004 SERIES (MONTGOMERY PINES)	Interest	44	44	44	44	44	220	220	220	220	130			1,230
2004 SERIES (BRISTOL)	Principal										12,200			12,200
2004 SERIES (BRISTOL)	Interest	44	44	44	44	44	220	220	220	220	120			1,220
2004 SERIES (PINNACLE)	Principal										14,165			14,165
2004 SERIES (PINNACLE)	Interest	51	51	51	51	51	255	255	255	255	142			1,417
2004 SERIES (TRANQUILITY BAY)	Principal	96	102	109	117	124	759	1,049	1,451	2,005	2,772	5,494		14,078
2004 SERIES (TRANQUILITY BAY)	Interest	912	905	898	891	883	4,278	3,986	3,583	3,026	2,254	1,160		22,776
2004 SERIES (SPHINX @ DELAFIELD)	Principal	110	120	125	135	140	835	1,095	1,430	1,885	2,400	2,750		11,025
2004 SERIES (SPHINX @ DELAFIELD)	Interest	577	572	566	559	552	2,644	2,406	2,087	1,660	1,102	384		13,109
2004 SERIES (CHURCHILL @ PINNACLE)	Principal	77	82	87	93	99	607	842	1,167	1,618	2,241	3,043		9,956
2004 SERIES (CHURCHILL @ PINNACLE)	Interest	649	644	639	633	626	3,023	2,787	2,459	2,006	1,379	506		15,351
2004 SERIES A/B (POST OAK EAST)	Principal										13,600			13,600
2004 SERIES A/B (POST OAK EAST)	Interest	50	50	50	50	50	250	250	250	250	159			1,409
2004 SERIES (VILLAGE FAIR)	Principal	91	97	103	110	118	717	993	1,371	1,897	2,623	3,626	$ 2,139	13,885
2004 SERIES (VILLAGE FAIR)	Interest	899	893	887	880	872	4,231	3,955	3,574	3,046	2,315	1,307	35	22,894
2005 SERIES (PECAN GROVE)	Principal	90	96	102	109	116	710	983	1,356	1,877	2,597	3,590	2,197	13,823
2005 SERIES (PECAN GROVE)	Interest	896	890	883	877	869	4,218	3,946	3,570	3,051	2,333	1,340	57	22,930
2005 SERIES (PRAIRIE OAKS)	Principal	71	75	81	86	92	559	772	1,069	1,478	2,045	2,828	1,731	10,887
2005 SERIES (PRAIRIE OAKS)	Interest	706	700	695	690	684	3,319	3,104	2,807	2,395	1,827	1,039	34	18,000
2005 SERIES (PORT ROYAL)	Principal	78	83	88	94	101	613	848	1,173	1,623	2,245	3,104	1,977	12,027
2005 SERIES (PORT ROYAL)	Interest	779	774	768	762	756	3,668	3,433	3,105	2,653	2,028	1,164	49	19,939
2005 SERIES (MISSION DEL RIO)	Principal	73	78	83	89	95	578	799	1,105	1,529	2,114	2,923	1,860	11,326
2005 SERIES (MISSION DEL RIO)	Interest	734	729	723	718	712	3,455	3,232	2,925	2,499	1,910	1,098	44	18,779

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) — REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 5

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2009
(Amounts in thousands)

Description		2010	2011	2012	2013	2014	2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	Total Required
2005 SERIES (ATASCOCITA)	Principal										$ 11,700			$ 11,700
2005 SERIES (ATASCOCITA)	Interest	$ 42	$ 42	$ 42	$ 42	$ 42	$ 210	$ 210	$ 210	$ 210	155			1,205
2005 SERIES (TOWER RIDGE)	Principal										15,000			15,000
2005 SERIES (TOWER RIDGE)	Interest	72	72	72	72	72	360	360	360	360	258			2,058
2005 SERIES (PRAIRIE RANCH)	Principal	125	125	135	140	150	870	1,135	1,470	1,840	2,325	$ 2,945	$ 675	11,935
2005 SERIES (PRAIRIE RANCH)	Interest	576	570	564	557	550	2,631	2,392	2,076	1,677	1,175	543	19	13,330
2005 SERIES (ST. AUGUSTINE)	Principal										7,150			7,150
2005 SERIES (ST. AUGUSTINE)	Interest	26	26	26	26	26	130	130	130	130	105			755
2005 SERIES (PARK MANOR)	Principal												10,400	10,400
2005 SERIES (PARK MANOR)	Interest	666	666	666	666	666	3,330	3,330	3,330	3,330	3,330	3,330	541	23,851
2005 SERIES (PROVIDENCE @ MOCKINGBIRD)	Principal	91	97	103	110	117	712	980	1,348	1,856	2,554	3,514	2,713	14,195
2005 SERIES (PROVIDENCE @ MOCKINGBIRD)	Interest	905	899	893	886	879	4,268	3,997	3,628	3,118	2,417	1,451	133	23,474
2005 SERIES (PLAZA CHASE OAKS)	Principal	227	238	251	264	277	1,617	2,079	2,676	3,443	2,825			13,897
2005 SERIES (PLAZA CHASE OAKS)	Interest	696	684	672	658	645	2,992	2,528	1,930	1,160	237			12,202
2005 SERIES (CANAL PLACE APTS))	Principal	56	81	88	95	103	663	958	1,317	1,813	10,926			16,100
2005 SERIES (CANAL PLACE APTS))	Interest	1,024	1,018	1,011	1,003	995	4,831	4,548	4,195	3,709	2,860			25,194
2005 SERIES (CORAL HILLS)	Principal	70	70	80	85	90	500	665	3,435					4,995
2005 SERIES (CORAL HILLS)	Interest	251	248	244	240	235	1,105	962	318					3,603
2006 SERIES (HARRIS BRANCH APTS)	Principal										14,900			14,900
2006 SERIES (HARRIS BRANCH APTS)	Interest	82	82	82	82	82	410	410	410	410	370			2,420
2006 SERIES (BELLA VISTA APTS)	Principal	45	45	50	55	55	345	465	630	860	1,165	1,585	1,440	6,740
2006 SERIES (BELLA VISTA APTS)	Interest	413	411	408	404	401	1,948	1,824	1,658	1,432	1,125	707	116	10,847
2006 SERIES (VILLAGE PARK)	Principal	150	150	155	170	175	1,040	1,390	7,335					10,565
2006 SERIES (VILLAGE PARK)	Interest	529	522	515	507	499	2,356	2,064	804					7,796
2006 SERIES (OAKMOOR)	Principal	94	100	106	113	120	719	971	1,310	1,767	2,382	3,214	3,525	14,421
2006 SERIES (OAKMOOR)	Interest	862	856	850	844	837	4,062	3,810	3,468	3,009	2,390	1,554	262	22,804
2006 SERIES (SUNSET POINTE)	Principal										15,000			15,000
2006 SERIES (SUNSET POINTE)	Interest	72	72	72	72	72	360	360	360	360	351			2,151
2006 SERIES (HILLCREST)	Principal	175	160	170	180	190	1,155	1,565	1,195		7,645			12,435
2006 SERIES (HILLCREST)	Interest	647	638	629	620	610	2,881	2,524	2,093	2,005	1,840			14,487

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) — REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 5

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2009
(Amounts in thousands)

Description		2010	2011	2012	2013	2014	2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	Total Required
2006 SERIES (PLEASANT VILLAGE)	Principal	$ 79	$ 84	$ 88	$ 95	$ 101	$ 605	$ 4,845						$ 5,897
2006 SERIES (PLEASANT VILLAGE)	Interest	356	351	347	340	334	1,570	974						4,272
2006 SERIES (GROVE VILLAGE)	Principal	81	86	91	98	104	622	4,991						6,073
2006 SERIES (GROVE VILLAGE)	Interest	367	362	357	351	344	1,618	1,001						4,400
2006 SERIES (RED HILLS VILLAS)	Principal							400	$ 800	$ 1,100	$ 2,615			4,915
2006 SERIES (RED HILLS VILLAS)	Interest	20	20	20	20	20	100	97	84	64	19			464
2006 SERIES (CHAMPIONS CROSSING)	Principal						300	500	800	1,100	2,325			5,025
2006 SERIES (CHAMPIONS CROSSING)	Interest	21	21	21	21	21	101	91	79	58	12			446
2006 SERIES (STONEHAVEN)	Principal	77	82	87	92	98	582	777	9,444					11,239
2006 SERIES (STONEHAVEN)	Interest	649	645	640	635	629	3,051	2,853	1,118					10,220
2006 SERIES (CENTER RIDGE)	Principal	120	110	115	125	135	790	1,060	800		5,070			8,325
2006 SERIES (CENTER RIDGE)	Interest	413	407	401	395	389	1,833	1,602	1,327	1,270	1,181			9,218
2006 SERIES (MEADOWLANDS)	Principal	77	82	87	92	98	589	795	1,073	1,446	1,951	$ 2,631	$ 3,480	12,401
2006 SERIES (MEADOWLANDS)	Interest	742	737	732	726	721	3,504	3,297	3,019	2,644	2,137	1,452	339	20,050
2006 SERIES (EAST TEX PINES)	Principal		80	95	105	110	640	855	1,130	1,500	1,985	2,635	4,365	13,500
2006 SERIES (EAST TEX PINES)	Interest	668	665	660	655	649	3,157	2,967	2,718	2,387	1,948	1,368	356	18,198
2006 SERIES (VILLAS @ HENDERSON)	Principal	47	98	104	110	116	688	909	1,200	1,587	2,096	245		7,200
2006 SERIES (VILLAS @ HENDERSON)	Interest	27	26	26	25	25	119	103	85	59	23	1		519
2006 SERIES (ASPEN PARK)	Principal	105	95	100	110	110	670	895	675		7,040			9,800
2006 SERIES (ASPEN PARK)	Interest	488	483	478	473	467	2,242	2,049	1,814	1,760	1,703			11,957
2006 SERIES (IDLEWILDE)	Principal	77	162	173	184	196	1,193	1,640	2,252	3,094	4,252	1,027		14,250
2006 SERIES (IDLEWILDE)	Interest	51	51	50	49	49	232	207	173	124	60	2		1,048
2007 SERIES (LANCASTER)	Principal											14,250		14,250
2007 SERIES (LANCASTER)	Interest	51	51	51	51	51	255	255	255	255	255	54		1,584
2007 SERIES (PARK PLACE AT LOYOLA)	Principal		98	104	110	117	696	929	1,240	1,657	2,212	2,955	4,882	15,000
2007 SERIES (PARK PLACE AT LOYOLA)	Interest	870	867	861	855	848	4,128	3,894	3,580	3,163	2,604	1,858	558	24,086
2007 SERIES (TERRACES AT CIBOLO)	Principal											8,000		8,000
2007 SERIES (TERRACES AT CIBOLO)	Interest	282	282	283	282	282	1,411	1,412	1,411	1,411	1,411	193		8,660
2007 SERIES (SANTORA VILLAS)	Principal		64	89	94	100	597	799	1,064	1,424	1,900	2,538	4,403	13,072
2007 SERIES (SANTORA VILLAS)	Interest	758	757	752	746	741	3,607	3,405	3,136	2,775	2,297	1,657	549	21,180

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) — REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 5

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2009
(Amounts in thousands)

Description		2010	2011	2012	2013	2014	2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	Total Required
2007 SERIES (A/B VILLAS @ MESQUITE CREEK)	Principal	$ 210	$ 155	$ 165	$ 175	$ 185	$ 1,105	$ 1,440	$ 1,845	$ 2,360	$ 3,025	$ 3,865	$ 2,330	$ 16,860
2007 SERIES (A/B VILLAS @ MESQUITE CREEK)	Interest	853	843	833	824	813	3,887	3,553	3,147	2,629	1,962	1,111	166	20,621
2007 SERIES (SUMMIT POINT)	Principal	165	100	105	120	120	705	905	1,180	1,550	2,045	2,695	2,010	11,700
2007 SERIES (SUMMIT POINT)	Interest	598	593	588	582	577	2,788	2,589	2,331	1,984	1,520	904	167	15,221
2007 SERIES (COSTA RIALTO)	Principal		91	96	101	107	629	821	1,073	1,401	1,830	2,388	3,848	12,385
2007 SERIES (COSTA RIALTO)	Interest	663	660	655	650	644	3,125	2,932	2,680	2,349	1,920	1,358	457	18,093
2007 SERIES (WINDSHIRE)	Principal											14,000		14,000
2007 SERIES (WINDSHIRE)	Interest	50	50	50	50	50	250	250	250	250	250	81		1,581
2007 SERIES (RESIDENCE @ ONION CREEK)	Principal											15,000		15,000
2007 SERIES (RESIDENCE @ ONION CREEK)	Interest	77	77	77	76	77	384	384	383	384	384	91		2,394
2008 SERIES (WEST OAKS APTS)	Principal											13,125		13,125
2008 SERIES (WEST OAKS APTS)	Interest	47	47	47	47	47	235	235	235	235	235	94		1,504
2008 SERIES (COSTA IBIZA APTS)	Principal											13,900		13,900
2008 SERIES (COSTA IBIZA APTS)	Interest	49	49	49	49	49	245	245	245	245	245	83		1,553
2008 SERIES (ADDISON PARK APTS)	Principal											13,900		13,900
2008 SERIES (ADDISON PARK APTS)	Interest	67	67	67	67	67	335	335	335	335	335	281		2,291
2008 SERIES (ALTA CULLEN)	Principal												14,000	14,000
2008 SERIES (ALTA CULLEN)	Interest	56	56	56	56	56	280	280	280	280	280	280	28	1,988
2009 SERIES (COSTA MARIPOSA)	Principal											13,690		13,690
2009 SERIES (COSTA MARIPOSA)	Interest	59	59	59	59	59	295	295	295	295	295	153		1,923
2009 SERIES (WOODMONT APTS)	Principal											15,000		15,000
2009 SERIES (WOODMONT APTS)	Interest	64	64	65	64	64	321	322	321	321	321	185		2,112
Total Multifamily Bonds		$ 70,112	$ 67,019	$ 67,121	$ 67,072	$ 66,931	$ 328,629	$ 343,592	$ 364,812	$ 317,889	$ 429,569	$ 305,849	$ 71,885	$ 2,500,480
Total		$ 144,637	$ 143,542	$ 147,203	$ 148,831	$ 149,097	$ 750,284	$ 779,201	$ 803,008	$ 782,511	$ 659,391	$ 310,944	$ 71,885	$ 4,890,534
Less Interest		116,495	111,913	110,417	108,771	107,033	499,849	438,857	343,884	232,525	118,550	39,983	3,910	2,232,187
Total Principal		$ 28,142	$ 31,629	$ 36,786	$ 40,060	$ 42,064	$ 250,435	$ 340,344	$ 459,124	$ 549,986	$ 540,841	$ 270,961	$ 67,975	$ 2,658,347

Notes: The actual maturity of any class of bonds may be shorter than its staed maturity as a result of prepayments on the mortgage certificates or loans. No assurance can be given as to the rates of prepayments that actually will occur. Interest does not include accretions on capital appreciation bonds or amortization of premium/discount on bonds.

(Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS— REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 6

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2009
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2009			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
2002 Single Family Series A	$ 2,330	$ 58	$	$ 1,986
2002 Single Family Series A (Jr. Lien)	248	15		288
2002 Single Family Series B	5,875	51		1,636
2002 Single Family Series C	633	16	515	513
2002 Single Family Series D	390	7	850	170
2004 Single Family Series A	12,729	418	3,690	4,234
2004 Single Family Series A (Jr. Lien)	1	24		184
2004 Single Family Series B	2,449	215		3,917
2004 Single Family Series C	5,733	162	280	1,300
2004 Single Family Series D	1,522	174		2,860
2004 Single Family Series E	609	42	1,065	313
2005 Single Family Series A	8,219	740		5,404
2005 Single Family Series B	2,219	74	645	793
2005 Single Family Series C	955	30		233
2005 Single Family Series D	148	13		152
2006 Single Family Series A	5,000	55	475	2,765
2006 Single Family Series B	5,750	62	1,450	3,202
2006 Single Family Series C	8,709	94	1,525	4,793
2006 Single Family Series D	3,711	22		1,064
2006 Single Family Series E	851	15	1,280	674
2006 Single Family Series F	6,900	309	505	3,985
2006 Single Family Series G	842	56	1,105	568
2006 Single Family Series H	1,914	142		2,025
2007 Single Family Series A	11,745	818		8,857
2007 Single Family Series B	9,717	147		8,048
Total Single Family Bonds	99,199	3,759	13,385	59,964
1998 RMRB Series A	5,351	35	1,070	1,814
1998 RMRB Series B	950	6		318
1999 RMRB Series A	1,045	11	155	250
1999 RMRB Series B-1	22,020	16	135	1,249
1999 RMRB Series C	3,702	3		208
2000 RMRB Series A	2,124	19	240	936
2000 RMRB Series B	6,999	67	245	2,432
2000 RMRB Series C	638	12		491
2000 RMRB Series D	532	9	575	310
2001 RMRB Series A	5,532	28	505	1,502
2001 RMRB Series B	1,403	11		594
2001 RMRB Series C	859	7	1,025	351
2001 RMRB Series D	254			2
2002 RMRB Series A	3,490	24	480	1,457
2003 RMRB Series A	5,945	56	915	2,789
2009 RMRB Series A	91			199
2009 RMRB Series B	26			40
Total Residential Mtg Revenue Bonds	60,961	304	5,345	14,942

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS— REVENUE BOND PROGRAM ENTERPRISE FUND

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2009
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2009			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
1992 CHMRB Series C	$ 2,097	$ 24		$ 664
Total 1992 CHMRB	2,097	24		664
1987 MF Series (South Texas Rental Housing)	472		84	34
1996 MF Series A/B (Brighton's Mark)	508	6		502
1996 MF Series A/B (Braxton's Mark)	845	3		841
1998 MF Series A (Pebble Brook)	530		205	530
1998 MF Series A-C (Residence Oaks)	429		159	429
1998 MF Series A/B (Greens of Hickory Trial)	632		250	632
1999 MF Series A-C (Mayfield)	574		222	574
2000 MF Series A (Creek Point Apts)	185			80
2000 MF Series A (Deerwood Apts)	376		95	376
2000 MF Series A (Timber Point Apts)	194			94
2000 MF Series A/B (Greenbridge)	1,442		83	1,442
2000 MF Series A/B (Oaks at Hampton)	696		82	696
2000 MF Series A/B (Parks @ Westmoreland)	691		80	691
2000 MF Series A/B (Williams Run)	950			950
2000 MF Series A-C (Collingham Park)	850		208	850
2000 MF Series A-C (Highland Meadow Apts)	565		130	565
2001 MF Series A (Bluffview Senior Apts)	790		64	790
2001 MF Series A (Knollwood Villas Apts)	1,015		82	1,015
2001 MF Series A (Oak Hollow Apts.)	442		43	442
2001 MF Series A (Greens Road Apts.)	422		130	422
2001 MF Series A (Skyway Villas)	412		120	412
2001 MF Series A/B (Cobb Park)	563		23	563
2001 MF Series A/B (Hillside Apts.)	878		47	878
2001 MF Series A/B (Meridian Apts.)	5,716		136	637
2001 MF Series A/B (Wildwood Apts.)	7,612		135	569
2001 MF Series A-C (Fallbrook Apts.)	847		220	847
2002 MF Series A (Clarkridge Villas Apts)	956		87	956
2002 MF Series A (Park Meadows Apts)	277		70	277
2002 MF Series A (Sugar Creek Apts.)	706		85	696
2002 MF Series A (West Oaks Apts.)	678		62	678
2002 MF Series A (Green Crest Apts)	787		71	787
2002 MF Series A (Hickory Trace Apts)	791		71	791
2002 MF Series A (Millstone Apts.)	568		175	568
2002 MF Series A (Woodway Village Apts)	386		115	386
2002 MF Series A/B (Ironwood Crossing)	1,202		79	1,202
2003 MF Series A (NHP-Asmara) Refunding	233		380	223
2003 MF Series A (Evergreen @ Mesquite)	720		117	720
2003 MF Series A/B (Reading Road)	354		20	254
2003 MF Series A/B (Arlington Villas)	1,167		80	1,167
2003 MF Series A/B (Ash Creek Apts)	1,082		86	1,082
2003 MF Series A/B (North Vista Apts)	632		210	632

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS— REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 6

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2009
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2009			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
2003 MF Series A/B (Parkview Twnhms)	$ 1,105		$ 86	$ 1,105
2003 MF Series A/B (Peninsula Apts)	646		160	621
2003 MF Series A/B (Primrose Houston School)	1,089		85	1,089
2003 MF Series A/B (Sphinx @ Murdeaux)	712		170	712
2003 MF Series A/B (Timber Oaks Apts)	920		61	920
2003 MF Series A/B (West Virginia Apts)	456		150	456
2004 MF Series A (Bristol)	254			154
2004 MF Series A (Chisholm Trail)	349			149
2004 MF Series A (Churchill @ Pinnacle)	654		72	654
2004 MF Series A (Evergreen @ Plano)	957		85	957
2004 MF Series A (Humble Park)	757		110	757
2004 MF Series A (Montgomery Pines)	154			154
2004 MF Series A (Pinnacle)	279			179
2004 MF Series A (Rush Creek)	586		52	586
2004 MF Series A (Sphinx @ Delafield)	582		110	582
2004 MF Series A (Tranquility Bay)	918		90	918
2004 MF Series A (Village Fair)	905		85	905
2004 MF Series A/B (Century Park)	667		170	667
2004 MF Series A/B (Post Oak East)	175			175
2004 MF Series A/B (Timber Ridge)	446		37	446
2004 MF Series A/B (Veterans Memorial)	1,081		86	1,081
2005 MF Series A (Alta Cullen)	14,218			218
2005 MF Series A (Atascocita Pines)	348			148
2005 MF Series A/B (Canal Place)	1,025			1,026
2005 MF Series A (Del Rio)	738		69	738
2005 MF Series A (Park Manor)	666			666
2005 MF Series A (Pecan Grove)	901		84	901
2005 MF Series A (Chase Oaks)	707		215	707
2005 MF Series A (Port Royal)	784		73	784
2005 MF Series A (Prairie Oaks)	710		66	710
2005 MF Series A (Prairie Ranch)	582		115	582
2005 MF Series A (Mockingbird)	911		85	911
2005 MF Series A (St Augustine)	600			100
2005 MF Series A (Tower Ridge)	197			197
2006 MF Series A (Aspen Park Apts)	490			490
2006 MF Series A (Bella Vista)	416		45	416
2006 MF Series A (Center Ridge)	416			416
2006 MF Series A (Champion Crossing)	63			63
2005 MF Series A (Coral Hills)	255		75	255
2006 MF Series A (East Tex Pines)	754			754
2006 MF Series A (Grove Village)	372		77	372
2006 MF Series A (Harris Branch)	297			197
2006 MF Series A (Hillcrest)	653			653
2006 MF Series A (Idlewilde Apts)	179			179

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS— REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 6

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2009
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2009			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
2006 MF Series A (Meadowlands)	$ 1,891		$ 9	$ 801
2006 MF Series A (Oakmoor)	1,008		74	868
2006 MF Series A (Pleasant Village)	361		74	361
2006 MF Series A (Red Hills Villas)	163			63
2006 MF Series A (Stonehaven)	654		61	654
2006 MF Series A (Sunset Pointe)	197			197
2006 MF Series A (Village Park)	3,598		140	643
2006 MF Series A (Villas at Henderson)	87			87
2007 MF Series A (Villas @ Mesquite Creek)	858			858
2007 MF Series A (Costa Rialto)	663			663
2007 MF Series A (Lancaster Apts)	179			179
2007 MF Series A (Park Place @ Loyola)	870			870
2007 MF Series A (Santora Villas)	758			758
2007 MF Series A (Summit Point)	603			603
2007 MF Series A (Terraces at Cibolo)	94			94
2007 MF Series A (Windshire)	176			176
2007 MF Series A (Residences @ Onion Creek)	199			199
2008 MF Series A (West Oaks Apts)	165			165
2008 MF Series A (Costa Ibiza Apts)	162			162
2008 MF Series A(Addison Park)	283			183
2008 MF Series A (Alta Cullen)	63			63
2009 MF Series A (Costa Mariposa)	15			15
2009 MF Series A (Woodmont Apts)	6			6
Total Multifamily Bonds	92,202	9	7,177	59,698
Total	$ 254,459	$ 4,096	$ 25,907	$ 135,268

(Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS – SCHEDULE 7
REVENUE BOND PROGRAM ENTERPRISE FUND

MISCELLANEOUS BOND INFORMATION — DEFEASED BONDS OUTSTANDING
AS OF AUGUST 31, 2009

Description of Issue	Year Refunded	Par Value Outstanding
1999 RMRB Series B-1	2009	$ 19,205,000
1999 RMRB Series C	2009	3,400,000
Total		$ 22,605,000

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 8

MISCELLANEOUS BOND INFORMATION — EARLY EXTINGUISHMENT AND REFUNDING
FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

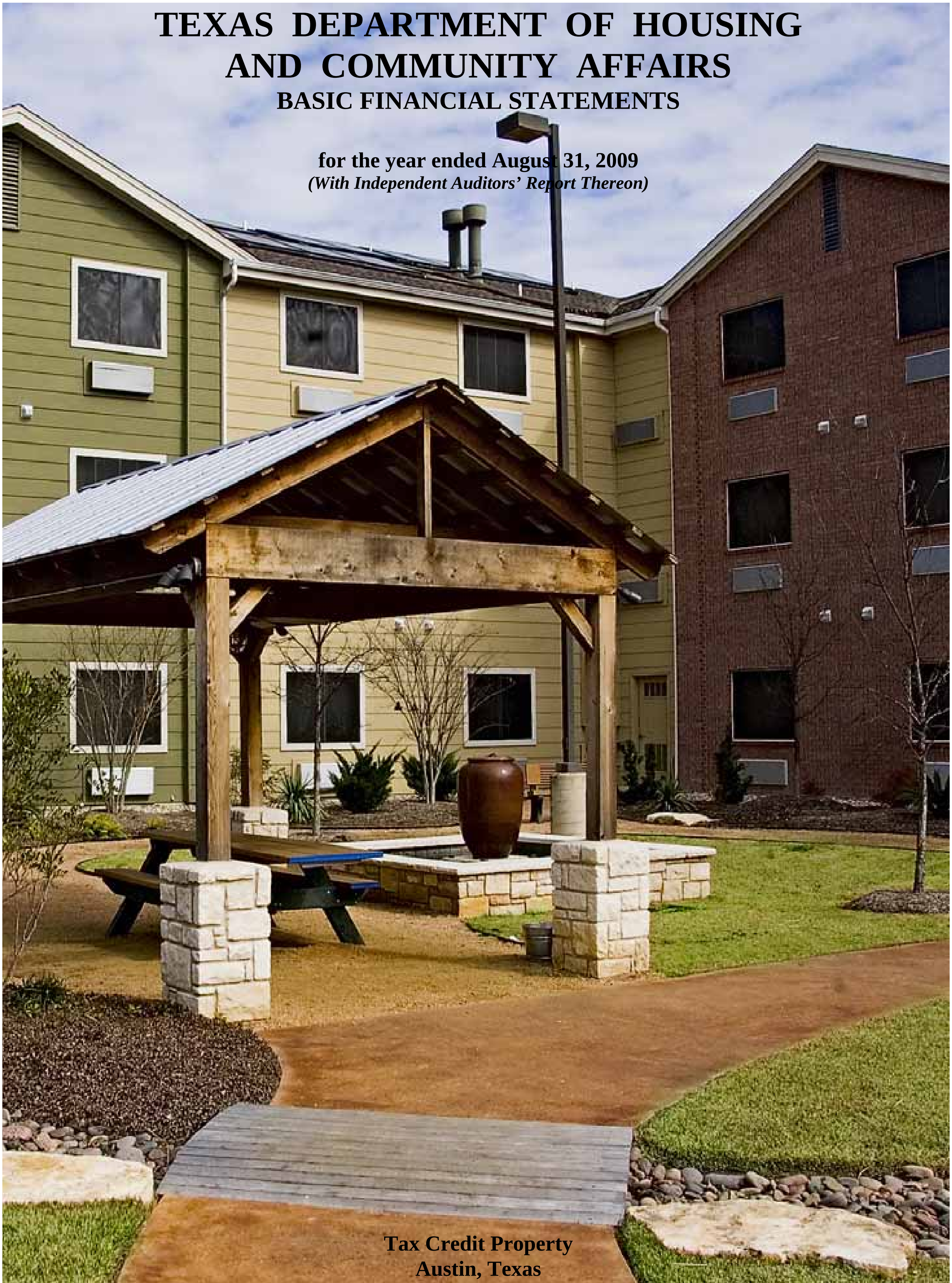
Description of Issue	Category	Amount Extinguished or Refunded	For Refunding Only: Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
BUSINESS-TYPE ACTIVITIES:					
2002 Single Family Series A (Jr. Lien)	Early Extinguishment	$ 145,000	$	$	$
2002 Single Family Series A	Early Extinguishment	615,000			
2002 Single Family Series B	Early Extinguishment	4,355,000			
2002 Single Family Series C	Early Extinguishment	165,000			
2002 Single Family Series D	Early Extinguishment	195,000			
2004 Single Family Series A	Early Extinguishment	7,975,000			
2004 Single Family Series C	Early Extinguishment	4,310,000			
2004 Single Family Series E	Early Extinguishment	245,000			
2005 Single Family Series A	Early Extinguishment	4,035,000			
2005 Single Family Series B	Early Extinguishment	1,370,000			
2005 Single Family Series C	Early Extinguishment	605,000			
2006 Single Family Series A	Early Extinguishment	1,880,000			
2006 Single Family Series B	Early Extinguishment	2,205,000			
2006 Single Family Series C	Early Extinguishment	3,320,000			
2006 Single Family Series D	Early Extinguishment	2,435,000			
2006 Single Family Series F	Early Extinguishment	2,730,000			
2006 Single Family Series G	Early Extinguishment	90,000			
2007 Single Family Series A	Early Extinguishment	4,255,000			
2007 Single Family Series B	Early Extinguishment	1,435,000			
1998 RMRB Series A	Early Extinguishment	3,085,000			
1998 RMRB Series B	Early Extinguishment	550,000			
1999 RMRB Series A	Early Extinguishment	685,000			
1999 RMRB Series B-1	Advance Refunding	19,205,000	19,205,000	14,463,575	3,721,321
1999 RMRB Series B-1	Early Extinguishment	1,485,000			
1999 RMRB Series C	Advance Refunding	3,400,000	3,400,000	2,560,591	658,812
1999 RMRB Series C	Early Extinguishment	85,000			
2000 RMRB Series A	Early Extinguishment	1,100,000			
2000 RMRB Series B	Early Extinguishment	4,320,000			
2000 RMRB Series C	Early Extinguishment	145,000			
2000 RMRB Series D	Early Extinguishment	180,000			
2001 RMRB Series A	Early Extinguishment	4,075,000			
2001 RMRB Series B	Early Extinguishment	820,000			
2001 RMRB Series C	Early Extinguishment	495,000			
2001 RMRB Series D	Early Extinguishment	230,000			
2002 RMRB Series A	Early Extinguishment	2,030,000			
2003 RMRB Series A	Early Extinguishment	3,230,000			
1992 Coll Home Mtg Rev Bonds, Series C	Early Extinguishment	1,300,000			
1987 MF Series (South Texas Rental Housing)	Early Extinguishment	435,605			
2000 Series (Timber Point Apts)	Early Extinguishment	100,000			
2000 Series (Creek Point Apts)	Early Extinguishment	105,000			
2001 MF Series A/B (Meridian Apts.)	Early Extinguishment	5,079,000			
2001 MF Series A/B (Wildwood Apts.)	Early Extinguishment	7,043,000			
2003 MF Series A/B (Reading Road)	Early Extinguishment	100,000			
2003 MF Series A/B (Peninsula Apts)	Early Extinguishment	25,000			
2004 MF Series A (Chisholm Trail)	Early Extinguishment	200,000			
2004 MF Series A (Bristol)	Early Extinguishment	100,000			
2004 MF Series A (Pinnacle)	Early Extinguishment	100,000			
2005 MF Series A (Atascocita Pines)	Early Extinguishment	200,000			
2005 MF Series A (Alta Cullen)	Current Refunding	14,000,000	14,000,000	31,527,067	29,355,793
2005 MF Series A (St Augustine)	Early Extinguishment	500,000			
2006 MF Series A (Harris Branch)	Early Extinguishment	100,000			
2006 MF Series A (Village Park)	Early Extinguishment	2,955,000			
2006 MF Series A (Oakmoor)	Early Extinguishment	140,000			
2006 MF Series A (Red Hills Villas)	Early Extinguishment	100,000			
2006 MF Series A (Meadowlands)	Early Extinguishment	1,090,000			
2008 MF Series A (Addison Park)	Early Extinguishment	100,000			
Total		**$ 121,257,605**	**$ 36,605,000**	**$ 48,551,233**	**$ 33,735,926**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BASIC FINANCIAL STATEMENTS

for the year ended August 31, 2009

(With Independent Auditors' Report Thereon)



Tax Credit Property
Austin, Texas

Texas Department of Housing and Community Affairs

www.tdhca.state.tx.us

Rick Perry
Governor

Michael Gerber
Executive Director

December 18, 2009

The Honorable Rick Perry, Governor
The Honorable Susan Combs, Texas Comptroller
Mr. John O'Brien, Director, Legislative Budget Board
Mr. John Keel, CPA, State Auditor

Dear Governor Perry, Comptroller Combs, Mr. O'Brien and Mr. Keel:

We are pleased to submit the Annual Financial Report of the Texas Department of Housing and Community Affairs for the year ended August 31, 2009, in compliance with TEX. GOV'T CODE ANN §2101.011, and in accordance with the requirements established by the Comptroller of Public Accounts.

The accompanying annual financial report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) reporting requirements. The financial report has been audited by an independent auditor as required by statute.

If you have any questions, please contact David Cervantes, Director of Financial Administration at (512) 475-3875. Esther Ku may be contacted at (512) 475-3871 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Michael Gerber
Executive Director

MG/tt

221 East 11TH • P. O. Box 13941 • Austin, Texas 78711-3941 • (800) 525-0657 • (512) 475-3800

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Basic Financial Statements
for the year ended August 31, 2009

T A B L E OF C O N T E N T S

Deloitte.

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400 West 15th Street
Austin, TX 78701-1648
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INDEPENDENT AUDITORS' REPORT

To the Honorable Rick Perry, Governor,
and the Governing Board of
Texas Department of Housing and Community Affairs:

We have audited the accompanying financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, as of and for the year ended August 31, 2009, which collectively comprise the Texas Department of Housing and Community Affair's (the "Department") basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the state of Texas as of August 31, 2009, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, major funds, and remaining fund information of the Department, as of August 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the financial statements, the Department changed its method of accounting for revenues related to long-term loans and contracts.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of the Department's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules listed in the table of contents are presented for the purpose of additional analysis as required by the Texas Comptroller of Public Accounts and are not a required part of the basic financial statements. These schedules are the responsibility of the Department's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

December 18, 2009

This section of the Texas Department of Housing and Community Affairs' (Department) annual financial report presents management's discussion and analysis of the Department's financial performance during the fiscal year that ended on August 31, 2009. Please read it in conjunction with the Department's financial statements, which follow this section.

The Department was created to assist local governments in helping residents overcome financial, social and environmental problems; to address very low to moderate income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the legislature in coordinating federal and state programs affecting local governments; and to continually inform the state and the public about the needs of local government.

The Manufactured Housing Division is administratively attached to the Department and is responsible for establishing standards and requirements for the construction and installation of manufactured housing that are reasonably necessary to protect the health, safety and welfare of the occupants of such housing and the general public. The Manufactured Housing Division has a governing Board of five members appointed by the Governor.

The Department is governed by a Board, composed of seven members, all of whom are appointed by the Governor with the advice and consent of the Texas Senate.

Financial Highlights

- The Department's business-type activities net assets increased $62.2 million and governmental activities net assets increased $76.3 million.

- The Department's business-type activities revised beginning net assets resulting in an increase in the amount of $24.8 million to $86.2 million. This change was related to the reclassification of certain deferred revenue balances to net assets as a result of the Department's change to a more preferable accounting treatment for long-term loans and contracts related to Housing Trust Fund loans to comply with the State of Texas Comptroller's Office directive.

- The Department's proprietary fund experienced an increase in operating income in the amount of $69.9 million to an Operating Income of $72.2 million. This impact on operating income resulted primarily from the increase of the fair value of investments in the amount of $71.7 million. The $10.1 million decrease in interest and investment income, the $1.2 million increase in other operating revenues, the $2.3 million decrease in interest expense, the $1.1 million increase in professional fees and services and the $8.3 million decrease in Down Payment Assistance had a net offsetting effect on operating income.

- Net Assets in the Department's Governmental Activities increased from $130.5 million (after the cumulative change in accounting principle) to $192.7 million. The change represents an increase in revenues larger than the increase in expenditures. In addition, beginning Net Assets was revised by $128.7 million. During fiscal year 2009, adjustments were made which required reclassification of Deferred Revenue balances related to long-term loans and contracts to beginning fiscal year 2009 Net Assets. The reclassification is related to HOME and CDBG revolving loans.

- The Department's proprietary fund debt decreased $1.9 million to $2.7 billion. Debt issuances and debt retirements totaled $145.3 million and $147.2 million, respectively.

- Loan originations for the year totaled $51.6 million and $92.9 million in the Department's proprietary and governmental funds, respectively.

- Subprime lending continues to receive significant attention in the financial market. A rise in the number of borrowers who are unable to pay debt obligations has led to increased foreclosures causing uncertainty in the housing market. According to Standard and Poor's, Housing Finance Agencies (HFAs) face lower risk from defaults on their loans. Homebuyer education programs, conservative underwriting, generous reserves and ongoing HFA asset management have resulted in strong portfolio performance which is expected to continue for the long-term. Since 1988, the Department has had its single family mortgage loans guaranteed by Federal National Mortgage Association (FNMA) , Government National Mortgage Association (GNMA) or Federal Home Loan Mortgage Corporation (FHLMC).

Overview of the Financial Statements

The financial statements consist of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two types of statements that present different views of the Department.

- The first set of statements are government-wide financial statements that provide information about the Department's overall financial position and results. These statements, which are presented on an accrual basis, consist of the Statement of Net Assets and the Statement of Activities.

- The remaining statements are fund financial statements of the Department's governmental fund and proprietary fund. The governmental fund's activities are funded primarily from Federal funds but also include General Revenue appropriations for which the Department follows a modified accrual basis of accounting. The Department's proprietary fund operates similar to business activities and follows an accrual basis of accounting.

- The basic financial statements also include a "Notes to Financial Statement" section which explains some of the information presented in the Government-wide and fund financial statements and provides additional detailed data.

- The Notes to the Financial Statements are followed by a "Supplementary Information" section, which presents supplementary bond information.

The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of these statements.

Government-Wide Financial Statements

The Statement of Net Assets shows Governmental Activities and Business-type Activities presented on a full accrual basis. The Statement of Activities presents a government wide format of expenses, charges for services, operating grants and contributions and net expenses by both Governmental activities and Business-type activities. Both activities are further broken down by function and programs. The second section of the Statement of Activities shows general revenues not associated with a particular program but which provide resources for the Department's programs and operations. The fiduciary activity is not included in the government wide statements.

Statement of Net Assets

The following tables show a summary of changes from prior year amounts for governmental activities.

Texas Department of Housing and Community Affairs
Condensed Statement of Net Assets – Governmental Activities
As of August 31, 2009

	Governmental Activities		Increase / (Decrease)	
Assets	2009	2008	Amount	%
Cash & Investments	$ 5,093,871	$ 6,899,689	$ (1,805,818)	(26.2)
Legislative Appropriations	2,062,755	3,193,155	(1,130,400)	(35.4)
Federal Receivables	17,169,899	3,458,607	13,711,292	396.4
Other Intergovernmental Receivables	1,384,622	847,500	537,122	63.4
Accounts Receivable	40,674	42,082	(1,408)	(3.3)
Interfund Receivables	36,030	49,331	(13,301)	(36.9)
Loans and Contracts	193,151,588	128,660,128	64,491,460	50.1
Capital Assets	147,991	166,479	(18,488)	(11.1)
Other Assets	80,606	74,823	5,783	(7.7)
Total Assets	219,168,036	143,391,794	75,776,242	52.8
Liabilities				
Accounts Payable	23,736,528	10,897,247	12,839,281	117.8
Payroll Payable	1,141,654	853,101	288,553	33.8
Interfund Payable	188,434	104,613	83,821	80.1
Deferred Revenue	-	128,660,128	(128,660,128)	(100.0)
Other Current Liabilities	1,044,716	759,929	284,787	37.5
Other Non-current Liabilities	327,140	232,713	94,427	40.6
Total Liabilities	26,438,472	141,507,731	(115,069,259)	(81.3)
Net Assets				
Invested in Capital Assets	147,991	166,479	(18,488)	(11.1)
Restricted by Grantor	42,666	42,666	0	0.0
Unrestricted	192,538,907	1,674,918	190,863,989	11395.4
Total Net Assets	$ 192,729,564	$ 1,884,063	$ 190,845,501	10129.5

Net Assets of the Department's governmental fund were increased by $191 million. The increase is primarily a result of the revision of beginning Net Assets. The ending balance of Unrestricted Net Assets primarily consists of revolving loans associated with HOME and CDBG. Unrestricted Net Assets also includes balances related to the Housing Trust Fund Administration and Manufactured Housing activity. Restricted Net Assets represent balances in Investor Owned Utility Programs.

The balance in Cash and Investments decreased by $1.8 million. The change is associated with a decrease of $1 million in the Section 8 program and a $0.5 million decrease in HOME. The decrease in Section 8 cash balance resulted from decreased installments received from the U.S. Department of Housing and Urban Development. The drop in HOME cash occurred due to an effort to disburse program income received in late 2008.

Legislative Appropriations decreased by $1.1 million. The decrease resulted primarily from transfers of Manufactured Housing revenues collected in excess of budget authority to the Comptroller's Office. It was also reduced because of Housing Trust fund lapses.

The Department experienced an increase in Federal Receivables. This change occurred primarily because of the substantial payment activities for the Community Development Block Grant (CDBG) at year end.

Other Intergovernmental Receivables in 2009 represents advances to the subgrantees. Balances in advances increased for the Alternative Housing Pilot Program (AHPP), Department of Energy (DOE) and National Foreclosure Mitigation Counseling (NFMC) at year end.

The Department experienced increases of Loans and Contracts. The increase is primarily because of the disbursement of current and non-current program loans, which are funded by federal funds. These loans are for the purpose of Single Family HOME and newly awarded CDBG activities.

Accounts Payable experienced an increase during fiscal year 2009. This resulted primarily from additional disaster recovery grant funding of CDBG. There were also increased activities at year end for the Low Income Home Energy Assistance Program (LIHEAP).

Included in Other Liabilities is the current and non-current portion of Employees' Compensable Leave. It represents unpaid balances of employees' accumulated annual leave. Department-wide leave balances increased by 14%. The increase is attributed to the hiring of new employees to assist with disaster recovery efforts.

Business-Type Activities

Texas Department of Housing and Community Affairs
Business-Type Activities – Condensed Statement of Net Assets as of August 31, 2009

	Business-Type Activities		Increase / (Decrease)	
Assets	2009	2008	Amount	%
Cash & Investments	$ 1,692,810,901	$ 1,711,009,092	$ (18,198,191)	(1.1)
Loans and Contracts	1,293,742,533	1,292,439,525	1,303,008	0.1
Interest Receivable	14,791,537	14,973,551	(182,014)	(1.2)
Capital Assets	127,569	148,776	(21,207)	(14.3)
Real Estate Owned	449,474	578,375	(128,901)	(22.3)
Deferred Issuance Cost	10,971,378	11,991,756	(1,020,378)	(8.5)
Other Assets	1,616,563	1,868,800	(252,237)	(13.5)
Total Assets	3,014,509,955	3,033,009,875	(18,499,920)	(0.6)
Liabilities				
Current				
Interest Payable	35,926,576	38,307,371	(2,380,795)	(6.2)
Deferred Revenue	20,870,600	39,987,881	(19,117,281)	(47.8)
Other Liabilities	7,463,348	10,833,662	(3,370,314)	(31.1)
Non-current				
Bonds/Notes Payable	2,668,859,650	2,742,521,154	(73,661,504)	(2.7)
Other Non-current Liabilities	118,888,245	140,045,490	(21,157,245)	(15.1)
Total Liabilities	2,852,008,419	2,971,695,558	(119,687,139)	(4.0)
Net Assets				
Invested in Capital Assets	127,569	148,775	(21,206)	(14.3)
Restricted Bonds	91,457,425	17,304,915	74,152,510	428.5
Unrestricted	70,916,542	43,860,627	27,055,915	61.7
Total Net Assets	$ 162,501,536	$ 61,314,317	$ 101,187,219	165.0

Net assets of the Department's proprietary fund increased $101.2 million, or 165.0%, to $162.5 million. The majority of this increase is attributed to the Department's fair value of its investments and the revision of beginning net assets due to a change in accounting principle related to the accounting for mortgage loans associated with the Housing Trust Fund.

Restricted net assets of the Department's proprietary fund increased $74.2 million or 428.5%. Unrestricted net assets increased $27.1 million or 61.7%.

Cash and investments decreased $18.2 million, or 1.1%, to $1.7 billion, as funds were drawn related to construction of Multi Family properties from previously issued bonds. Program loans receivable (current and non-current) increased $1.3 million, or 0.1%, to $1.3 billion, primarily as a result from the origination of loans associated with the Department's new Mortgage Advantage Program. Total bonds and notes payable (current and non-current) decreased $73.7 million, or 2.7%, due to the Department's retiring of its Commercial Paper Notes in the amount of $75 million.

Business-Type Activities Cont'd.

Earnings within the Department's various funds were $227 million of which $214.4 million is classified as restricted and $12.6 million is unrestricted.

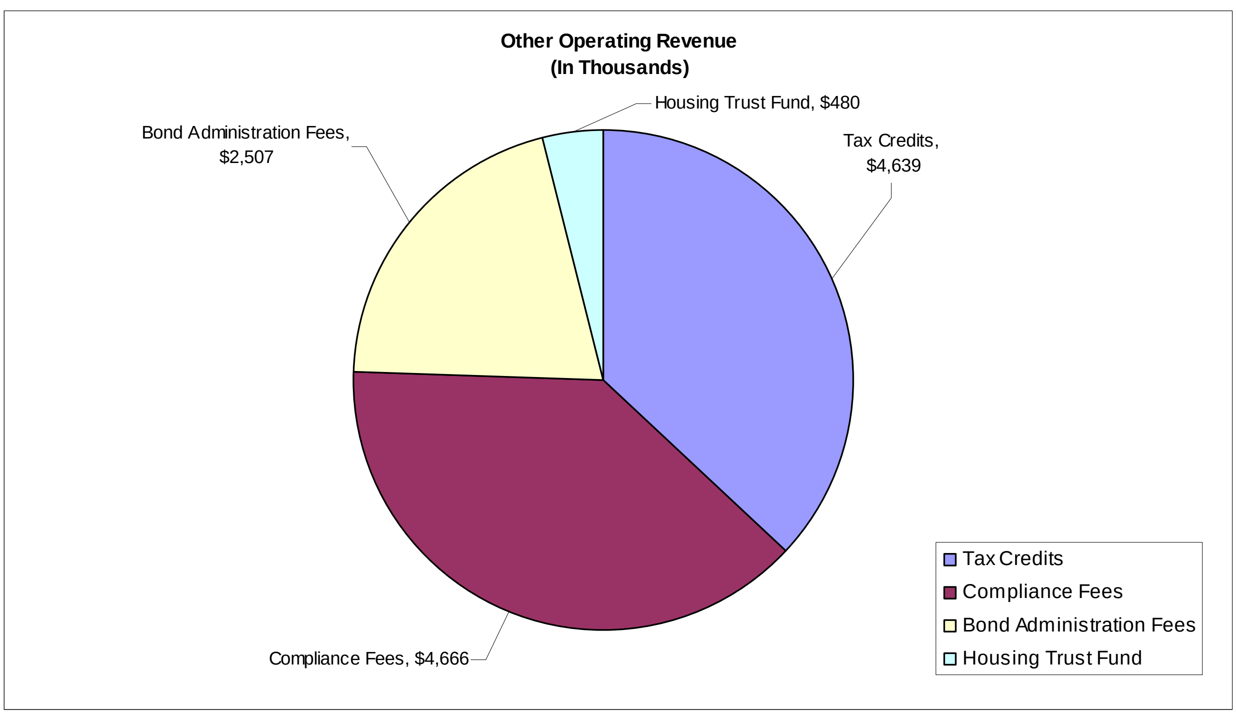
Restricted earnings are composed of $135.1 million in interest and investment income, $78.1 million in fair value of investments, and $1.2 million in other revenue. Interest and investment income are restricted per bond covenants for debt service. Fair value of investments is an unrealized gain due to the fact that the Department holds investments until maturity. Other revenue is predominantly an accounting recognition of fees received in previous years that were deferred when received and are being amortized over a period of time.

Unrestricted earnings are composed of $469.7 thousand in interest and investment income and $12.2 million in other operating revenue.

Interest and investment income earned from unrestricted investments are used to support various housing initiatives programs such as Housing Trust Fund and the Bootstrap Program. Sources for other operating revenue are fees from the Tax Credit Program, compliance fees, bond administrative fees, and miscellaneous interest earned from funds held by the Comptroller.

Fees earned under the Tax Credit Program are application fees, commitment fees, and inspection fees. Yearly compliance fees are generated from the Department's portfolio of multifamily properties. The Department performs on site visits and desk reviews to ensure that the properties are in compliance with the various housing regulations. Bond administrative fees are generated yearly from the various bond issuances to support the Department's administrative expenses.

The graph below illustrates the composition of the $12.2 million in other operating revenue, classified as unrestricted earnings, according to the different housing programs.



Statement of Activities

The Schedule of Activities reflects the sources of the Department's changes in net assets as they arise through its various programs and functions. Single Family, Multifamily and Housing Trust Fund are shown as business-type activities, and seven major programs are shown as governmental activities. Federal and state assistance activities allocate various subsidy funds to local governments, nonprofit organizations or individuals.

A condensed Statement of Activities for the fiscal year ended August 31, 2009 and 2008 is shown in the table below.

Texas Department of Housing and Community Affairs
Condensed Statement of Activities
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Program Revenues:						
Charges for Services	$ 4,838	4,918	$ 148,426	156,253	$ 153,262	161,171
Operating Grants and Contributions	309,977	169,542	-	-	309,977	169,542
General Revenues	7,830	8,193	78,609	8,005	86,440	16,198
Total Revenue	322,645	182,653	227,035	164,258	549, 679	346,911
Total Expenses	253,711	174,631	154,874	161,975	408,585	336,606
Excess before Transfers	68,933	8,022	72,161	2,283	141,094	10,305
Transfers	(6,747)	(6,908)	4,190	5,325	(2,557)	(1,583)
Change in Net Assets	62,186	1,114	76,351	7,608	138,537	8,722
Beginning Net Assets	1,884	770	61,314	53,706	63,198	54,476
Cumulative Effect of Change in Accounting Principle	128,660	0	24,837	0	153,497	0
Ending Net Assets	$ 192,730	$ 1,884	$ 162,502	61,314	$ 355,232	63,198

Governmental Activities

Revenues of the Department's Governmental Activities were primarily from Operating Grants and Contributions. The majority of the revenues were from the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Health and Human Services. General Revenues are revenues appropriated to the Department in accordance with legislative acts and regulations.

Total revenue increased $140.0 million. This increase consisted primarily of increases of $140.4 million in Operating Grants and Contributions and it was offset by decrease in General Revenues of $0.4 million. The increase of Operating Grants and Contributions is a result of federal activities for disaster recovery in the CDBG and LIHEAP Programs. There is also an increase in Energy Assistance Programs and federal programs associated with the American Recovery and Reinvestment Act (ARRA).

Expenses of the Department's Governmental Activities consisted primarily of Intergovernmental Payments and Public Assistance Payments. The Department distributes program funds to local providers, including local governments, nonprofit and for-profit organizations, community based organizations and real estate developers. The net impact to expenses is primarily due to increased activities in the CDBG and LIHEAP programs and decreased activities in the HOME Program.

Governmental Activities Cont'd.

Transfers composed primarily of the transferring out of Housing Trust Fund (HTF) from Governmental Activities to Business-Type Activities according to TDHCA rider 10 in the 2008-2009 General Appropriations Act. It also included transfers of Earned Federal Funds collected in accordance with H.B. 1, Article IX and transfers of Manufactured Housing revenues collected in excess of budget authority.

Business-Type Activities

Revenues of the Department's Business-type Activities were primarily from charges for services of $148.4 million and an increase in fair value of investments of $78.1 million. Charges for services consist primarily of earned interest income on loans for the three housing lending programs. It also includes program investment income which is earned within the Department's bond programs, the investments and the income of which are restricted to those programs by a pledge to the respective bond indentures. Total charges for services decreased $7.8 million which is accounted by the following: a $1.9 million decrease in interest and investment income related to Residential Mortgage Revenue bonds due to lower investment yields and a $5.9 million decrease in interest and investment income related to multifamily bonds due to lower mortgage loan balances and lower interest rates.

Expenses of the Department's Business-type Activities consist primarily of interest expense of $134.5 million, which decreased $2.3 million and professional fees and services of $3.2 million, which increased $1.1 million. The decrease in interest expense is a result of the retirement of the Department's Commercial Paper Notes and lower interest rates related to the Department's variable rate debt. The direct expenses also include Administrative Funds, allocations of expenses of Department programs that directly involve the production or monitoring activities associated with the housing programs, as well as certain costs incurred, both internally and externally. Administrative expenses, which were incurred within the Department's Administrative Fund, including all other administrative and supportive functions and overhead expenses remained approximately constant.

The Department's Business-type Activities expenses of $154.9 million exceeded Charges for Services of $148.4 million by $6.5 million. Charges for Services, primarily interest income on loans and investment income, are intended to cover bond principal and interest expense. The charges for services also covered the other direct expenses. This income, plus interest earned on loans, produces an adequate amount to pay Department obligations as required by the bond indentures covenants.

The Department's Business-type Activities also generated $469.7 thousand of unrestricted investment income, which was used primarily to pay administrative costs.

Fund Financial Statements

The fund financial statements provide more detailed information about the Department's most significant funds and the Department as a whole. The Department has two types of funds:

- Governmental fund – The General Revenue Fund is the Department's only Governmental Fund. It is the principal operating fund used to account for the Department's general activities. The financing for this fund is authorized through state legislative appropriations either as committed or collected revenues. Federal and state programs are also reported within this fund. The Condensed Balance Sheet – Governmental Funds would be substantially the same as that of the Condensed Statement of Net Assets – Governmental Activities and therefore, is not included.

Fund Financial Statements Cont'd.

- Proprietary fund – The Department's activities in its proprietary fund are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuance of taxable and tax-exempt bonds whose proceeds are used primarily to fund various types of loans to finance low and moderate-income housing. This fund also receives fee income from the Multifamily Tax Credit Program and Compliance fees collected for the purpose of covering the operating costs of the Department. The net assets of these funds represent accumulated earnings since their inception and are generally restricted for program purposes or debt service. The Condensed Statement of Net Assets – Proprietary Funds would be exactly the same as the Business-Type Activities Condensed Statement of Net Assets and therefore, is not included.

Governmental Fund

Texas Department of Housing and Community Affairs
Governmental Fund Activities
Condensed Statement of Revenues, Expenditures and Changes in Fund Balances

			Increase / (Decrease)	
OPERATING REVENUES	2009	2008	Amount	%
Legislative Appropriations	$ 7,789,818	$ 7,154,112	$ 635,706	8.9
Federal Revenues	307,897,106	167,174,647	140,722,459	84.2
Federal Grant Pass-Through	479,907	742,257	(262,350)	(35.3)
State Grant Pass-Through	5,262	3,024	2,238	74.0
Licenses, Fees and Permits	4,302,088	4,277,414	24,674	0.6
Interest and Investment Income	1,016,889	640,259	376,630	58.8
Sales of Goods and Services	534,715	640,355	(105,640)	(16.5)
Other Revenue	1,127,872	2,240,144	(1,112,272)	(49.7)
Total Operating Revenues	323,153,657	182,872,212	140,281,445	76.7
OPERATING EXPENDITURES				
Salaries and Wages	10,360,767	8,935,211	1,425,556	16.0
Payroll Related Costs	2,752,607	2,851,828	(99,221)	(3.5)
Professional Fees and Services	723,331	279,414	443,917	158.9
Travel	589,566	567,861	21,705	3.8
Materials and Supplies	257,204	324,873	(67,669)	(20.8)
Communications and Utilities	273,180	222,449	50,731	22.8
Repairs and Maintenance	254,521	519,147	(264,626)	(51.0)
Rentals and Leases	119,856	99,371	20,485	20.6
Printing and Reproduction	111,646	100,913	10,733	10.6
Claims and Judgments	237,407	198, 278	39,129	19.7
Federal Grant Pass-Through	13,708,391	4,287,392	9,420,999	219.7
Intergovernmental Payments	63,790,474	54,509,539	9,280,935	22.9
Public Assistance Payments	159,675,512	101,372,718	58,302,794	133.7
Other Operating Expenditures	409,998	333,497	76,501	17.0
Capital Outlay	48,774	20,867	27,907	57.5
Total Operating Expenditures	253,313,234	174,623,358	78,689,876	45.1
Excess of Revenues over Expenditures	69,840,423	8,248,854	61,591,569	746.7
Other Financing Sources (Uses)	(6,748,701)	(6,907,753)	159,052	(2.3)
CHANGE IN FUND BALANCE	63,091,722	1,341,101	61,750,621	4604.5
Beginning Fund Balance	2,710,226	1,588,476	1,121,750	70.6
Cumulative Effect of Change in Accounting Principle	128,660,128		128,660,128	100.0
Appropriations (Lapsed)	(508,646)	(219,351)	(289,295)	131.9
Ending Fund Balance	$ 193,953,430	$ 2,710,226	$ 191,243,204	7056.4

Governmental Fund Cont'd.

Revenues of the Department's governmental activities totaled $323.2 million. These activities were generated by federal grants primarily from LIHEAP, CSBG, CDBG and HOME programs. Expenditures of $253.3 million consisted primarily of Intergovernmental and Public Assistance Payments.

Total revenues from governmental activities increased by $140.3 million in 2009 which consisted of increases in Federal Revenues and Legislative Appropriations.

Federal Revenues increased by $140.7 million. The increase was primarily attributed to the increase in the CDBG and LIHEAP Programs. CDBG revenues increased by $93 million. To help restore and rebuild areas of the State directly impacted by Hurricanes Rita and Katrina, HUD authorized additional funds for CDBG Disaster Recovery. There was also an increase in LIHEAP revenues of $38 million. The LIHEAP award tripled in program year 2009. The appropriation increased in an effort to stimulate a weakening economy; and assist with higher energy prices, disconnected utility services and utility accounts in default.

Legislative Appropriations increased by $636 thousand. Appropriation authority for General Revenue increased as a result of a $250 thousand budget revision reflecting excess Earned Federal Funds collected. General Revenue's share of payroll benefits increased from 19% to 25% as a result of a calculation required by the State Comptroller's Accounting Policy Statement #11.

The change in Other Revenues resulted from a combination of increase in HOME application fees, a decrease of revenues from Investor Owned Utilities and a change of accounting method of program income revenue recognition. Loan repayments from HTF were recognized as revenue and transferred to the Proprietary Fund as in previous years. The Department changed to a more preferable accounting treatment for long-term loans and contracts. As a result, loan repayments as well as transfers were not recognized as revenues or transfers in the Governmental Funds in 2009.

The change in Federal Grant Pass-Through Revenues was due to the phase out of the first round of CDBG funding. This program was for disaster relief assistance in the areas impacted by Hurricane Rita.

The Department experienced similar changes in expenditures. The majority of the increase was attributed to the Intergovernmental and Public Assistance Payments for the CDBG and LIHEAP Programs. The increase was offset by a decrease of HOME Program. HOME loan activities were recorded as Intergovernmental and Public Assistance Payments in previous years. The Department's change to a more preferable accounting treatment for loans and contracts also impacted Public Assistance Payments because new loans are no longer reported as expenditures. Federal Pass-Through expenditures represent payments to another state agency for the second supplemental CDBG program.

The fiscal year 2009 Other Financing Sources (Uses) consisted primarily of the transfer of HTF from General Revenue to Texas Treasury Safekeeping Trust Company, transfers of Earned Federal Funds to the Comptroller's Office for the purpose of reimbursement to the General

Governmental Fund Cont'd.

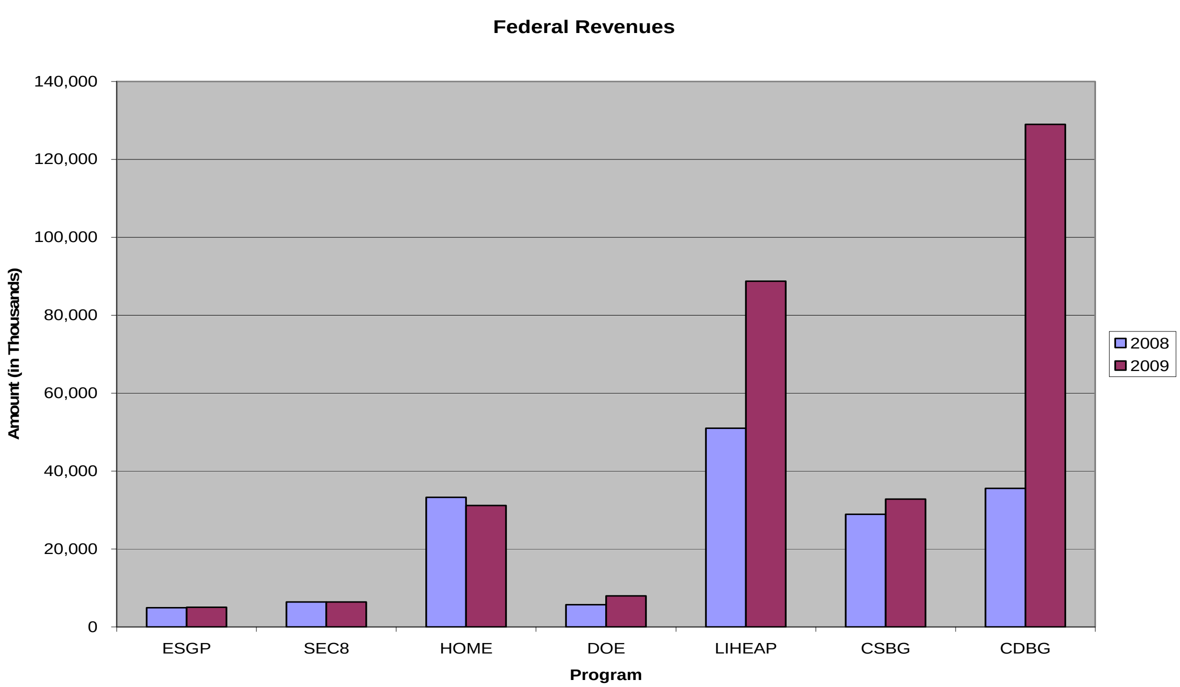
Revenue Fund, and transfers of excess Manufactured Housing revenues to the Comptroller's Office.

The cumulative effect of change in accounting principle represents reclassification of certain deferred revenue balances to beginning balance of Fund Balance. The deferred revenue balances were related to HOME and CDBG revolving loans.

The following graphs illustrate a comparison between fiscal year 2009 and 2008 for Federal Revenues, Intergovernmental and Public Assistance Payments. The acronyms used in the graphs are defined as following:

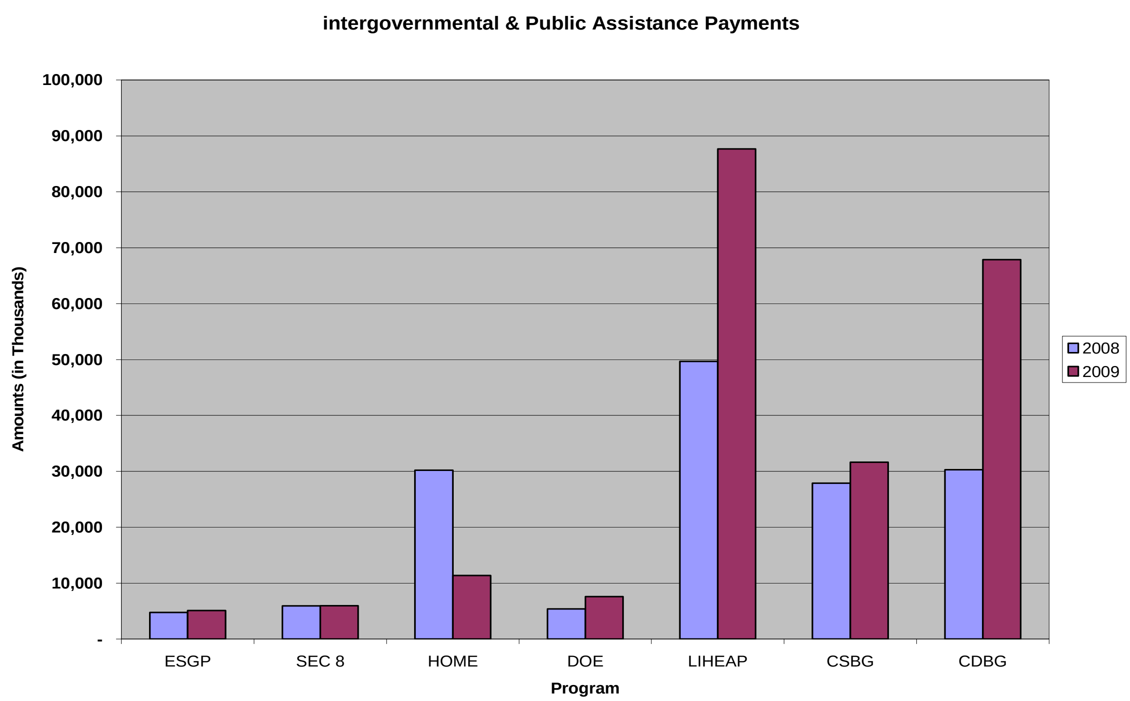
ESGP	Emergency Shelter Grants Program
SEC 8	Section 8 Housing Choice Vouchers
HOME	HOME Investment Partnerships Program
DOE	Department of Energy, Weatherization Assistance for Low-Income Persons
LIHEAP	Low-Income Home Energy Assistance Program
CSBG	Community Services Block Grant
CDBG	Community Development Block Grant

Federal Revenues: Receipts from the State's participation in programs financed with federal funds.



Governmental Fund Cont'd.

Intergovernmental and Public Assistance Payments: Payment of grants to cities, counties, council of governments, community action groups and organizations for community service programs.



Proprietary Fund

Net assets of the Department's proprietary fund increased from the August 31, 2008 figures by $101.2 million, or 165%, to $162.5 million. The following table summarizes the Statement of Revenues, Expenses and Changes in Net Assets of the Department's proprietary fund for the fiscal years ended August 31, 2009 and August 31, 2008.

Texas Department of Housing and Community Affairs
Business-Type Activities
Statement of Revenues, Expenses and Changes in Net Assets

			Increase / (Decrease)	
OPERATING REVENUES	2009	2008	Amount	%
Interest and Investment Income	$ 135,545,426	145,615,487	$ (10,070,061)	(6.9)
Net Increase in Fair Value	78,139,311	6,488,246	71,651,065	1,104.3
Other Operating Revenues	13,349,831	12,154,130	1,195,701	9.8
Total Operating Revenues	227,034,568	164,257,863	62,776,705	38.2
OPERATING EXPENSES				
Salaries and Wages	7,758,671	7,648,771	109,900	1.4
Payroll Related Costs	1,726,459	1,281,350	445,109	34.7
Professional Fees and Services	3,178,411	2,074,725	1,103,686	53.2
Travel	240,413	289,375	(48,962)	(16.9)
Materials and Supplies	222,995	227,316	(4,321)	(1.9)
Communications and Utilities	92,610	112,000	(19,390)	(17.3)
Repairs and Maintenance	325,266	189,450	135,816	(71.7)
Rentals and Leases	43,702	50,580	(6,878)	(13.6)
Printing and Reproduction	24,993	16,867	8,126	48.2
Depreciation Expense	1,545,859	944,600	601,259	63.7
Interest	134,544,337	136,892,908	(2,348,571)	(1.7)
Bad Debt Expense	1,235,529	389,636	845,893	217.1
Down Payment Assistance	1,917,980	10,198,861	(8,280,881)	(81.2)
Other Operating Expenses	2,017,227	1,658,232	358,995	21.7
Total Operating Expenses	154,874,452	161,974,671	(7,100,219)	(4.4)
Operating Income	72,160,116	2,283,192	69,876,924	3,060.5
NONOPERATING REVENUES (EXPENSES) & EXTRAORDINARY ITEMS	4,190,296	5,324,774	(1,134,478)	(21.3)
CHANGE IN NET ASSETS	76,350,412	7,607,966	68,742,446	903.6
Beginning Net Assets	61,314,317	53,706,351	7,607,966	(14.2)
Revision	24,836,807		24,836,807	N/A
Beginning Net Assets Revised	86,151,124	53,706,351	32,444,773	60.4
Ending Net Assets	$ 162,501,536	61,314,317	$ 101,187,219	(165.0)

Proprietary Fund Cont'd.

Interest earned on program loans decreased by $6 million, or 9.1%, due primarily to a decrease within the Department's Multifamily Bond Program, due to lower interest rates related to variable rate debt and the corresponding mortgage loans.

Investment income decreased $4 million or 5.2% and reflected lower investment yields. The primary decrease in investment income was within the Residential Mortgage Revenue Bond Program funds which declined $1.8 million and the Commercial Paper Program which declined $1.0 million. The remaining decrease is accounted by the Housing Trust Fund Program and Housing Initiatives & Compliance.

The cumulative effect of change in accounting principle represents the reclassification of certain deferred revenue which affected beginning net assets. The deferred revenue balances were related to Housing Trust Fund mortgage loans.

The following table illustrates the changes in net assets by program of the Department's business-type activities for the fiscal years 2009 and 2008.

Texas Department of Housing and Community Affairs
Business-Type Activities
Changes in Net Assets by Fund Groups
(amounts in thousands)

					Increase / (Decrease)	
Fund		2009		2008	Amount	%
Single Family	$	65,447	$	5,693	$ 59,754	1,049.6
RMRB		24,470		9,800	14,670	149.7
CHMRB		1,514		1,915	(401)	(20.9)
Multifamily		(126)		(134)	8	(6.0)
Commercial Paper		26		32	(6)	(18.8
General Funds		13,433		18,362	(4,929)	(26.8)
Housing Trust Fund		52,221		19,750	32,471	164.4
Administration Fund		(310)		314	(624)	(198.7)
Housing Initiatives & Compliance		5,825		5,582	243	4.4
Total	$	162,500	$	1,314	$ 101,186	165.0

The net assets of the Single Family Bond Program increased by $59.8 million or 1,049.6%, and the RMRB Bond Program increased $14.7 million or 149.7%, primarily due to an increase in fair value in investments.

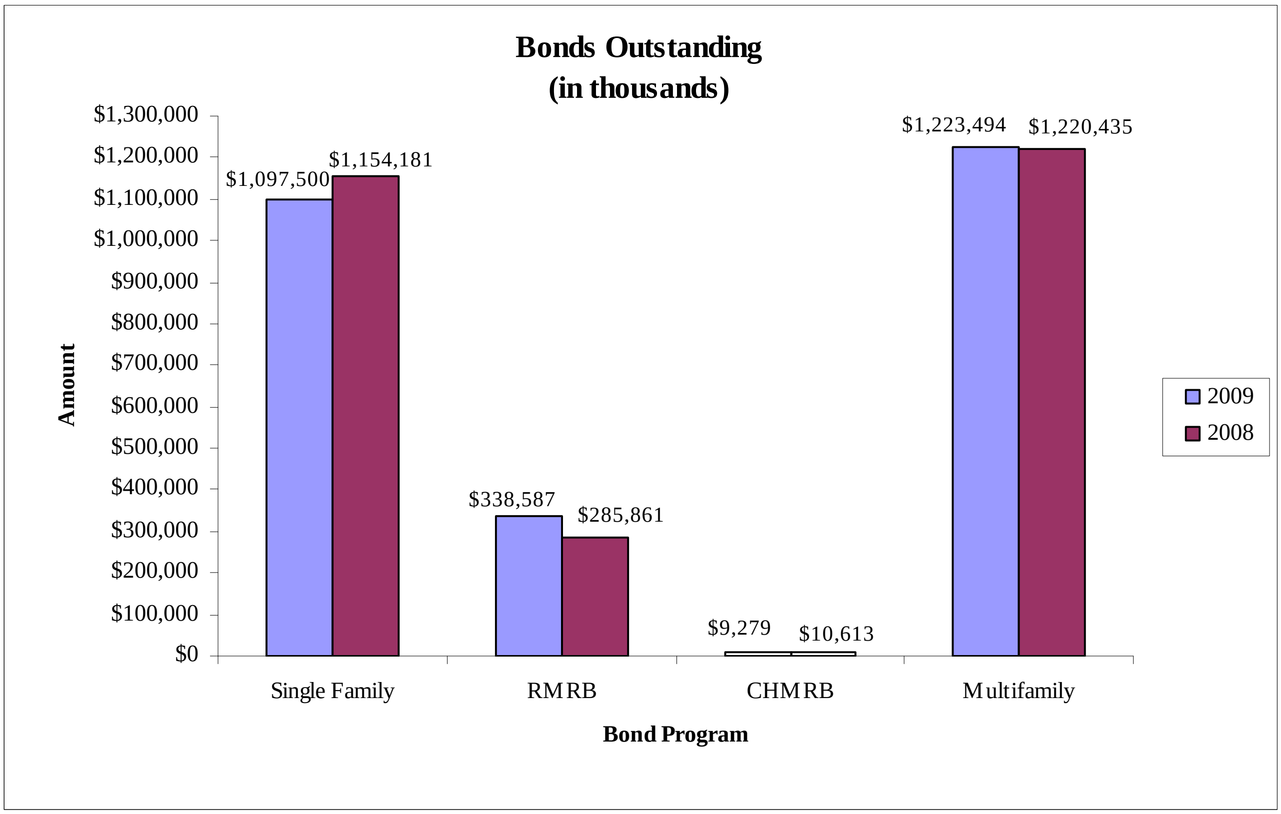
The net assets of the Housing Trust Fund increased $32.5 million or 164.4% due to a revision of fiscal year 2008 net assets in the amount of $24.8 million.

Proprietary Fund Cont'd.

Department Debt

The Department's new debt issuances during fiscal year 2009 totaled $145.3 million. The Residential Mortgage Revenue Bond Program issued $102.6 million in bonds and the Multi-Family Bond Program issued $42.7 million. The Department also had $147.2 million in debt retirement during the year primarily due to consumer refinancing and prepayments of original loans. The net result was a decrease in bonds payable of $1.9 million to $2.7 billion of which $28.5 million is due within one year. For additional information, see Note 5, Bond Indebtedness, and supplementary bond information schedules.

The following graph will illustrate a comparison of bonds outstanding between fiscal year 2009 and 2008 per bond program.



Request for Information

This financial report is designed to provide a general overview of the Texas Department of Housing and Community Affairs' (TDHCA) operations for all parties interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Texas Department of Housing and Community Affairs, Director of Financial Administration, P.O. Box 13941, Austin, Texas, 78711-3941.

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT I
STATEMENT OF NET ASSETS - GOVERNMENT WIDE
As of August 31, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3):			
Cash on Hand	$ 200	$ 200	$ 400
Cash in Bank	20,000	1,611,580	1,631,580
Cash in State Treasury	-	1,238,692	1,238,692
Cash Equivalents	-	41,724,983	41,724,983
Restricted:			
Cash and Cash Equivalents (Note 3):			
Cash in Bank	-	735,043	735,043
Cash in State Treasury	5,073,671	-	5,073,671
Cash Equivalents	-	252,699,172	252,699,172
Short-term Investments (Note 3)	-	17,757,655	17,757,655
Loans and Contracts	-	11,704,842	11,704,842
Interest Receivable	-	14,725,351	14,725,351
Federal Receivable	17,169,899	-	17,169,899
Legislative Appropriations	2,062,755	-	2,062,755
Receivables From:			
Interest Receivable	70,624	66,186	136,810
Accounts Receivable	40,674	1,235,489	1,276,163
Other Intergovernmental	1,384,622	-	1,384,622
Interfund Receivable (Note 7)	36,030	152,404	188,434
Due From Other Agencies (Note 7)	22	-	22
Consumable Inventories	9,960	9,960	19,920
Loans and Contracts	10,403,137	1,940,030	12,343,167
Other Current Assets	-	218,710	218,710
Total Current Assets	36,271,594	345,820,297	382,091,891
Non-Current Assets:			
Loans and Contracts	-	34,036,725	34,036,725
Capital Assets (Note 2):			
Depreciable:			
Furniture & Equipment	1,770,158	1,064,154	2,834,312
Accumulated Depreciation	(1,653,260)	(967,990)	(2,621,250)
Other Capital Assets	130,964	132,279	263,243
Accumulated Depreciation	(99,871)	(100,874)	(200,745)
Restricted Assets:			
Investments (Note 3)	-	1,377,043,576	1,377,043,576
Loans and Contracts	182,748,451	1,246,060,936	1,428,809,387
Other Non-Current Assets:			
Deferred Issuance Cost, net (Note 5)	-	10,971,378	10,971,378
Real Estate Owned, net	-	449,474	449,474
Total Non-Current Assets	182,896,442	2,668,689,658	2,851,586,100
Total Assets	$ 219,168,036	$ 3,014,509,955	$ 3,233,677,991

EXHIBIT I (Continued)
STATEMENT OF NET ASSETS - GOVERNMENT WIDE
As of August 31, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts Payable	$ 23,736,528	$ 984,431	$ 24,720,959
Accrued Bond Interest Payable	-	35,926,576	35,926,576
Payroll Payable	1,141,654	-	1,141,654
Interfund Payable (Note 7)	188,434	-	188,434
Deferred Revenues	-	20,870,600	20,870,600
Employees' Compensable Leave (Note 4)	1,044,716	739,229	1,783,945
Revenue Bonds Payable (Notes 4 & 5)	-	28,509,412	28,509,412
Other Current Liabilities	-	5,739,688	5,739,688
Total Current Liabilities	26,111,332	92,769,936	118,881,268
Non-Current Liabilities:			
Employees' Compensable Leave (Note 4)	327,140	222,384	549,524
Revenue Bonds Payable (Notes 4 & 5)	-	2,640,350,238	2,640,350,238
Other Non-Current Liabilities (Note 4)	-	118,665,861	118,665,861
Total Non-Current Liabilities	327,140	2,759,238,483	2,759,565,623
Total Liabilities	26,438,472	2,852,008,419	2,878,446,891
NET ASSETS			
Invested in Capital Assets	147,991	127,569	275,560
Restricted:			
For Single Family Bonds	-	91,457,425	91,457,425
By Grantor	42,666	-	42,666
Unrestricted	192,538,907	70,916,542	263,455,449
Total Net Assets	$ 192,729,564	$ 162,501,536	$ 355,231,100

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT II
STATEMENT OF ACTIVITIES - GOVERNMENT WIDE
For the Year Ended August 31, 2009

		Program Revenues		Net (Expenses) Revenue and Changes in Net Assets		
				Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	2009 Total
Primary Government						
Governmental Activities:						
Manufactured Housing	$ 5,616,223	$ 4,837,437	$ -	$ (778,786)	$ -	$ (778,786)
HOME Investment in Affordable Housing	14,367,788	-	31,812,802	17,445,014	-	17,445,014
Energy Assistance	96,550,503	-	96,682,103	131,600	-	131,600
Community Services	38,803,806	-	38,672,918	(130,888)		(130,888)
Community Development	82,932,966	-	129,587,143	46,654,177	-	46,654,177
Federal Emergency Management	4,454,986	-	4,453,311	(1,675)	-	(1,675)
Section 8	6,440,815	-	6,399,706	(41,109)	-	(41,109)
National Foreclosure Mitigation Counseling	153,717	-	153,717	-	-	-
CSBG - ARRA	816,260	-	816,260	-	-	-
HPRP - ARRA	9,333	-	9,333	-	-	-
WAP - ARRA	71,452	-	71,452	-	-	-
Housing Trust Fund	559,421	-	141,534	(417,887)	-	(417,887)
Administration	2,933,666	66	1,176,363	(1,757,238)	-	(1,757,238)
Total Governmental Activities	253,710,936	4,837,503	309,976,641	61,103,208	-	61,103,208
Business-type Activities:						
Single Family Bonds	79,809,183	76,533,984	-	-	(3,275,199)	(3,275,199)
Multifamily Bonds	59,722,432	59,731,285	-	-	8,853	8,853
Housing Trust Fund Program	2,779,566	480,229	-	-	(2,299,337)	(2,299,337)
Administration	12,563,271	11,680,020	-	-	(883,251)	(883,251)
	154,874,452	148,425,518	-	-	(6,448,934)	(6,448,934)
Total Primary Government	$ 408,585,388	$ 153,263,021	$ 309,976,641	61,103,208	(6,448,934)	54,654,274

General Revenues:

	Governmental Activities	Business-type Activities	2009 Total
Original Appropriations	6,343,252	-	6,343,252
Additional Appropriations	1,446,566	-	1,446,566
Interest & Other Investment Income	246,657	469,739	716,396
Appropriations Lapsed	(508,646)	-	(508,646)
Other Revenues	303,037	-	303,037
Net Increase in Fair Value of Investments	-	78,139,311	78,139,311
GR - Legislature Finacial Uses	(793)	-	(793)
Transfers In (Out) (Note 7)	(6,747,908)	4,190,296	(2,557,612)
Total General Revenues and Transfers	1,082,165	82,799,346	83,881,511
Change in Net Assets	62,185,373	76,350,412	138,535,785
Net Assets, September 1, 2008	1,884,063	61,314,317	63,198,380
Cumulative Effect of Change in Accounting Principle (Note 9)	128,660,128	24,836,807	153,496,935
Net Assets, September 1, 2008, as Revised	130,544,191	86,151,124	216,695,315
Net Assets - August 31, 2009	$ 192,729,564	$ 162,501,536	$ 355,231,100

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT III
BALANCE SHEET - GOVERNMENTAL FUND
As of August 31, 2009

	Total
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Note 3):	
Cash on Hand	$ 200
Cash in Bank	20,000
Restricted:	
Cash and Cash Equivalents (Note 3):	
Cash in State Treasury	5,073,671
Federal Receivable	17,169,899
Legislative Appropriations	2,062,755
Accounts Receivable	40,674
Receivables From:	
Other Intergovernmental	1,384,623
Interest	70,624
Interfund Receivable (Note 7)	36,030
Due From Other Agencies (Note 7)	22
Consumable Inventories	9,960
Restricted - Loans and Contracts	10,403,137
Total Current Assets	36,271,595
Non-Current Assets:	
Restricted - Loans and Contracts	182,748,450
Total Non-Current Assets	182,748,450
Total Assets	219,020,045
LIABILITIES	
Current Liabilities:	
Payables:	
Accounts Payable	23,736,527
Payroll Payable	1,141,654
Interfund Payable (Note 7)	188,434
Total Liabilities	25,066,615
FUND FINANCIAL STATEMENT-FUND BALANCES	
Fund Balances:	
Reserved for:	
Encumbrances	95,660,179
Inventories	9,960
Imprest	20,200
Loans and Contracts	182,748,450
Unreserved/Undesignated	(84,485,359)
Total Fund Balances as of August 31	193,953,430
NOTE: Amounts reported for governmental activities in the statement of net assets are different because:	
Capital net assets net of accumulated depreciation used in governmental activities are not financial resources and therefore not reported in the funds.	147,991
Long term liabilities relating to employees' compensable leave are not due and payable in the current year therefore are not reported in the funds.	(1,371,857)
NET ASSETS AS OF AUGUST 31	$ 192,729,564

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT IV

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND

Year Ended August 31, 2009

		Total
REVENUES		
Legislative Appropriations:		
Original Appropriations (GR)	$	6,343,252
Additional Appropriations (GR)		1,446,566
Federal Revenue (PR-OP G/C)		307,897,106
Federal Revenue Grant Pass-Thru Revenue(PR-OP G/C)		479,907
State Grant Pass-Through Revenue (PR-OP G/C)		5,262
Licenses, Fees & Permits (PR-C/S)		4,302,088
Interest and Other Investment Income (PR-OP G/C)		770,232
Interest and Other Investment Income (GR)		246,657
Sales of Goods and Services (PR-C/S)		534,715
Other (PR-OP G/C)		824,835
Other (GR)		303,037
Total Revenues		323,153,657
EXPENDITURES		
Salaries and Wages		10,360,767
Payroll Related Costs		2,752,607
Professional Fees and Services		723,331
Travel		589,566
Materials and Supplies		257,204
Communication and Utilities		273,180
Repairs and Maintenance		254,521
Rentals & Leases		119,856
Printing and Reproduction		111,646
Claims and Judgments		237,407
Federal Pass-Through Expenditures		13,708,391
Intergovernmental Payments		63,790,474
Public Assistance Payments		159,675,512
Other Expenditures		409,998
Capital Outlay		48,774
Total Expenditures		253,313,234
Excess of Revenues Over Expenditures		69,840,423
OTHER FINANCING SOURCES (USES)		
Transfers Out (Note 7)		(6,747,908)
Legislative Transfers In (Note 7)		(793)
Total Other Financing (Uses)		(6,748,701)
Net Change in Fund Balances		63,091,722
FUND FINANCIAL STATEMENT-FUND BALANCES		
Fund Balances--Beginning		2,710,226
Cumulative Effect of Change in Accounting Principle (Note 9)		128,660,128
Fund Balances-Beginning, as Revised		131,370,354
Appropriations Reinstated (Lapsed)		(508,646)
Fund Balances - August 31	$	193,953,430

EXHIBIT IV (Continued)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
Year Ended August 31, 2009

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the statement of activities.

		Total
Net Change in Fund Balances (Exhibit IV)	$	63,091,722
Appropriations (Lapsed)		(508,646)
Changes in Fund Balances		62,583,076
Amounts reported for governmental activities in the Statement of Activities (Exhibit II) are different because of the adjustments to:		
- capital outlay expense		48,775
- depreciation expense		(67,263)
- payroll expense due to Compensable Leave		(379,215)
Changes in Net Assets, August 31 (Exhibit II)	$	62,185,373

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT V
STATEMENT OF NET ASSETS - PROPRIETARY FUND
August 31, 2009

	Total
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Note 3)	
Cash on Hand	$ 200
Cash in Bank	1,611,580
Cash in State Treasury	1,238,692
Cash Equivalents	41,724,983
Restricted Assets:	
Cash and Cash Equivalents (Note 3)	
Cash in Bank	735,043
Cash Equivalents	252,699,172
Short-term Investments (Note 3)	17,757,655
Loans and Contracts	11,704,842
Interest Receivable	14,725,351
Receivable:	
Interest Receivable	66,186
Accounts Receivable	1,235,489
Interfund Receivable (Note 7)	152,404
Consumable Inventories	9,960
Loans and Contracts	1,940,030
Other Current Assets	218,710
Total Current Assets	345,820,297
Non-Current Assets:	
Loans and Contracts	34,036,725
Capital Assets: (Note 2)	
Depreciable	
Furniture and Equipment	1,064,154
Less: Accumulated Depreciation	(967,990)
Other Capital Assets	132,279
Less: Accumulated Depreciation	(100,874)
Restricted Assets:	
Investments (Note 3)	1,377,043,576
Loans and Contracts	1,246,060,936
Other Non-current Assets	
Deferred Issuance Cost, net (Note 5)	10,971,378
Real Estate Owned, net	449,474
Total Non-Current Assets	2,668,689,658
Total Assets	$ 3,014,509,955

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT V (Continued)
STATEMENT OF NET ASSETS - PROPRIETARY FUND
August 31, 2009

	Total
LIABILITIES	
Current Liabilities	
Payables:	
Accounts Payable	$ 984,431
Accrued Bond Interest Payable	35,926,576
Deferred Revenues	20,870,600
Employees' Compensable Leave (Note 4)	739,229
Revenue Bonds Payable (Notes 4 & 5)	28,509,412
Other Current Liabilities	5,739,688
Total Current Liabilities	92,769,936
Non-Current Liabilities	
Employees' Compensable Leave (Note 4)	222,384
Revenue Bonds Payable (Note 4 & 5)	2,640,350,238
Other Non-Current Liabilities (Note 5)	118,665,861
Total Non-Current Liabilities	2,759,238,483
Total Liabilities	2,852,008,419
NET ASSETS	
Invested in Capital Assets	127,569
Restricted	91,457,425
Unrestricted	70,916,542
Total Net Assets	$ 162,501,536

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VI

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUND

For the fiscal year ended August 31, 2009

	Total
OPERATING REVENUES	
Interest and Investment Income	$ 135,545,426
Net Increase in Fair Value of Investments	78,139,311
Other Operating Revenues	13,349,831
Total Operating Revenues	227,034,568
OPERATING EXPENSES	
Salaries and Wages	7,758,671
Payroll Related Costs	1,726,459
Professional Fees and Services	3,178,411
Travel	240,413
Materials and Supplies	222,995
Communications and Utilities	92,610
Repairs and Maintenance	325,266
Rentals and Leases	43,702
Printing and Reproduction	24,993
Depreciation and Amortization	1,545,859
Interest	134,544,337
Bad Debt Expense	1,235,529
Down Payment Assistance	1,917,980
Other Operating Expenses	2,017,227
Total Operating Expenses	154,874,452
Operating Income	72,160,116
OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS	
Transfers In (Note 7)	4,190,296
Total Other Revenues, Expenses, Gains, Losses and Transfers	4,190,296
CHANGE IN NET ASSETS	76,350,412
Net Assets, August 31, 2008	61,314,317
Cumulative Effect of Change in Accounting Principle (Note 9)	24,836,807
Net Assets, August 31, 2008, as Revised	86,151,124
NET ASSETS, AUGUST 31, 2009	$ 162,501,536

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VII

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the fiscal year ended August 31, 2009

	Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Loan Programs	$ 83,828,470
Proceeds from Other Revenues	15,793,131
Payments to Suppliers for Goods/Services	(6,295,402)
Payments to Employees	(9,478,668)
Payments for Loans Provided	(51,580,613)
Net Cash Provided By Operating Activities	32,266,918
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Debt Issuance	146,571,200
Proceeds from Transfers from Other Funds	4,190,296
Payments to Other Funds	(97,122)
Payments of Principal on Debt Issuance	(147,165,195)
Payments of Interest	(138,660,648)
Payments for Other Cost of Debt	(1,329,892)
Net Cash (Used for) Noncapital Financing Activities	(136,491,361)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Additions to Capital Assets	(40,947)
Net Cash (Used for) Capital Activities	(40,947)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	357,506,411
Proceeds from Interest/Invest. Income	78,241,624
Payments to Acquire Investments	(238,613,217)
Net Cash Provided by Investing Activities	197,134,818
Net Increase in Cash and Cash Equivalents	92,869,428
Cash and Cash Equivalents, September 1, 2008	205,140,242
Cash and Cash Equivalents, August 31, 2009	$ 298,009,670

EXHIBIT VII (Continued)
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the fiscal year ended August 31, 2009

		Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$	72,160,116
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Amortization and Depreciation		1,545,859
Provision for Uncollectibles		1,235,529
Changes in Assets and Liabilities:		
Decrease in Receivables		215,925
Decrease in Accrued Interest Receivable		182,015
(Increase) in Loans / Contracts		(1,303,006)
Decrease in Property Owned		128,901
Decrease in Acquisition Costs		1,020,378
Decrease in Other Assets		33,889
(Decrease) in Payables		(120,747)
Increase in Deferred Revenues		5,719,526
(Decrease) in Accrued Interest Payable		(2,380,796)
(Decrease) in Other Liabilities		(46,170,671)
Total Adjustments		(39,893,198)
Net Cash Provide By Operating Activities		32,266,918

NON CASH TRANSACTIONS
Increase in Fair Value of Investments for 2009 was $78,139,311

Loans and the related properties acquired were transferred to real estate owned in the amount of $97,140 for 2009

EXHIBIT VIII

COMBINED STATEMENT OF FIDUCIARY NET ASSETS

As of August 31, 2009

AGENCY FUND		**Total**
ASSETS		
Current Assets:		
Restricted:		
Cash in State Treasury	$	59,700
Total Current Assets		59,700
Total Assets	$	59,700
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	53
Funds Held for Others		59,647
Total Current Liabilities		59,700
Total Liabilities	$	59,700

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

The Texas Department of Housing and Community Affairs (Department) is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

Effective September 1, 1991, the Department was created to assist local governments in helping residents overcome financial, social and environmental problems; to address very low to moderate income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the legislature in coordinating federal and state programs affecting local governments; and to continually inform the state and the public about the needs of local government (*Texas Government Code Ann., Chapter 2306*). The Department was created by merging two former agencies, the Texas Housing Agency and the Texas Department of Community Affairs.

The regulation of manufactured housing was transferred from the Texas Department of Licensing and Regulation to the Department on September 1, 1995. The Manufactured Housing Division is administratively attached to the Department and is responsible for establishing standards and requirements for the construction and installation of manufactured housing that are reasonably necessary to protect the health, safety and welfare of the occupants of such housing and the general public. The Manufactured Housing Division has a governing Board of five members appointed by the Governor.

The Department is governed by a Board, composed of seven members, all of whom are appointed by the Governor with the advice and consent of the Texas Senate. The Board then appoints the Executive Director, with the approval of the Governor.

The accompanying financial statements of the Department have been prepared to conform with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Component Units - No component units have been identified which should be included in the Department's financial statements.

FUND STRUCTURE

The government-wide financial statements are presented on the accrual basis of accounting and consists of the Statement of Net Assets and the Statement of Activities. Program revenues include charges to customers who purchase, use, or directly benefit from services or privileges provided by the Department and grants/contributions that are restricted to meeting the operational requirements of a particular program. The fiduciary activity is not included in the government-wide statements.

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

Governmental Funds

General Fund
The General Fund is the principal operating fund used to account for most of the Department's general activities. It accounts for all financial resources except those accounted for in other funds.

Proprietary Fund Types

Enterprise Funds
Enterprise Funds account for operations financed and operated in a manner similar to private business. The intent is to recover costs through user charges and where a periodic determination of revenues earned, expenses incurred, and net income are appropriate for management control, accountability, contractual obligations and other purposes.

Fiduciary Fund Types

Agency Funds
Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Basis of Accounting

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental funds are accounted for using the modified accrual basis of accounting. Under modified accrual, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The Department considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for the Fund Financial Statements prepared on the modified accrual basis of accounting. Expenditures and other uses of financial resources are recognized when the related liability is incurred except for certain long-term liabilities.

The Government-wide Financial Statements are accounted for using the accrual method of accounting. This includes unpaid Employee Compensable leave, capital assets and accumulated depreciation.

Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary Funds distinguish operating from non-operating items. Operating revenues result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The Department has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989 as allowed by GASB Statement No. 20.

BUDGET AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act). The state monitors its statewide budget by establishing the legal level of control at the agency level to ensure that expenditures are not made in excess of budgetary authority. Within the Department, procedures are used to ensure that expenditures do not exceed their total budget at the division level, but the State Comptroller ultimately ensures that each total authorized agency budget is not exceeded.

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

ASSETS, LIABILITIES AND FUND BALANCES/NET ASSETS

Assets

Cash and Cash Equivalents
Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Investments
Investments are stated at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* (GASB Statement 31). The Department utilizes established quoted market prices for determining the fair value of its debt securities in reserve funds. Fair value of the Department's securitized mortgage loans (GNMA, FNMA, FHLMC) has been established by each bond issue's trustee using a pricing service.

The Department has reported all investment securities at fair value as of August 31, 2009 with exception of some short-term money market investments and nonparticipating interest-earning investments contracts which are reported at amortized cost provided that the fair value of these investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

Changes in the fair value of investments for the Enterprise Fund are reported in the Statement of Revenues, Expenses, and Changes in Net Assets-Proprietary Fund as "Net Increase in the Fair Value of Investments."

Restricted Assets
Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets in the General Fund include federal grants which are restricted by the grantor for specific program purposes. The Proprietary Fund includes certain assets pledged to respective bond indentures, the use of which is restricted by those same bond covenants.

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Consumable Inventories
Consumable inventories consist of postage on hand at year-end. Inventories for governmental fund types and proprietary fund types are accounted for using the consumption method of accounting. The cost of these items is expensed when the items are consumed.

Capital Assets
Assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if donated, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the asset (5 years for both Furniture & Equipment and Other Capital Assets) using the straight-line method.

All capital assets acquired by proprietary funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the donation date. Depreciation is charged to operations over the estimated useful life of each asset using the straight-line method.

Loans and Contracts
Loans and contracts consist of loans in the General Fund made from federal funds for the purpose of Single Family loans and Multifamily development loans from the HOME and Community Development Block Grant programs.

Restricted loans and contracts in proprietary funds consist of mortgage loans made from Single Family and Multifamily bond proceeds. Unrestricted loans and contracts consist of Single Family loans and Multifamily development loans from the Housing Trust Fund and other Housing Initiative Programs. Loans receivable are carried at the unpaid principal balance outstanding, net of the allowance for estimated losses. Deferred commitment fees relating to the Single Family, Residential Mortgage Revenue Bonds (RMRB) Series 1987A and certain Multifamily programs are included as a reduction of loans receivable. Interest on loans is credited to income as earned. Loans are generally placed on nonaccrual status when the Department becomes aware that the borrower has entered bankruptcy proceedings or when they are past due 90 days as to either principal or interest or when payment in full of principal and interest is not expected. Deferred commitment fees are recognized using the interest method over the estimated lives of the loans.

Real Estate Owned

Real estate owned are properties acquired through foreclosure that are carried at the unpaid principal balance on the related property plus accrued interest and reimbursable expenses through the date of foreclosure, less any sales proceeds, reimbursements received from mortgage insurers and an allowance for estimated losses on such properties, which approximates the net realizable value of the property at foreclosure.

Loans secured by Single Family properties on which there is an indication that the borrower no longer has the ability to repay the loan and that foreclosure is likely are considered in-substance foreclosures and are classified as real estate owned in the accompanying balance sheet. Interest on real estate owned is credited to income as earned based on a calculation of interest recoverable in accordance with the Department's agreements with its mortgage insurers.

Allowance for Estimated Losses on Loans and Foreclosed Properties

The allowance for estimated losses on loans is calculated for future charge-offs on Single Family and Multifamily loans. The allowance for estimated losses on real estate owned is calculated for future charge-offs on foreclosed Single Family loans.

All losses are charged to the allowance when the loss actually 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 allowances for estimated losses are adequate to absorb anticipated losses in the existing loan and real estate owned portfolios. Based on these estimates, a provision for estimated losses on loans and real estate owned is credited to the allowances in order to adjust the allowances to levels estimated to be adequate to absorb reasonably foreseeable losses.

While management uses available information to recognize losses in the loan and real estate owned portfolios, future additions may be necessary based on changes in economic conditions. However, it is the judgment of management that allowances are currently adequate to absorb reasonably foreseeable losses in the existing loan and real estate owned portfolios.

Commitment Fees

Commitment fees received in connection with the origination of loans are deferred and recognized using the interest method over the estimated lives of the related loans and mortgage-backed securities, or if the commitment expires unexercised it is credited to income upon expiration of the commitment.

Deferred Issuance Costs

Deferred issuance costs on bonds are amortized using the interest method over the contractual life of the bonds to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of related deferred issuance costs.

Discounts and Premiums on Debt

Discounts and premiums on debt are recognized using the interest method over the lives of the bonds to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of discounts and premiums related to that debt.

Liabilities

Accounts Payable
Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Other Current Liabilities
Other current liabilities primarily consist of escrow fees and arbitrage rebate liability.

Deferred Revenues
Deferred Revenues in the proprietary fund represent fees such as commitment fees and compliance fees that are deferred upon receipt and amortized over a period of time.

Employees' Compensable Leave Balances
Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

Bonds Payable – Revenue Bonds
Revenue bonds are accounted for in the proprietary funds. The bonds payable are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or noncurrent in the statement of net assets.

Notes and Loans Payable
Notes and Loans Payable is composed of Commercial Paper Notes issued by the Department. Proceeds not used to refund outstanding Commercial Paper Notes are intended to redeem single-family mortgage revenue bonds.

Other Non-current Liabilities
Other non-current liabilities primarily account for funds due to Developers as a result of Multifamily bond proceeds. These proceeds are conduit debt issued on behalf of the Developer for the purpose of Multifamily developments and are held by the trustee. Due to the developers' fluctuation in cash flow needs, the current portion cannot be reasonably estimated.

Fund Balance/Net Assets
The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary and fiduciary fund statements, and the "Fund Balance" is the difference between fund assets and liabilities on the governmental fund statements.

Reservations of Fund Balance
Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use or not available for expenditure.

Reserved for Encumbrances
This represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

Reserved for Consumable Inventories
This represents the amount of postage to be used in the next fiscal year.

Reserved for Imprest Accounts
This represents reserves for travel and imprest cash in amounts equal to the assets.

Reserved for Loans and Contracts
This represents the Fund Balance reserved for the asset balance of loans and contracts receivable that are not available for use.

Unreserved/Undesignated
Unreserved represents the unappropriated balance at year-end.

Net Assets
Invested in Capital Assets consists of capital assets including restricted capital assets, net of accumulated depreciation. The Department reports net assets as restricted when constraints placed on net assets are externally imposed by bond covenants and federal grants. Unrestricted Net Assets consist of net assets that do not meet the definition of Invested in Capital Assets or Restricted Net Assets.

Interfund Transactions and Balances

The Department may have the following types of transactions among funds:

1. Transfers - Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund and as "Transfers Out" by the disbursing fund.

2. Legislative Sources/Uses – Budget transfers between agencies within the General Revenue Fund (0001).

3. Quasi-External Transactions - Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2009, is presented below:

	PRIMARY GOVERNMMENT			
Governmental Activities:	**Balance 09/01/08**	**Additions**	**Deletions**	**Balance 08/31/09**
Depreciable Assets:				
Furniture and Equipment	$1,724,291	$48,775	($2,908)	$1,770,158
Other Capital Assets	130,964	-	-	130,964
Total Depreciable Assets at Historical Costs	$1,855,255	$48,775	($2,908)	$1,901,122
Less Accumulated Depreciation for:				
Furniture and Equipment	($1,615,098)	($41,070)	$2,908	($1,653,260)
Other Capital Assets	(73,678)	(26,193)	-	(99,871)
Total Accumulated Depreciation	(1,688,776)	(67,263)	2,908	(1,753,131)
Governmental Activities Capital Assets, Net:	$166,479	($18,488)	-	$147,991

	PRIMARY GOVERNMMENT			
Business-Type Activities:	**Balance 09/01/08**	**Additions**	**Deletions**	**Balance 08/31/09**
Depreciable Assets:				
Furniture and Equipment	$1,026,111	$40,947	($2,904)	$1,064,154
Other Capital Assets	132,279	-	-	132,279
Total Depreciable Assets at Historical Costs	$1,158,390	$40,947	($2,903)	$1,196,433
Less Accumulated Depreciation for:				
Furniture and Equipment	($935,196)	($35,697)	$2,903	($967,990)
Other Capital Assets	(74,418)	(26,456)	-	(100,874)
Total Accumulated Depreciation	(1,009,614)	(62,153)	2,903	(1,068,864)
Business-Type Activities Capital Assets, Net:	$148,776	($21,206)	-	$127,569

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

The Department is authorized by statute to make investments following the "prudent person rule" and based upon provisions within the master bond indentures and its Investment Policy adopted by the Board in accordance with the Public Funds Investment Act. There were no significant violations of legal provisions during the period.

Deposits of Cash in Bank
As of August 31, 2009, the carrying amount of deposits was $2,366,623.

Governmental Funds Current Assets Cash in Bank	$ 20,000
Proprietary Funds Current Assets Cash in Bank	
Texas Treasury Safekeeping Trust	1,611,580
Proprietary Funds Current Assets Restricted Cash in Bank	
Texas Treasury Safekeeping Trust	187,911
Demand Deposits	547,132
Cash in Bank	$2,366,623

At August 31, 2009 the Department's cash and deposits in the State Treasury amounted to $6,312,363. Of that amount, $6,312,363 was fully collateralized by securities held with a trustee in the State's name, as reported to the Department by the Comptroller of Public Accounts of the State of Texas.

Investments
The types of investments in which the Department may invest are restricted by the provisions of the master bond indentures and the Department's Investment Policy adopted by its Board in accordance with the Public Funds Investment Act. The indentures allow for investments in direct obligations of or guaranteed by the U.S. Government; obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by agencies or intermediaries of the U.S. Government; obligations issued by public agencies or municipalities; obligations and general obligations of or guaranteed by the state; demand deposits, interest-bearing time deposits or certificates of deposit; repurchase agreements in U.S. Government securities; direct or general obligations of any state within the territorial U.S.; investment agreements with any bank or financial institution; and guaranteed investment contracts. Certain trust indentures restrict the Department from investing in certain of the aforementioned investments.

At August 31, 2009, the fair value of investments (including both short-term and long-term) are shown below.

Business Type Activities	**Carrying Value**	**Fair Value**
U.S. Government Agency Obligations	$ 1,306,065,412	$ 1,360,566,107
Repurchase Agreements (TTSTC)	172,115,025	172,115,025
Fixed Income Money Markets	122,309,130	122,309,130
Misc (Investment Agreements/GICs)	34,235,124	34,235,124
Total	$ 1,634,724,691	$ 1,689,225,386

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS Cont'd

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Preservation and safety of principal is the foremost objective of the investment program. According to the Department's investment policy, investments should be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk is mitigated by

- Limiting investments to the safest types of securities.
- Pre-qualifying the financial institution, broker/dealers, intermediaries, and advisors with which the Department will do business.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

As of August 31, 2009, the Department's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	Not Rated	AAA
05	3054	U.S. Government Agency Obligations		$235,922,826
05	3054	Repurchase Agreements (TTSTC)	$172,115,025	
05	3054	Misc (Investment Agreements/GICs)	$34,235,124	
			Not Rated	**AAA-M**
05	3054	Fixed Income Money Market		$122,309,130

A total of $1,124,643,281 was not subject to credit risk disclosure due to explicit guarantee by the U.S. Government which is composed of U.S. Government Agency obligations issued by the Government National Mortgage Association.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2009, the Department's concentration of credit risk is as follows.

Fund Type	GAAP Fund	Issuer	Carrying Value	% of Total Portfolio
05	3054	Paribas Corporation	$172,115,025	10.19%

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS Cont'd

Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of any investment. The longer the maturity of an investment will result in greater sensitivity of its fair value to changes in the market interest rates. The Department's investment policy allows for the mitigation of interest rate risk by

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities.

Information about the sensitivity of the fair values of the Departments investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Department's investments by maturity:

Remaining Maturity (in months)

Government and Business Type Activities	Fair Value	12 months or less	13 to 24 months	25 to 60 months	More than 60 months
U.S. Government Agency Obligations	$1,360,566,107	$11,674,248	$15,994,547		$1,332,897,312
Repurchase Agreements (TTSTC)	172,115,025	172,115,025			
Fixed Income Money Markets	122,309,130	122,309,130			
Misc (Investment Agreements/GICs)	34,235,124	6,083,407	10,091,763		18,059,954
Total	$1,689,225,386	$312,181,810	$26,086,310		$1,350,957,266

Highly Sensitive Investments

Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. These prepayments result in a reduction of expected total cash flows affecting the fair value of these securities and make the fair value of these securities highly sensitive to the changes in interest rates. The Department does not make it a common practice to sell these investments. Any fluctuation in fair value generates an unrealized gain or loss. As of August 31, 2009, the Department holds $1,360,566,107 in mortgage backed securities.

NOTE 4: SUMMARY OF LONG TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2009, the following changes occurred in liabilities.

Governmental Activities	Balance 9/1/08	Additions	Reductions	Balance 8/31/09	Amounts Due Within One Year
Compensable Leave	$ 992,642	$ 1,044,716	$ 665,501	$ 1,371,857	$ 1,044,716
Total Governmental Activities	$ 992,642	$ 1,044,716	$ 665,501	$ 1,371,857	$ 1,044,716

Business-Type Activities	Balance 9/1/08	Additions	Reductions	Balance 8/31/09	Amounts Due Within One Year
Revenue Bonds Payable	$ 2,671,090,154	$ 146,432,911	$ 148,663,415	$ 2,668,859,650	$28,509,412
Notes Payable	71,431,000		71,431,000	-	-
Subtotal	2,742,521,154	146,432,911	220,094,415	2,668,859,650	28,509,412
Compensable Leave	955,151	739,228	732,766	961,613	739,229
Total Business-Type Activities	$ 2,743,476,305	$ 147,172,139	$ 220,827,181	$2,669,821,263	$29,248,641

Commercial Paper Notes Payable

The Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000,000 outstanding. The Department has no commercial paper notes outstanding as of August 31, 2009. Proceeds of the initial issuance of the Notes and of future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single-family mortgage revenue bonds (the "Refunded Bonds"), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department.

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Other Non-current Liabilities

Other non-current liabilities in the Enterprise Fund totaling $118,665,861 primarily account for funds due to Developers as a result of Multifamily bond proceeds which have corresponding investment balances not adjusted to market value. These proceeds are conduit debt issued on behalf of the Developer for the purpose of Multifamily developments and are held by the trustee. Due to the various variables related to the balance, the current portion cannot be reasonably estimated.

NOTE 5: BONDED INDEBTEDNESS

The Department has 126 bond issues outstanding at August 31, 2009. All series are revenue bonds backed by the pledged revenue sources and restricted funds specified in the bond resolutions. Each series is designed to be self-supporting with no repayment nor obligation from the State's General Revenue. The Department issues bonds to assist in financing the purchase of homes by or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (Detailed supplemental bond information is disclosed in Schedules 1-A, 1-B, 1-C, 1-D, 1-E and 1-F.)

Proceeds from the issuance of bonds under the Single Family and Residential Mortgage Revenue Bonds (RMRB) Series 1987A Programs were used to acquire loans. Proceeds from Collateralized Home Mortgage Revenue Bond (CHMRB) and the remaining RMRB programs were used to acquire pass-through certificates backed by mortgage loans. Proceeds from the remaining Multifamily bond issues were used to finance mortgage loans.

DEBT SERVICE REQUIREMENTS

PRINCIPAL ONLY (amounts in thousands):

Description	2010	2011	2012	2013	2014	2015 to 2019	2020 to 2024
Single-family	$ 14,260	$ 17,125	$ 20,765	$ 23,150	$24,330	$ 143,600	$177,075
RMRB	5,005	5,015	5,890	6,240	6,595	39,430	47,830
CHMRB							9,100
Multifamily	8,877	9,489	10,131	10,670	11,139	67,405	106,339
Total	**$ 28,142**	**$ 31,629**	**$ 36,786**	**$ 40,060**	**$42,064**	**$ 250,435**	**$340,344**

Description	2025 to 2029	2030 to 2034	2035 to 2039	2040 to 2044	2045 to 2049	Total
Single-family	$217,905	$263,565	$180,805	$ 5,095	$	$ 1,087,675
RMRB	72,415	118,615	30,535			337,570
CHMRB						9,100
Multifamily	168,804	167,806	329,501	265,866	67,975	1,224,002
Total	**$459,124**	**$549,986**	**$540,841**	**$270,961**	**$67,975**	**$2,658,347**

Actual maturities will differ from contractual maturities since the Department has the right to call or prepay obligations with or without call or prepayment penalties as the related loans and mortgage-backed securities mature or prepay.

PRINCIPAL AND INTEREST (amounts in thousands):

Description	2010	2011	2012	2013	2014	2015 to 2019	2020 to 2024
Single-family	$ 51,263	$ 53,454	$ 56,367	$ 57,945	$ 58,278	$ 300,506	$ 309,741
RMRB	22,638	22,445	23,089	23,190	23,264	118,027	113,744
CHMRB	624	624	626	624	624	3,122	12,124
Multifamily	70,112	67,019	67,121	67,072	66,931	328,629	343,592
Total	**$ 144,637**	**$ 143,542**	**$ 147,203**	**$ 148,831**	**$ 149,097**	**$ 750,284**	**$ 779,201**

Description	2025 to 2029	2030 to 2034	2035 to 2039	2040 to 2044	2045 to 2049	Total
Single-family	$ 315,900	$ 322,491	$ 193,857	$ 5,095	$	$ 1,724,897
RMRB	122,296	142,131	35,965			646,789
CHMRB						18,368
Multifamily	364,812	317,889	429,569	305,849	71,885	2,500,480
Total	**$ 803,008**	**$ 782,511**	**$ 659,391**	**$ 310,944**	**$ 71,885**	**$ 4,890,534**

NOTE 5: BONDED INDEBTEDNESS Cont'd

Interest on bonds and collateralized mortgage obligations is payable periodically, except for capital appreciation bonds, on which interest is compounded semiannually and payable at maturity or upon redemption.

The Single Family, RMRB and CHMRB bonds are collateralized by the revenues and assets pledged under the trust indentures, primarily Single Family mortgage loans, mortgage-backed securities and investments. The Multifamily bonds are collateralized by varying methods, including, but not limited to, the mortgage loans on the applicable housing developments, certificates of deposit, letters of credit, guarantees provided by third parties and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The trust indentures contain positive and negative covenants. Events of default include the following: failure to make timely payment of both principal and interest on any outstanding bond; failure to make timely payment of any other monies required to be paid to the Trustee; and non-performance or non-observance of any other covenants, agreements or conditions contained in the indentures. Management believes they are in compliance with the covenants of the indentures.

CHANGES IN BONDS PAYABLE (amounts in thousands)

Deferred issuance costs at August 31, 2009, consist of the following:

		Amount
Deferred Issuance Costs at August 31, 2009	$	42,337,888
Less Accumulated Amortization		(31,366,510)
Deferred Issuance Costs, net	$	10,971,378

CHANGES IN BONDS PAYABLE (amounts in thousands)

Description		Bonds Outstanding 9/1/08	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extin-guished		Bonds Outstanding 8/31/09		Amounts Due Within One Year
Single Family	$	1,143,425	-	13,385	42,365	$	1,087,675	$	14,634
RMRB		285,430	102,605	5,345	45,120		337,570		5,010
CHMRB		10,400	-	-	1,300		9,100		7
Multifamily		1,220,962	42,690	7,177	32,473		1,224,002		8,858
Total Principal	$	2,660,217	145,295	25,907	121,258	$	2,658,347	$	28,509
Unamortized Premium		15,230					13,809		
Unamortized Refunding (Loss)		(4,357)					(3,296)		
Total	$	2,671,090				$	2,668,860		

NOTE 5: BONDED INDEBTEDNESS Cont'd

VARIABLE TO FIXED INTEREST RATE SWAP

OBJECTIVE

In order to hedge against increases in interest rates on variable rate demand bond issues, the Department has entered into five interest rate swap agreements with the objective of reducing the interest rate risk of certain variable rate demand bonds. The variable rate demand bonds were issued at a lower total interest cost than attainable through traditional fixed rate bond structures. The Department has entered into interest rate swap agreements with various rated counterparties. Under the terms of the agreements, the Department makes periodic fixed interest rate payments in exchange for receiving variable rate payments comparable to the rates payable on the variable rate demand bonds. The swap notional amounts amortize in accordance with the scheduled and/or anticipated reductions in the related variable rate demand bond liability. The Department is potentially exposed to loss in the event of nonperformance by the counterparties under the swap agreements. Termination of the swap agreements may result in the Department making or receiving termination payments. Each swap agreement includes optional early termination provisions granting the Department the right, but not an obligation, to terminate the interest rate swaps at par without a termination payment after an effective date.

TERMS AND FAIR VALUE

The terms, including the fair value of the outstanding swaps as of August 31, 2009 are as follows. The fair value of the swaps are not shown in the financial statements. The notional amounts of the swaps match the principal amount of the associated debt.

Counterparty	Notional Amount	Fair Value	Effective Date	Fixed Rate	Variable Rate	Swap Termination Date
UBS AG	$53,000,000	($4,645,977)	9/1/04	3.843 %	63% of LIBOR + .30%	9/1/34 (a)
Goldman Sachs Capital Markets, LP	35,000,000	(2,735,291)	1/1/05	3.6375 %	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	3/1/35 (b)
JP Morgan Chase & Co.	90,825,000	(5,029,602)	8/1/05	4.01 %	Less of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	9/1/36 (c)
UBS AG	36,000,000	(3,092,690)	11/15/06	3.857%	63% of LIBOR +.30%	9/1/25 (d)
JP Morgan Chase & Co.	136,815,000	(7,344,582)	6/5/07	4.013%	Less of (the greater of (a) 65% of LIBOR and (b) 56% of LIBOR + .45%) and LIBOR	9/1/38 (c)
Total	$351,640,000	($22,848,142)				

a. Swap Agreement has an optional early termination date of March 1, 2014 and every March and September thereafter. The maximum notional amount subject to early termination is equal to 60% of the current notional amount.
b. Swap Agreement has an optional early termination date of September 1, 2014 and every March and September thereafter.
c. Swap Agreement is subject to an early termination date at any time with a 10 business day notice.
d. Swap Agreement has an optional early termination date of March 1, 2016 and every March and September thereafter. The maximum notional amount subject to early termination is current notional amount per the amortization schedule.

NOTE 5: BONDED INDEBTEDNESS Cont'd

CREDIT RISK

As of August 31, 2009, the Department is not exposed to credit risk on any of its outstanding swaps because the swaps have negative fair values. If interest rates change and the fair value of the swaps become positive, the department would be exposed to credit risk on those swaps. The swap agreements contain varying collateral agreements and insurance policies with the counterparties. The credit ratings for the counterparties are as follows.

Counterparty	**Standard & Poor's**	**Moody's**
UBS AG	A+	Aa2
Goldman Sachs Capital Markets, LP*	Not Rated	Not Rated
JP Morgan Chase & Co.	AA-	Aa1

* Goldman Sachs Group is the guarantor and is rated A1 by Moody's and A by S&P.

BASIS RISK

The Department's variable-rate bond coupon payments are equivalent to the Bond Market Association (BMA) rate. The swap agreements designate a function of LIBOR as the rate for payments received on these swaps. The Department will be exposed to basis risk should LIBOR and BMA converge. The swap agreements provide an option to terminate as stated above.

ROLLOVER RISK is the risk that arises when a derivative associated with a government's variable-rate debt does not extend all the way to the maturity date of the associated debt, thereby creating a gap in the protection otherwise afforded by the derivative. The Department is not exposed to rollover risk on swap agreements which mature or may be terminated prior to the maturity of the associated debt. The counterparties in the swap agreements have limited rights to terminate the swap. They can terminate only if the Department were to be downgraded below investment grade or default on any swap payments. The swap providers cannot unilaterally terminate any of the swaps subjecting the Department to rollover risk.

The Department has retained optional termination rights which are listed below. The optional termination rights are intended to keep the notional amount in line with bonds outstanding to the extent the Department experiences prepayments.

Associated Debt Issuance	Debt Maturity Date	Swap Termination Date
2004B Single Family	September 2034	May be terminated as early as March 2014
2004D Single Family	March 2035	May be terminated as early as September 2014
2005A Single Family	September 2036	May be terminated at anytime giving 10 day notice
2006H Single Family	September 2037	May be terminated as early as March 2016
2007A Single Family	September 2038	May be terminated at anytime giving 10 day notice

NOTE 5: BONDED INDEBTEDNESS Cont'd

SWAP PAYMENTS AND ASSOCIATED DEBT
Using rates as of August 31, 2009, debt service requirements of the Department's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate debt bond interest payments and new swap payments will vary. The Department's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds outstanding.

Fiscal Year Ending August 31	Variable-Rate Bonds			
	Principal	Interest	Interest Rate Swaps, Net	Total
2010	$ -	$ 1,105,772	$ 12,482,109	$ 13,587,881
2011	1,535,000	1,105,508	12,479,029	15,119,537
2012	4,435,000	1,097,804	12,389,149	17,921,953
2013	5,220,000	1,082,540	12,211,112	18,513,652
2014	5,475,000	1,065,636	12,013,951	18,554,587
2015-2019	49,665,000	4,934,459	55,588,680	110,188,139
2020-2024	65,565,000	4,019,087	45,278,834	114,862,921
2025-2029	80,710,000	2,865,318	32,280,969	115,856,287
2030-2034	87,360,000	1,522,736	17,185,608	106,068,344
2035-2039	51,675,000	294,406	3,365,568	55,334,974
Total	$ 351,640,000	$ 19,093,266	$ 215,275,009	$ 586,008,275

Demand Bonds
The Department currently holds seven single family bond series in the amount $362,105,000 in variable rate demand bonds. The proceeds of these bonds were used to refund outstanding bonds or provide funds for the primary purpose of purchasing mortgaged-backed securities which are pools of first time homebuyer loans. These bond series have the following terms.

Demand Bonds - Standby Purchase Agreements				
Single Family Bond Series	**Liquidity Provider**	**Commitment Fee Rate**	**Outstanding Variable Rate Demand Bonds as of 8/31/09**	**Liquidity Facility Expiration Date**
2007A	Comptroller of Public Accounts	0.12%	$ 136,815,000	11/30/2009
2006H	Comptroller of Public Accounts	0.12%	36,000,000	11/30/2009
2005A	Comptroller of Public Accounts	0.12%	90,825,000	11/30/2009
2004D	Comptroller of Public Accounts	0.12%	35,000,000	11/30/2009
2004B	Comptroller of Public Accounts	0.12%	53,000,000	11/30/2009
2005C	Comptroller of Public Accounts	0.12%	6,610,000	11/30/2009
2004A Jr. Lien	Comptroller of Public Accounts	0.12%	3,855,000	11/30/2009
Total Demand Bonds			**$ 362,105,000**	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to remarket any bonds, the liquidity facility will purchase the bonds (bank bonds). The liquidity agreement is subject to renewal every ninety days on an ongoing basis. The Department shall use its best effort to cause the bonds to be purchased from the liquidity facility as soon as possible. Subsequent to August 31, 2009 the liquidity facility was executed to an expiration date of March 1, 2010. The purchased bonds are not subject to term out provisions.

NOTE 5: BONDED INDEBTEDNESS Cont'd

Refunding Bonds

Current
On November 26, 2008, the Department issued $14,000,000 in variable rate debt (Series 2008 Alta Cullen Apartments Multifamily) with a maximum rate of 12% to refund $14,000,000 of outstanding 2005 Multifamily (Alta Cullen Apartments) bonds. The purpose of this bond issue is to refund the original bonds and establish a different financing structure converting the bonds from fixed rate to variable rate. Under this new structure, the bonds will be credit enhanced by Freddie Mac, carrying a AAA rating. The refunding transaction resulted in a cash flow gain of $31,527,067, and an economic gain of $29,355.793. Because the new debt is variable rate debt, the economic and cash differences were calculated using the current rate as of August 31, 2009 which is .40%. The cash flow and economic impact will fluctuate with the prevailing interest rates. Using the maximum rate allowable by the trust indenture of 12%, the Department could incur a maximum of additional $27,407,301 in debt service cash flow payments and an economic loss of $6,147,644 due to the refunding.

Advanced
On August 18, 2009, the Department issued the 2009 Residential Mortgage Revenue Bonds (Series AB) in the amount of $102,605,000. The proceeds for Series B ($22,605,000) with an average rate of 4.72% were used to advance refund outstanding bonds. The proceeds refunded the 1999B Residential Mortgage Revenue Bonds ($19,205,000) with an average rate of 6.51% and the 1999C Residential Mortgage Revenue Bonds ($3,400,000) with an average rate of 6.25%. The bond proceeds were deposited with an escrow agent to provide for all future debt service on the 1999 bonds. As a result, the 1999 bonds are considered to be defeased and the liability for those bonds has been removed from the Department's financial statements. A detail schedule of each defeased bond issue is included in Schedule 1-E.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $52,804. The entire difference was amortized this fiscal year increasing interest expense. The Department advance refunded the 1999 Residential Mortgage Revenue Bonds Series AB to reduce its total debt service payments over the next 30 years by $17,024,166 and to obtain an economic gain of $4,380,133.

Pledged and Other Sources (amounts in thousands)

GASB Statement No. 48 requires the following disclosures for "specific revenues that have been formally committed to directly collateralize or secure debt of the Department." The following table summarizes by indenture, pledged and other sources and related expenditures for the Department's revenue bonds. A detail schedule of each bond issue is included in Schedule 1-D.

Pledged and Other Sources and Related Expenditures for FY 2009

	Net Available for Debt Service		Debt Service	
Description of Issue	**Total Pledged and Other Sources**	**Operating Expenses/Expenditures and Capital Outlay**	**Principal**	**Interest**
Total Single Family Bonds	$ 99,199	$ 3,759	$ 13,385	$ 59,964
Total Residential Mtg Revenue Bonds	60,961	304	5,345	14,942
Total 1992 CHMRB	2,097	24		664
Total Multifamily Bonds	92,202	9	7,177	59,698
Total	**$ 254,459**	**$ 4,096**	**$ 25,907**	**$ 135,268**

NOTE 6: OPERATING LEASES

The Department's five-year operating lease at office space located at 1106 Clayton Lane, Austin, Texas expires on September 30, 2014.

Year Ended August 31	Governmental Activities	Business-Type Activities	Total
2010 (Future Year 1)	$84,338	$94,313	$178,651
2011 (Future Year 2)	92,354	103,278	195,632
2012 (Future Year 3)	92,354	103,278	195,632
2013 (Future Year 4)	92,354	103,278	195,632
2014 (Future Year 5)	92,354	103,278	195,632
2015 (Future Year 6)	7,696	8,607	16,303
Total Minimum Future Lease Rental Payments	$461,450	$516,032	$977,482

NOTE 7: INTERFUND ACTIVITY AND TRANSACTIONS

As explained in Note 1 on Interfund Transactions and Balances, there are numerous transactions between funds and agencies. At year-end, amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due To Other Agencies
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

The Department experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statements.

Individual balances and activity at August 31, 2009, follows:

Fund	Current Interfund Receivable	Current Interfund Payable
General Fund (01)		
General Revenue (0001)	$ 36,030	$ -
Consolidated Federal (0127)	-	(188,434)
Enterprise Fund (05, 0896)	152,404	-
Total Interfund Receivable/ Payable (Exhibit III & Exhibit V)	**$ 188,434**	**$ (188,434)**

General (01)	Due From Other Agencies	Due To Other Agencies	Source
Appd Fund 5140, D23 Fund 5140	$ 22		Transfers
(Agency 601, D23 Fund 5140)			
Total Due From/To Other Agencies	**$ 22**		

NOTE 7: INTERFUND ACTIVITY AND TRANSACTIONS Cont'd

Fund	Transfers In	Transfers Out	Purpose
General Fund (01)			
Appd Fund 0001, D23 Fund 0001		$ 4,190,296	Article VII-6, Rider 10
Appd Fund 0001, D23 Fund 0001		1,383,368	Article IX, § 6.26
Appd Fund 0001, D23 Fund 0066		1,161,229	Gov't Code, Sect. 403.021
Appd Fund 0001, D23 Fund 0077		13,015	Gov't Code, Sect. 403.021
Total Transfers for Fund 0001 (Exhibit IV)		**$ 6,747,908**	
Enterprise Fund (05)			
Appd Fund 3054, D23 Fund 0999	4,190,296		Article VII-6, Rider 10
Total Transfers for Fund 3054 (Exhibit VI)	**$ 4,190,296**		
Total Transfers*	**$ 4,190,296**	**$ 6,747,908**	

* The $2,557,612 difference between total transfers in/out represents transfers to the Texas Comptroller of Public Accounts.

Fund	Legislative Transfers In	Legislative Transfers Out
General Fund (01)		
Appd Fund 0001, D23 Fund 0001		$ 20,779
Appd Fund 0001, D23 Fund 0066		(19,115)
Appd Fund 0001, D23 Fund 0077		(871)
Total Legislative Transfers (Exh IV)		**$ 793**

NOTE 8: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Department will be abolished effective September 1, 2011 unless continued in existence as provided by the Act. If abolished, the Department may continue until September 1, 2012 to close out its operations.

NOTE 9: ADJUSTMENTS TO FUND BALANCES / NET ASSETS

During FY 2009, adjustments were made which required certain reclassifications of deferred revenue balances related to long-term loans and contracts to beginning FY 2009 fund balance / net assets, as shown below.

	Governmental Activities	Governmental Fund	Business-type Activities/ Proprietary Fund
Fund Bal/Net Assets August 31, 2008	$1,884,063	$2,710,226	$61,314,317
*Cumulative effect of change in accounting principle (Exhibits IV and VI):	128,660,128	128,660,128	24,836,807
Fund Bal/Net Assets Aug. 31, 2008 as Revised	**$130,544,191**	**$131,370,354**	**$86,151,124**

*These reclassifications were shown as a cumulative effect of change in accounting principle in the Statement of Activities, the Statement of Revenues, Expenditures and Changes in Fund Balance, and the Statement of Revenues, Expenses and Changes in Net Assets.

The reclassification of certain deferred revenue balances to fund balance / net assets is a result of the Department's change to a more preferable accounting treatment for long-term loans and contracts, and is in accordance with the State of Texas financial reporting requirements. The deferred revenue balances were related to HOME / CDBG revolving loans and Housing Trust Fund mortgage loans.

NOTE 10: CONTINGENT LIABILITIES

The Department is a defendant in legal actions arising from transactions and activities conducted in the ordinary course of business. Management, after consultation with legal counsel, believes that the aggregate liabilities, if any, will not be material to the basic financial statements.

NOTE 11: RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. It is the Department's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The Department assumes substantially all risks associated with the performance of its duties. Currently there is no purchase of commercial insurance, nor is the Department involved in any risk pools with other government entities. The Department carries Public Official Liabilities Insurance coverage in the amount of $10,000,000; automobile liability insurance in the amount of $1,000,000, errors and omissions insurance of $300,000 related to loan servicing for others and a $350,000 Public Employee Fidelity Bond.

The Department's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There have been no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. The Department incurred no claims liability during fiscal years 2008 and 2009 related to these policies.

NOTE 12: SEGMENT INFORMATION

The Segment information below is for the Department's direct debt associated with the issuance of Single Family bonds only and does not include the Multifamily bonds where the Department is only a conduit issuer. Therefore, this note represents less than what is reported in the Enterprise Fund as a whole. Each grouping consists of separate indentures that have one or more bonds outstanding with the revenue stream and assets exclusively pledged in support of that debt. Each indenture imposes the requirement of separate accounting of the revenues, expenses, gains, losses, assets, and liabilities.

CONDENSED STATEMENT OF NET ASSETS

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Restricted Assets:			
Current Assets	$ 130,287,387	$ 95,519,405	$ 238,228
Capital Assets	-	-	-
Other Assets	1,070,367,256	273,731,227	10,854,090
Total Assets	1,200,654,643	369,250,632	11,092,318
Liabilities:			
Current Liabilities	52,318,054	11,204,633	305,865
Long Term Liabilities	1,082,889,531	333,576,422	9,272,088
Total Liabilities	1,135,207,585	344,781,055	9,577,953
Net Assets:			
Restricted Net Assets	$ 65,447,058	$ 24,469,577	$ 1,514,365
Total Restricted Net Assets	$ 65,447,058	$ 24,469,577	$ 1,514,365

NOTE 12: SEGMENT INFORMATION Cont'd

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Operating Revenues:			
Interest and Investment Income	$ 59,002,497	$ 15,466,829	$ 758,158
Net Increase in Fair Value of Investments	63,610,262	14,301,823	227,226
Other Operating Revenues	765,531	372,220	40,618
Operating Expenses	(62,510,285)	(15,012,891)	(667,941)
Depreciation and Amortization	(1,315,262)	(161,219)	(2,551)
Operating Income	59,552,743	14,966,762	355,510
Nonoperating Revenues (Expenses):			
Other Nonoperating Revenues (Expenses):	-	-	-
Special and Extraordinary Items	-	-	-
Transfers In (Out)	201,203	(297,218)	(755,846)
Changes in Net Assets	59,753,946	14,669,544	(400,336)
Net Assets, September 1, 2008	5,693,112	9,800,033	1,914,701
Net Assets, August 31, 2009	$ 65,447,058	$ 24,469,577	$ 1,514,365

CONDENSED STATEMENT OF CASH FLOWS

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Net Cash Provided (Used) By:			
Operating Activities	$ 2,144,647	$ 915,016	$ (45,982)
Noncapital Financing Activities	(118,450,089)	36,421,238	(2,750,241)
Investing Activities	150,152,134	50,272,012	2,251,410
Net Increase (Decrease)	33,846,692	87,608,266	(544,813)
Beginning Cash and Cash Equivalents	84,187,598	6,177,047	719,617
Ending Cash and Cash Equivalents	$ 118,034,290	$ 93,785,313	$ 174,804

NOTE 13: EMPLOYEE BENEFITS

Plan Description — The Department contributes to the Employees Retirement System of Texas (the "System"), a cost-sharing, multiple-employer, defined benefit plan. The Department has implemented GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, which standardizes financial reporting for pensions by state and local government employers. The System provides service retirement, disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Subtitle B, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Employees Retirement System of Texas, P.O. Box 13207, Austin, Texas, 78711-3207 or by calling (512) 476-6431.

Funding Policy — Under provisions in State law, plan members are required to contribute 6% of their annual covered salary, and the Department contributes an amount equal to 6.45% of the Department's covered payroll. The Department and the employees' contributions to the System for the years ending August 31, 2009, 2008, and 2007, were $1,084,329, $1,002,741, and $947,383, respectively, equal to the required contributions for each year.

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-A
MISCELLANEOUS BOND INFORMATION
For the fiscal year ended August 31, 2009
(Amounts in Thousands)

Description of Issue		Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat. First Year	Scheduled Mat. Last Year	First Call Date	
2002 Single Family Series A (Jr. Lien)	$	10,000	7.01%	7.01%	2025	2026	09/01/2012	
2002 Single Family Series A		38,750	5.45%	5.55%	2023	2034	03/01/2012	
2002 Single Family Series B		52,695	5.35%	5.55%	2033	2033	03/01/2012	
2002 Single Family Series C		12,950	2.80%	5.20%	2004	2017	03/01/2012	
2002 Single Family Series D		13,605	2.00%	4.50%	2003	2012	03/01/2012	
2004 Single Family Series A		123,610	2.00%	4.70%	2006	2035	03/01/2013	
2004 Single Family Series B		53,000	VAR - Weekly		2015	2034	03/01/2015	(f)
2004 Single Family Series A (Jr. Lien)		4,140	VAR - Weekly		2036	2036	09/01/2036	(f)
2004 Single Family Series C		41,245	4.30%	4.80%	2019	2036	09/01/2014	
2004 Single Family Series D		35,000	VAR - Weekly		2035	2035	(g)	
2004 Single Family Series E		10,825	2.45%	4.30%	2006	2013	09/01/2014	
2005 Single Family Series A		100,000	VAR - Weekly		2007	2036	03/01/2006	
2005 Single Family Series B		25,495	4.38%	4.38%	2006	2026	03/01/2006	
2005 Single Family Series C		8,970	VAR - Weekly		2017	2017	03/01/2006	
2005 Single Family Series D		3,730	5.00%	5.00%	2025	2035	03/01/2006	
2006 Single Family Series A		59,555	5.00%	5.00%	2008	2037	09/01/2006	
2006 Single Family Series B		70,485	5.00%	5.00%	2008	2034	09/02/2006	
2006 Single Family Series C		105,410	5.13%	5.13%	2008	2037	09/03/2006	
2006 Single Family Series D		29,685	4.50%	4.50%	2018	2028	09/04/2006	
2006 Single Family Series E		17,295	4.06%	4.06%	2007	2017	09/05/2006	
2006 Single Family Series F		81,195	4.65%	5.75%	2008	2038	03/01/2016	
2006 Single Family Series G		15,000	3.75%	4.60%	2012	2019	03/01/2016	
2006 Single Family Series H		36,000	VAR - Weekly		2016	2037	03/01/2016	
2007 Single Family Series A		143,005	VAR - Weekly		2008	2038	03/01/2008	(f)
2007 Single Family Series B		157,060	3.90%	5.63%	2008	2039	03/01/2008	
1998 RMRB Series A		102,055	4.05%	5.35%	2002	2031	01/01/2009	
1998 RMRB Series B		14,300	5.30%	5.30%	2022	2022	01/01/2009	
1999 RMRB Series A		25,615	4.80%	5.50%	2018	2021	01/01/2009	
1999 RMRB Series B-1		52,260	6.32%	7.10%	2021	2032	07/01/2009	
1999 RMRB Series C		12,150	5..05%	6.25%	2003	2024	07/01/2009	
2000 RMRB Series A		50,000	5.10%	6.30%	2003	2031	07/01/2010	
2000 RMRB Series B		82,975	5.70%	5.70%	2005	2033	07/01/2010	
2000 RMRB Series C		13,675	5.82%	5.85%	2011	2025	07/01/2010	
2000 RMRB Series D		18,265	4.55%	5.85%	2003	2020	07/01/2010	
2001 RMRB Series A		52,715	3.15%	5.70%	2004	2033	07/01/2011	
2001 RMRB Series B		15,585	5.00%	5.25%	2011	2022	07/01/2011	
2001 RMRB Series C		32,225	2.55%	4.63%	2003	2015	07/01/2011	
2001 RMRB Series D		300	5.35%	5.35%	2008	2033	07/01/2011	
2002 RMRB Series A		42,310	2.25%	5.35%	2004	2034	07/01/2012	
2003 RMRB Series A		73,630	1.70%	5.00%	2005	2034	01/01/2013	
2009 RMRB Series A		80,000	5.13%	5.13%	2011	2039	01/01/2019	
2009 RMRB Series B		22,605	4.72%	4.72%	2010	2022	01/01/2019	
1992 Coll Home Mtg Rev Bonds, Series C		72,700	3.48%	10.27%	2024	2024	05/04/1995	
TOTAL SINGLE FAMILY & RMRB BONDS	$	2,012,070						
1987 MF Series (South Texas Rental Housing)	$	1,400	9.50%	9.50%	1988	2012	02/01/1988	
1996 MF Series A/B (Brighton's Mark)		10,174	6.13%	6.13%	2026	2026	01/01/2003	
1996 MF Series A/B (Braxton's Mark)		14,867	5.81%	5.81%	2026	2026	01/01/2003	
1998 MF Series A (Pebble Brook)		10,900	4.95%	5.60%	2001	2030	06/01/2001	
1998 MF Series A-C (Residence Oaks)		8,200	5.98%	7.18%	2001	2030	05/01/2001	
1998 MF Series A/B (Greens of Hickory Trial)		13,500	5.20%	6.03%	2001	2030	09/01/2008	
1999 MF Series A-C (Mayfield)		11,445	5.70%	7.25%	2001	2031	05/01/2002	
2000 MF Series A (Timber Point Apts)		8,100	VAR - Weekly		2003	2032	07/01/2000	(a)
2000 MF Series A/B (Oaks at Hampton)		10,060	7.20%	9.00%	2002	2040	03/01/2017	(a)
2000 MF Series A (Deerwood Apts)		6,435	5.25%	6.40%	2003	2032	06/01/2010	
2000 MF Series A (Creek Point Apts)		7,200	VAR - Weekly		2004	2032	07/01/2000	(a)
2000 MF Series A/B (Parks @ Westmoreland)		9,990	7.20%	9.00%	2002	2040	07/01/2017	(a)
2000 MF Series A-C (Highland Meadow Apts)		13,500	6.75%	8.00%	2004	2033	05/01/2019	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-A (Continued)
MISCELLANEOUS BOND INFORMATION
For the fiscal year ended August 31, 2009
(Amounts in Thousands)

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat. First Year	Scheduled Mat. Last Year	First Call Date	
2000 MF Series A/B (Greenbridge)	$ 20,085	7.40%	10.00%	2003	2040	03/01/2014	
2000 MF Series A-C (Collingham Park)	13,500	6.72%	7.72%	2004	2033	05/01/2019	
2000 MF Series A/B (Williams Run)	12,850	7.65%	9.25%	2002	2040	01/01/2011	
2001 MF Series A (Bluffview Senior Apts)	10,700	7.65%	7.65%	2003	2041	05/01/2018	
2001 MF Series A (Knollwood Villas Apts)	13,750	7.65%	7.65%	2003	2041	05/01/2018	
2001 MF Series A (Skyway Villas)	13,250	6.00%	6.50%	2005	2034	12/01/2011	
2001 MF Series A/B (Cobb Park)	7,785	6.77%	6.77%	2003	2041	07/01/2018	
2001 MF Series A (Greens Road Apts.)	8,375	5.30%	5.40%	2004	2034	12/01/2011	
2001 MF Series A/B (Meridian Apts.)	14,310	5.45%	6.85%	2004	2034	12/01/2011	
2001 MF Series A/B (Wildwood Apts.)	14,365	5.45%	6.75%	2004	2034	12/01/2011	
2001 MF Series A-C (Fallbrook Apts.)	14,700	6.06%	6.78%	2005	2034	01/01/2012	
2001 MF Series A (Oak Hollow Apts.)	8,625	7.00%	7.90%	2003	2041	11/01/2018	
2001 MF Series A/B (Hillside Apts.)	12,900	7.00%	9.25%	2003	2041	11/01/2018	
2002 MF Series A (Millstone Apts.)	12,700	5.35%	5.86%	2005	2035	06/01/2012	
2002 MF Series A (Sugar Creek Apts.)	11,950	6.00%	6.00%	2004	2042	01/01/2016	
2002 MF Series A (West Oaks Apts.)	10,150	7.15%	7.50%	2004	2042	12/01/2018	
2002 MF Series A (Park Meadows Apts)	4,600	6.53%	6.53%	2004	2034	05/01/2012	
2002 MF Series A (Clarkridge Villas Apts)	14,600	7.00%	7.00%	2004	2042	08/01/2019	
2002 MF Series A (Hickory Trace Apts)	11,920	7.00%	7.00%	2004	2042	12/01/2019	
2002 MF Series A (Green Crest Apts)	12,500	7.00%	7.00%	2004	2042	11/01/2019	
2002 MF Series A/B (Ironwood Crossing)	16,970	5.50%	8.75%	2005	2042	10/01/2027	
2002 MF Series A (Woodway Village Apts)	9,100	4.95%	5.20%	2006	2023	01/01/2013	
2003 MF Series A/B (Reading Road)	12,200	VAR-Weekly		2007	2036	01/01/2004	(a)
2003 MF Series A/B (North Vista Apts)	14,000	4.10%	5.41%	2006	2036	06/01/2013	
2003 MF Series A/B (West Virginia Apts)	9,450	4.15%	5.41%	2006	2036	06/01/2013	
2003 MF Series A/B (Sphinx @ Murdeaux)	15,085	3.55%	5.00%	2005	2042	06/20/2013	
2003 MF Series A/B (Primrose Houston School)	16,900	5.50%	8.00%	2006	2036	07/01/2003	(a)
2003 MF Series A/B (Timber Oaks Apts)	13,200	6.75%	8.75%	2005	2043	06/01/2020	
2003 MF Series A/B (Ash Creek Apts)	16,375	5.60%	15.00%	2006	2036	10/01/2003	(a)
2003 MF Series A/B (Peninsula Apts)	12,400	4.25%	5.30%	2007	2024	10/01/2013	
2003 MF Series A (Evergreen @ Mesquite)	11,000	6.60%	8.00%	2006	2043	09/01/2020	
2003 MF Series A/B (Arlington Villas)	17,100	6.75%	8.00%	2007	2036	01/01/2007	(a)
2003 MF Series A/B (Parkview Twnhms)	16,600	6.60%	8.50%	2006	2043	12/01/2020	
2003 MF Series A (NHP-Asmara) Refunding	31,500	VAR - Weekly		2007	2033	07/01/2007	(a)
2004 MF Series A/B (Timber Ridge)	7,500	5.75%	8.00%	2007	2037	03/01/2007	(a)
2004 MF Series A/B (Century Park)	13,000	5.75%	5.75%	2007	2037	05/01/2007	(a)
2004 MF Series A/B (Veterans Memorial)	16,300	6.60%	8.50%	2006	2044	03/01/2006	(a)
2004 MF Series A (Rush Creek)	10,000	5.38%	6.70%	2006	2044	03/01/2021	
2004 MF Series A (Humble Park)	11,700	6.60%	6.60%	2007	2041	07/01/2021	
2004 MF Series A (Chisholm Trail)	12,000	VAR - Weekly (b)		2006	2037	10/15/2006	(a)
2004 MF Series A (Evergreen @ Plano)	14,750	5.25%	6.55%	2007	2044	06/01/2021	
2004 MF Series A (Montgomery Pines)	12,300	VAR - Weekly		2006	2037	12/15/2006	(a)
2004 MF Series A (Bristol)	12,625	VAR - Weekly		2007	2037	06/15/2007	(a)
2004 MF Series A (Pinnacle)	14,500	VAR - Weekly (c)		2007	2044	09/01/2007	(a)
2004 MF Series A (Tranquility Bay)	14,350	6.50%	6.50%	2007	2044	06/01/2021	(e)
2004 MF Series A (Sphinx @ Delafield)	11,380	5.05%	5.35%	2006	2044	07/20/2014	
2004 MF Series A (Churchill @ Pinnacle)	10,750	5.25%	6.55%	2007	2044	09/01/2021	(e)
2004 MF Series A/B (Post Oak East)	13,600	VAR - Weekly		(d)	2037	(d)	
2004 MF Series A (Village Fair)	14,100	5.00%	6.50%	2007	2044	12/01/2021	
2005 MF Series A (Pecan Grove)	14,030	5.00%	6.50%	2007	2045	01/01/2022	
2005 MF Series A (Prairie Oaks)	11,050	4.75%	6.50%	2007	2045	01/01/2022	
2005 MF Series A (Port Royal)	12,200	5.00%	6.50%	2007	2045	02/01/2022	
2005 MF Series A (Del Rio)	11,490	5.00%	6.50%	2007	2045	02/01/2022	
2005 MF Series A (Atascocita Pines)	11,900	VAR - Weekly (c)		2007	2037	(f)	
2005 MF Series A (Tower Ridge)	15,000	VAR - Weekly (b)		2009	2038	(f)	
2005 MF Series A (Alta Cullen)	14,000	5.89%	6.60%	2007	2045	06/01/2022	
2005 MF Series A (Prairie Ranch)	12,200	4.85%	4.85%	2007	2045	12/20/2015	
2005 MF Series A (St Augustine)	7,650	VAR - Weekly		2009	2038	n/a	
2005 MF Series A (Park Manor)	10,400	5.00%	6.40%	2008	2045	09/01/2022	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-A (Continued)
MISCELLANEOUS BOND INFORMATION
For the fiscal year ended August 31, 2009
(Amounts in Thousands)

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat. First Year	Scheduled Mat. Last Year	First Call Date
2005 MF Series A (Mockingbird)	$ 14,360	6.40%	6.40%	2007	2045	08/01/2022
2005 MF Series A (Chase Oaks)	14,250	5.05%	5.05%	2007	2035	(h)
2005 MF Series A/B (Canal Place)	16,100	3.45%	8.00%	2019	2039	(i)
2005 MF Series A (Coral Hills)	5,320	5.05%	5.05%	2038	2038	08/01/2015
2006 MF Series A (Harris Branch)	15,000	VAR - Weekly		2009	2039	(j)
2006 MF Series A (Bella Vista)	6,800	6.15%	6.15%	2008	2046	04/01/2016
2006 MF Series A (Village Park)	13,660	4.75%	5.13%	2009	2026	06/01/2021
2006 MF Series A (Oakmoor)	14,635	5.50%	6.00%	2008	2046	03/01/2023
2006 MF Series A (Sunset Pointe)	15,000	VAR - Weekly		2039	2039	(i)
2006 MF Series A (Hillcrest)	12,435	5.25%	5.25%	2009	2039	04/01/2021
2006 MF Series A (Pleasant Village)	6,000	6.00%	6.00%	2008	2023	(k)
2006 MF Series A (Grove Village)	6,180	6.00%	6.00%	2008	2023	(k)
2006 MF Series A (Red Hills Villas)	5,015	VAR - Weekly		2036	2036	(j)
2006 MF Series A (Champion Crossing)	5,125	VAR - Weekly		2036	2036	(j)
2006 MF Series A (Stonehaven)	11,300	5.80%	5.80%	2008	2026	(h)
2006 MF Series A (Center Ridge)	8,325	5.00%	5.00%	2009	2039	05/01/2021
2006 MF Series A (Meadowlands)	13,500	6.00%	6.00%	2009	2046	09/01/2023
2006 MF Series A (East Tex Pines)	13,500	4.95%	4.95%	2010	2046	(l)
2006 MF Series A (Villas at Henderson)	7,200	VAR - Weekly		2010	2039	(m)
2006 MF Series A (Aspen Park Apts)	9,800	5.00%	5.00%	2010	2039	07/01/2021
2006 MF Series A (Idlewilde Apts)	14,250	VAR - Weekly		2010	2040	(j)
2007 MF Series A (Lancaster Apts)	14,250	VAR - Weekly		2010	2040	(j)
2007 MF Series A (Park Place)	15,000	5.80%	5.80%	2010	2047	03/01/2024
2007 MF Series A (Terrace at Cibolo)	8,000	VAR - Weekly		2010	2040	(m)
2007 MF Series A (Santora Villas)	13,072	5.80%	5.80%	2010	2047	06/01/2024
2007 MF Series A (Villas @ Mesquite Creek)	16,860	5.00%	5.81%	2010	2047	01/20/2017
2007 MF Series A (Summit Point)	11,700	4.80%	5.25%	2009	2047	06/20/2017
2007 MF Series A (Costa Rialto)	12,385	5.35%	5.35%	2010	2047	08/01/2025
2007 MF Series A (Windshire)	14,000	VAR - Weekly		2010	2041	(j)
2007 MF Series A (Residences @ Onion Creek)	15,000	VAR - Weekly		2011	2040	(j)
2008 MF Series A (West Oaks)	13,125	VAR - Weekly		2011	2041	(n)
2008 MF Series A (Costa Ibiza)	13,900	VAR - Weekly		2011	2041	(f)
2008 MF Series A (Addison Park)	14,000	VAR - Weekly		2008	2044	(n)
2008 MF Series A (Alta Cullen Apartments)	14,000	VAR - Weekly		2011	2045	(n)
2009 MF Series A (Costa Mariposa Apartments)	13,690	VAR - Weekly		2012	2042	(n)
2009 MF Series A (Woodmont Apartments)	15,000	VAR - Weekly		2012	2042	(n)
TOTAL MULTIFAMILY BONDS	$ 1,321,778					
TOTAL BONDS ISSUED	**$ 3,333,848**					

FOOTNOTES:

(a) The taxable bonds shall be subject to redemption prior to maturity in whole or any part on any interest payment date after the completion date from the proceeds of an optional prepayment of the loan by the borrower.

(b) Variable rate not to exceed the maximum rate permitted by applicable law.

(c) Variable rate could change to fixed rate provided the conversion option is exercised.

(d) No set amortization, per trustee, amortization will occur in \$100,000 denominations when the amount in the principal reserve fund exceeds 20% of the issue.

(e) The bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of a majority of the outstanding principal amount of the Bonds.

(f) The Bonds shall be subject to redemption prior to maturity, after giving the required notice, as follows: During the variable interest rate period the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.

(g) The Series bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indendure, as follows: During a daily interest rate period or weekly interest rate period for the Series bonds, the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.

(h) The bonds are subject to redemption at the option of the Issuer, at the direction of the Borrower, in whole or in part on the first day of any month, in the event and to the extent the trustee receives funds from the Borrower representing an optional prepayment of the principal of the note, at a redemption price equal to the principal thereof, plus accrued interest to the redemption date plus any premium remitted therewith as required by the note.

(i) Bonds are subject to redemption if and to the extent the Borrower is entitled to make, or is required to make, a prepayment pursuant to the loan agreement.

(j) The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower.

(k) The Bonds are subject to optional redemption at the direction of the Borrower on any interest payment date, in whole or in part, at the redemption price (as calculated by the sole bondholder) calculated in accordance with the indenture plus accrued and unpaid interest, if any, to the redemption date. Optional redemptions may be made only in denominations of \$100,000 plus integral multiples of \$5,000 or for the entire amount of the bonds outstanding.

(l) The Bonds shall be subject to redemption prior to maturity in whole but not in part on any Bond Payment Date on or after fifteen years from Conversion Date, from the proceeds of an optional prepayment of the Loan by the Borrower at a redemption price equal to the principal amount plus accrued and unpaid interest to the date fixed for redemption.

(m) The Bonds may be redeemed by the Trustee at the option of the Issuer, but only upon the written request of the Borrower pursuant of the Loan Agreement, and with the prior written consent of the Bank, in whole or in part, at a redemption price equal to the principal amount, without premium, plus accrued interest to the date of redemptions.

(n) With the prior Written consent of the Credit Facility Provider, the Bonds are subject to optional redemption, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and Financing Agreement.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-B
MISCELLANEOUS BOND INFORMATION - CHANGES IN BOND INDEBTEDNESS
For the fiscal year ended August 31, 2009

Description of Issue	Bonds Outstanding 09/01/08	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/09	Amounts Due Within One Year
2002 SERIES A (Jr Lien)	$ 4,140,000	$	$	$ 145,000	$ 3,995,000	$
2002 SERIES A	36,535,000			615,000	35,920,000	
2002 SERIES B	33,445,000			4,355,000	29,090,000	14,076
2002 SERIES C	10,415,000		515,000	165,000	9,735,000	513,317
2002 SERIES D	4,630,000		850,000	195,000	3,585,000	832,009
2004 SERIES A	104,030,000		3,690,000	7,975,000	92,365,000	2,975,464
2004 SERIES B	53,000,000				53,000,000	
2004 SERIES A (Jr Lien)	3,855,000				3,855,000	
2004 SERIES C	31,785,000		280,000	4,310,000	27,195,000	214,900
2004 SERIES D	35,000,000				35,000,000	
2004 SERIES E	7,925,000		1,065,000	245,000	6,615,000	1,047,304
2005 SERIES A	94,860,000			4,035,000	90,825,000	
2005 SERIES B	17,435,000		645,000	1,370,000	15,420,000	563,278
2005 SERIES C	7,215,000			605,000	6,610,000	
2005 SERIES D	3,040,000				3,040,000	
2006 SERIES A	57,830,000		475,000	1,880,000	55,475,000	530,200
2006 SERIES B	67,990,000		1,450,000	2,205,000	64,335,000	1,535,603
2006 SERIES C	102,010,000		1,525,000	3,320,000	97,165,000	1,798,847
2006 SERIES D	24,120,000			2,435,000	21,685,000	(58,613)
2006 SERIES E	15,275,000		1,280,000		13,995,000	1,225,128
2006 SERIES F	80,500,000		505,000	2,730,000	77,265,000	657,602
2006 SERIES G	14,265,000		1,105,000	90,000	13,070,000	1,225,000
2006 SERIES H	36,000,000				36,000,000	
2007 SERIES A	141,070,000			4,255,000	136,815,000	(34,208)
2007 SERIES B	157,055,000			1,435,000	155,620,000	1,593,983
1998 SERIES A	36,290,000		1,070,000	3,085,000	32,135,000	1,065,000
1998 SERIES B	6,350,000			550,000	5,800,000	
1999 SERIES A	4,885,000		155,000	685,000	4,045,000	(9,623)
1999 SERIES B-1	20,825,000		135,000	20,690,000		
1999 SERIES C	3,485,000			3,485,000		
2000 SERIES A	15,305,000		240,000	1,100,000	13,965,000	(7,293)
2000 SERIES B	44,335,000		245,000	4,320,000	39,770,000	8,352
2000 SERIES C	8,530,000			145,000	8,385,000	
2000 SERIES D	6,140,000		575,000	180,000	5,385,000	620,000
2001 SERIES A	30,680,000		505,000	4,075,000	26,100,000	442,622
2001 SERIES B	12,180,000			820,000	11,360,000	
2001 SERIES C	7,745,000		1,025,000	495,000	6,225,000	965,667
2001 SERIES D	230,000			230,000		
2002 SERIES A	29,165,000		480,000	2,030,000	26,655,000	457,617
2003 SERIES A	59,285,000		915,000	3,230,000	55,140,000	838,000
2009 SERIES A		80,000,000			80,000,000	55,750
2009 SERIES B		22,605,000			22,605,000	574,066
1992 SERIES A-C	10,400,000			1,300,000	9,100,000	7,120
Total Single Family Bonds	1,439,255,000	102,605,000	18,730,000	88,785,000	1,434,345,000	19,651,166
1996 SERIES A&B (BRIGHTON'S MARK)	$ 8,075,000	$	$	$	$ 8,075,000	$
1996 SERIES A&B (BRAXTON'S MARK)	14,273,700				14,273,700	
1987 SOUTH TEXAS RENTAL HOUSING	519,736		84,131	435,605		
1998 SERIES (PEBBLE BROOK)	9,670,000		205,000		9,465,000	215,000
1998 SERIES A-C (RESIDENCE OAKS)	7,257,000		159,000		7,098,000	169,000
1998 SERIES (GREENS-HICKORY TRAIL)	12,085,000		250,000		11,835,000	270,000
1999 SERIES (MAYFIELD)	10,198,000		222,000		9,976,000	235,000
2000 SERIES (TIMBER POINT APTS)	7,570,000			100,000	7,470,000	
2000 SERIES A/B (OAKS at HAMPTON)	9,679,198		81,651		9,597,547	89,000
2000 SERIES (DEERWOOD APTS)	5,980,000		95,000		5,885,000	105,000
2000 SERIES (CREEK POINT APTS)	6,470,000			105,000	6,365,000	
2000 SERIES A/B (PARKS at WESTMORELAND)	9,631,280		80,038		9,551,242	87,000
2000 SERIES A-C (HIGHLAND MEADOW APTS)	8,444,000		130,000		8,314,000	139,000

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-B (Continued)
MISCELLANEOUS BOND INFORMATION - CHANGES IN BOND INDEBTEDNESS (Continued)
For the fiscal year ended August 31, 2009

Description of Issue	Bonds Outstanding 09/01/08	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2009	Amounts Due Within One Year
2000 SERIES A/B (GREENBRIDGE @ BUCKINGHM)	$ 19,557,459	$	$ 83,384	$	$ 19,474,075	$ 167,000
2000 SERIES A-C (COLLINGHAM PARK APTS)	12,761,000		208,000		12,553,000	230,000
2000 SERIES A/B (WILLIAMS RUN APTS)	12,417,289				12,417,289	302,000
2001 SERIES (BLUFF SENIOR APTS)	10,429,654		64,013		10,365,641	69,000
2001 SERIES (KNOLLWOOD VILLAS APTS)	13,402,593		82,259		13,320,333	89,000
2001 SERIES A (SKYWAY VILLAS)	7,440,000		120,000		7,320,000	130,000
2001 SERIES A/B (COBB PARK APTS)	7,606,900		22,597		7,584,303	74,000
2001 SERIES A (GREENS ROAD APTS)	7,940,000		130,000		7,810,000	135,000
2001 SERIES A/B (MERIDIAN APARTMENTS)	13,700,000		136,000	5,079,000	8,485,000	72,000
2001 SERIES A/B (WILDWOOD BRANCH	13,750,000		135,000	7,043,000	6,572,000	60,000
2001 SERIES A-C (FALLBROOK APTS)	14,035,000		220,000		13,815,000	235,000
2001 SERIES (OAK HOLLOW APTS)	6,340,877		42,805		6,298,072	46,000
2001 SERIES A/B (HILLSIDE APTS)	12,555,798		47,455		12,508,343	83,000
2001 SERIES A (MILLSTONE APTS)	10,410,000		175,000		10,235,000	185,000
2002 SERIES (SUGARCREEK APTS)	11,635,000		85,000		11,550,000	80,589
2002 SERIES (WEST OAKS APTS)	9,515,512		61,599		9,453,913	66,000
2002 SERIES (PARK MEADOWS APTS)	4,275,000		70,000		4,205,000	65,000
2002 SERIES (CLARKRIDGE VILLAS APTS)	13,709,324		86,859		13,622,465	93,000
2002 SERIES A (HICKORY TRACE APTS)	11,334,436		71,359		11,263,077	77,000
2002 SERIES A (GREEN CREST APTS)	11,285,091		71,048		11,214,042	76,000
2002 SERIES A/B (IRON WOOD CROSSING)	16,779,045		79,476		16,699,569	87,000
2002 SERIES A (WOODWAY VILLAGE)	7,535,000		115,000		7,420,000	120,000
2003 SERIES A/B (READING ROAD)	11,960,000		20,000	100,000	11,840,000	30,000
2003 SERIES A/B (NORTH VISTA)	12,710,000		210,000		12,500,000	210,000
2003 SERIES A/B (WEST VIRGINIA)	9,170,000		150,000		9,020,000	155,000
2003 SERIES A/B (SPHINX @ MURDEAUX)	14,550,000		170,000		14,380,000	180,000
2003 SERIES A/B (PRIMROSE HOUSTON)	16,472,652		85,486		16,387,166	93,000
2003 SERIES A/B (TIMBER OAKS)	13,041,462		61,270		12,980,191	67,000
2003 SERIES A/B (ASH CREEK APTS)	16,198,740		86,316		16,112,424	94,000
2003 SERIES A/B (PENINSULA APTS)	11,965,000		160,000	25,000	11,780,000	150,000
2003 SERIES A (EVERGREEN @ MESQUITE)	10,746,268		116,987		10,629,280	125,000
2003 SERIES A/B (ARLINGTON VILLAS)	16,979,400		80,492		16,898,908	87,000
2003 SERIES A/B (PARKVIEW TWNHMS)	16,402,240		86,460		16,315,780	94,000
2003 SERIES (NHP-ASMARA)REFUNDING	20,930,000		380,000		20,550,000	390,657
2004 SERIES A/B (TIMBER RIDGE)	6,633,914		36,651		6,597,263	39,000
2004 SERIES A/B (CENTURY PARK)	12,455,000		170,000		12,285,000	185,000
2004 SERIES A/B (VETERANS MEMORIAL)	16,114,036		86,135		16,027,900	94,000
2004 SERIES (RUSH CREEK)	8,771,086		52,265		8,718,821	56,000
2004 SERIES (HUMBLE PARK)	11,510,000		110,000		11,400,000	110,000
2004 SERIES (CHISHOLM TRAIL)	11,900,000			200,000	11,700,000	
2004 SERIES (EVERGREEN @ PLANO)	14,657,580		85,020		14,572,560	91,000
2004 SERIES (MONTGOMERY PINES)	12,300,000				12,300,000	
2004 SERIES (BRISTOL)	12,300,000			100,000	12,200,000	
2004 SERIES (PINNACLE)	14,265,000			100,000	14,165,000	
2004 SERIES (TRANQUILITY BAY)	14,167,831		89,894		14,077,936	96,000
2004 SERIES (SPHINX @ DELAFIELD)	11,135,000		110,000		11,025,000	110,000
2004 SERIES (CHURCHILL @ PINNACLE)	10,027,469		71,664		9,955,805	77,000
2004 SERIES A/B (POST OAK EAST)	13,600,000				13,600,000	
2004 SERIES (VILLAGE FAIR)	13,969,946		85,051		13,884,895	91,000
2005 SERIES (PECAN GROVE)	13,907,399		84,172		13,823,227	90,000
2005 SERIES (PRAIRIE OAKS)	10,953,440		66,293		10,887,147	71,000
2005 SERIES (PORT ROYAL)	12,099,280		72,799		12,026,481	78,000
2005 SERIES (MISSION DEL RIO)	11,395,141		68,562		11,326,579	73,000
2005 SERIES (ATASCOCITA)	11,900,000			200,000	11,700,000	
2005 SERIES (TOWER RIDGE)	15,000,000				15,000,000	
2005 SERIES (ALTA CULLEN)	14,000,000			14,000,000		
2005 SERIES (PRAIRIE RANCH)	12,050,000		115,000		11,935,000	125,000
2005 SERIES (ST. AUGUSTINE)	7,650,000			500,000	7,150,000	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-B (Continued)
MISCELLANEOUS BOND INFORMATION - CHANGES IN BOND INDEBTEDNESS (Continued)
For the fiscal year ended August 31, 2009

Description of Issue	Bonds Outstanding 09/01/08	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2009	Amounts Due Within One Year
2005 SERIES (PARK MANOR)	$ 10,400,000	$	$	$	$ 10,400,000	$
2005 SERIES (PROVIDENCE @ MOCKINGBIRD)	14,280,115		85,150		14,194,965	91,000
2005 SERIES (PLAZA CHASE OAKS)	14,112,269		215,470		13,896,799	227,000
2005 SERIES (CANAL PLACE)	16,100,000				16,100,000	56,000
2006 SERIES (CORAL HILLS)	5,070,000		75,000		4,995,000	70,000
2006 SERIES (HARRIS BRANCH)	15,000,000			100,000	14,900,000	
2006 SERIES (BELLA VISTA)	6,785,000		45,000		6,740,000	45,000
2006 SERIES (VILLAGE PARK)	13,660,000		140,000	2,955,000	10,565,000	150,000
2006 SERIES (OAKMOOR)	14,635,000		74,444	140,000	14,420,556	94,000
2006 SERIES (SUNSET POINTE)	15,000,000				15,000,000	
2006 SERIES (HILLCREST)	12,435,000				12,435,000	175,000
2006 SERIES (PLEASANT VILLAGE)	5,971,232		74,333		5,896,900	79,000
2006 SERIES (GROVE VILLAGE)	6,150,369		76,562		6,073,807	81,000
2006 SERIES (RED HILLS)	5,015,000			100,000	4,915,000	
2006 SERIES (CHAMPION'S CROSSING)	5,025,000				5,025,000	
2006 SERIES (STONEHAVEN)	11,300,000		61,207		11,238,793	77,000
2006 SERIES (CENTER RIDGE)	8,325,000				8,325,000	120,000
2006 SERIES (MEADOWLANDS)	13,500,000		6,232	1,090,000	12,403,768	77,000
2006 SERIES (EAST TEXAS PINES)	13,500,000				13,500,000	
2006 SERIES (VILLAS @ HENDERSON)	7,200,000				7,200,000	47,000
2006 SERIES (ASPEN PARKS)	9,800,000				9,800,000	105,000
2006 SERIES (IDLEWILDE)	14,250,000				14,250,000	77,000
2007 SERIES (LANDCASTER)	14,250,000				14,250,000	
2007 SERIES (PARK PLACE AT LOYOLA)	15,000,000				15,000,000	
2007 SERIES (TERRACE AT CIBOLO)	8,000,000				8,000,000	
2007 SERIES (SANTORA VILLAS)	13,072,000				13,072,000	
2007 SERIES (A/B VILLAS @ MESQUITE)	16,860,000				16,860,000	210,000
2007 SERIES (SUMMIT POINT)	11,700,000				11,700,000	165,000
2007 SERIES (COSTA RIALTO)	12,385,000				12,385,000	
2007 SERIES (WINDSHIRE)	14,000,000				14,000,000	
2007 SERIES (RESIDENCES @ ONION CREEK)	15,000,000				15,000,000	
2008 SERIES (WEST OAKS APTS)	13,125,000				13,125,000	
2008 SERIES (COSTA IBIZA APTS)	13,900,000				13,900,000	
2008 SERIES (ADDISON PARKS APTS)	14,000,000			100,000	13,900,000	
2008 SERIES (ALTA CULLEN)		14,000,000			14,000,000	
2009 SERIES (COSTA MARIPOSA)		13,690,000			13,690,000	
2009 SERIES (WOODMONT APTS)		15,000,000			15,000,000	
Total Multifamily Bonds	$ 1,220,961,762	$ 42,690,000	$ 7,177,590	$ 32,472,605	$ 1,224,001,567	$ 8,858,246
	$ 2,660,216,762	**$ 145,295,000**	**$ 25,907,590**	**$ 121,257,605**	**$ 2,658,346,567 (a)**	**$ 28,509,412**

FOOTNOTES:

(a) Bonds Outstanding balance at 8/31/09 does not include unamortized premium or discounts.

Bonds Outstanding per schedule	$ 2,658,346,567
Unamortized (Discount)/Premium:	
Single Family	12,241,388
RMRB	1,896,167
CHMRB	179,207
Multi-Family	(507,920)
Unamortized Deferred Gain/(Loss) on Refunding:	
Single Family	(2,416,171)
RMRB	(879,588)
Deferred Amount on Refunding	-
Bonds Outstanding per Exhibit V	**$ 2,668,859,650**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2009
(Amounts in Thousands)

DESCRIPTION	2010	2011	2012	2013	2014
2002 SINGLE FAMILY, SERIES A JUNIOR LIEN	$	$	$	$	$
2002 SINGLE FAMILY, SERIES A JUNIOR LIEN	280	280	280	280	280
2002 SINGLE FAMILY, SERIES A					
2002 SINGLE FAMILY, SERIES A	1,977	1,977	1,977	1,977	1,977
2002 SINGLE FAMILY, SERIES B					
2002 SINGLE FAMILY, SERIES B	1,590	1,590	1,590	1,590	1,590
2002 SINGLE FAMILY, SERIES C	530	565	600	1,290	1,365
2002 SINGLE FAMILY, SERIES C	470	444	416	368	298
2002 SINGLE FAMILY, SERIES D	840	865	915	965	
2002 SINGLE FAMILY, SERIES D	121	84	43		
2004 SINGLE FAMILY, SERIES A	2,915	2,940	3,050	3,310	4,550
2004 SINGLE FAMILY, SERIES A	4,084	3,978	3,861	3,730	3,565
2004 SINGLE FAMILY, SERIES B					
2004 SINGLE FAMILY, SERIES B	175	175	175	175	175
2004 SINGLE FAMILY, SERIES A (JUNIOR LIEN)					
2004 SINGLE FAMILY, SERIES A (JUNIOR LIEN)	12	12	12	12	12
2004 SINGLE FAMILY, SERIES C	195	205	215	230	245
2004 SINGLE FAMILY, SERIES C	1,272	1,262	1,251	1,240	1,228
2004 SINGLE FAMILY, SERIES D					
2004 SINGLE FAMILY, SERIES D	105	105	105	105	105
2004 SINGLE FAMILY, SERIES E	1,085	1,130	1,190	1,245	1,305
2004 SINGLE FAMILY, SERIES E	232	191	146	96	43
2005 SINGLE FAMILY,SERIES A			1,575	2,215	2,305
2005 SINGLE FAMILY,SERIES A	291	291	288	280	273
2005 SINGLE FAMILY,SERIES B	640	665	700	720	725
2005 SINGLE FAMILY,SERIES B	670	643	615	585	554
2005 SINGLE FAMILY,SERIES C					
2005 SINGLE FAMILY,SERIES C	21	21	21	21	21
2005 SINGLE FAMILY,SERIES D					
2005 SINGLE FAMILY,SERIES D	152	152	152	152	152
2006 SINGLE FAMILY, SERIES A	495	530	570	610	650
2006 SINGLE FAMILY, SERIES A	2,755	2,729	2,701	2,671	2,639
2006 SINGLE FAMILY, SERIES B	1,480	1,540	1,605	1,680	1,760
2006 SINGLE FAMILY, SERIES B	3,162	3,085	3,006	2,923	2,836
2006 SINGLE FAMILY, SERIES C	1,560	1,640	1,725	1,825	1,910
2006 SINGLE FAMILY, SERIES C	4,920	4,837	4,750	4,657	4,561

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C (Continued)
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2009
(Amounts in Thousands)

2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	TOTAL REQUIRED
$	$	$ 3,995	$	$	$	$	$ 3,995
1,400	1,400	351					4,551
	13,125	7,225	15,570				35,920
9,885	9,044	4,866	3,654				37,334
		5,350	23,740				29,090
7,950	7,950	7,442	3,763				35,055
5,385							9,735
431							2,427
							3,585
							248
12,430	14,140	17,120	20,785	11,125			92,365
16,117	13,141	9,454	4,924	325			63,179
8,680	11,530	13,955	16,955	1,880			53,000
805	629	419	160				2,888
				3,855			3,855
60	60	60	60	33			333
3,905	5,975	5,875	7,405	2,945			27,195
5,666	4,534	3,131	1,556	89			21,229
6,255	8,160	8,030	10,165	2,390			35,000
474	366	243	109	3			1,720
660							6,615
64							772
12,970	15,770	19,180	23,320	13,490			90,825
1,245	1,014	732	389	43			4,846
4,300	5,380	2,290					15,420
2,217	1,100	80					6,464
6,610							6,610
64							169
		1,945	820	275			3,040
760	760	501	160	9			2,950
3,975	5,530	7,250	11,635	24,230			55,475
12,633	11,431	9,821	7,638	1,950			56,968
10,010	12,290	15,555	17,475	940			64,335
12,736	9,936	6,428	2,078				46,190
11,095	14,365	18,515	23,885	20,645			97,165
21,176	17,888	13,645	8,172	1,639			86,245

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2009
(Amounts in Thousands)

DESCRIPTION	2010	2011	2012	2013	2014
2006 SINGLE FAMILY, SERIES D	$	$	$	$	$
2006 SINGLE FAMILY, SERIES D	983	983	983	983	983
2006 SINGLE FAMILY, SERIES E	1,315	1,370	1,420	1,480	1,545
2006 SINGLE FAMILY, SERIES E	525	472	416	356	294
2006 SINGLE FAMILY, SERIES F	530	565	585	620	660
2006 SINGLE FAMILY, SERIES F	4,043	4,011	3,978	3,943	3,906
2006 SINGLE FAMILY, SERIES G	1,225	1,290	1,365	1,455	1,535
2006 SINGLE FAMILY, SERIES G	522	472	418	358	294
2006 SINGLE FAMILY, SERIES H					
2006 SINGLE FAMILY, SERIES H	115	115	115	115	115
2007 SINGLE FAMILY, SERIES A		1,535	2,860	3,005	3,170
2007 SINGLE FAMILY, SERIES A	438	435	426	416	407
2007 SINGLE FAMILY, SERIES B	1,450	2,285	2,390	2,500	2,605
2007 SINGLE FAMILY, SERIES B	8,088	7,985	7,877	7,762	7,640
Total Single Family Bonds	51,263	53,454	56,367	57,945	58,278
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES A	1,065				
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES A	1,672	1,642	1,642	1,642	1,642
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES B					
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES B	307	307	307	307	307
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES A					
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES A	216	216	216	216	216
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES A					
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES A	876	876	876	876	876
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES B					
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES B	2,317	2,317	2,317	2,317	2,317
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES C					
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES C	489	489	489	489	489
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES D	620	660	700	765	820
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES D	278	246	211	172	130
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES A	435	60	55	70	80
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES A	1,392	1,380	1,377	1,373	1,369
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES B		680	720	760	785
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES B	585	571	536	499	461
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES C	1,005	1,035	1,090	1,170	1,225
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES C	250	206	159	121	65

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2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	TOTAL REQUIRED
$ 2,335	$ 8,985	$ 10,365	$	$	$	$	$ 21,685
4,811	3,322	1,023					14,071
6,865							13,995
463							2,526
3,970	11,790	15,945	21,320	21,280			77,265
18,937	16,752	13,099	8,176	1,924			78,769
6,115	85						13,070
584							2,648
3,145	5,780	7,725	10,335	9,015			36,000
557	478	368	223	43			2,244
18,615	24,325	31,820	26,585	24,900			136,815
1,863	1,516	1,064	591	139			7,295
16,280	19,845	25,765	33,570	43,835	5,095		155,620
36,008	31,345	25,268	17,273	6,855			156,101
300,506	309,741	315,900	322,491	193,857	5,095		1,724,897
6,945		4,035	20,090				32,135
7,784	6,385	6,349	1,240				29,998
	5,800						5,800
1,535	775						3,845
875	3,170						4,045
1,031	236						2,347
3,560			10,405				13,965
4,259	3,280	3,280	1,199				16,398
		12,000	27,770				39,770
11,585	11,585	8,677	4,913				48,345
	4,710	3,675					8,385
2,445	1,299	76					6,265
855	965						5,385
308	20						1,365
430	3,665	10,255	11,050				26,100
6,778	6,483	4,457	1,312				25,921
4,765	3,650						11,360
1,636	310						4,598
700							6,225
14							815

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DESCRIPTION	2010	2011	2012	2013	2014
2002 RESIDENTIAL MTG REVENUE BONDS, SERIES A	$ 440	$ 450	$ 470	$ 515	$ 525
2002 RESIDENTIAL MTG REVENUE BONDS, SERIES A	1,400	1,380	1,358	1,333	1,306
2003 RESIDENTIAL MTG REVENUE BONDS, SERIES A	840	865	890	910	1,020
2003 RESIDENTIAL MTG REVENUE BONDS, SERIES A	2,681	2,647	2,612	2,574	2,538
2009 RESIDENTIAL MTG REVENUE BONDS, SERIES A		360	715	695	680
2009 RESIDENTIAL MTG REVENUE BONDS, SERIES A	4,106	4,105	4,095	4,081	4,064
2009 RESIDENTIAL MTG REVENUE BONDS, SERIES B	600	905	1,250	1,355	1,460
2009 RESIDENTIAL MTG REVENUE BONDS, SERIES B	1,064	1,048	1,004	950	889
Total Residential Mtg Revenue Bonds	22,638	22,445	23,089	23,190	23,264
1992 COLL HOME MTG REV BONDS, SERIES C					
1992 COLL HOME MTG REV BONDS, SERIES C	624	624	626	624	624
Total Coll Home Mtg Revenue Bonds	624	624	626	624	624
1996 MF SERIES A&B (BRIGHTON'S MARK)					
1996 MF SERIES A&B (BRIGHTON'S MARK)	495	495	495	495	495
1996 MF SERIES A&B (BRAXTON'S MARK)					
1996 MF SERIES A&B (BRAXTON'S MARK)	829	829	829	829	829
1998 MF SERIES (PEBBLE BROOK APARTMENTS)	215	225	245	255	275
1998 MF SERIES (PEBBLE BROOK APARTMENTS)	519	508	495	481	467
1998 MF SERIES A-C (RESIDENCE AT THE OAKS)	169	180	189	202	
1998 MF SERIES A-C (RESIDENCE AT THE OAKS)	420	410	399	387	381
1998 MF SERIES A&B (GREENS OF HICKORY TRAIL)	270	290	310	335	355
1998 MF SERIES A&B (GREENS OF HICKORY TRAIL)	624	608	590	571	553
1999 MF SERIES A-C (MAYFIELD)	235	248	263	279	294
1999 MF SERIES A-C (MAYFIELD)	562	548	534	518	502
2000 MF SERIES (TIMBER POINT APTS)					
2000 MF SERIES (TIMBER POINT APTS)	29	29	29	29	29
2000 MF SERIES A&B (OAKS AT HAMPTON)	89	96	104	111	120
2000 MF SERIES A&B (OAKS AT HAMPTON)	689	681	674	667	658
2000 MF SERIES (DEERWOOD APTS)	105	115	120		
2000 MF SERIES (DEERWOOD APTS)	372	365	359	354	354
2000 MF SERIES (CREEK POINT APTS)					
2000 MF SERIES (CREEK POINT APTS)	25	25	25	25	25
2000 MF SERIES PARKS AT (WESTMORELAND)	87	94	101	108	116
2000 MF SERIES PARKS AT (WESTMORELAND)	809	801	793	784	774
2000 A/C MF SERIES (HIGHLAND MEADOWS)	139	149	159	170	182
2000 A/C MF SERIES (HIGHLAND MEADOWS)	556	546	536	524	512

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2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	TOTAL REQUIRED
$ 3,025	$ 3,680	$ 7,935	$ 9,615	$	$	$	$ 26,655
6,078	5,218	3,756	1,244				23,073
5,880	7,960	15,950	20,825				55,140
11,890	10,290	7,383	2,797				45,412
3,520	6,070	18,565	18,860	30,535			80,000
19,979	19,348	15,903	10,811	5,430			91,922
8,875	8,160						22,605
3,275	685						8,915
118,027	113,744	122,296	142,131	35,965			646,789
	9,100						9,100
3,122	3,024						9,268
3,122	12,124						18,368
		8,075					8,075
2,475	2,475	990					8,415
		14,274					14,274
4,145	4,145	1,666					14,101
1,665	2,290	3,150	1,145				9,465
2,077	1,536	785	50				6,918
			6,358				7,098
1,905	1,905	1,905	478				8,190
2,120	2,880	3,875	1,400				11,835
2,459	1,820	953	70				8,248
1,750	2,323	3,084	1,500				9,976
2,228	1,653	887	89				7,521
			7,470				7,470
145	145	145	90				670
744	1,067	1,528	2,187	3,132	419		9,597
3,145	2,823	2,362	1,702	758	8		14,167
	1,305		4,240				5,885
1,770	1,438	1,355	952				7,319
			6,365				6,365
125	125	125	73				573
724	1,037	1,484	2,124	3,040	636		9,551
3,702	3,334	2,805	2,048	967	26		16,843
1,112	1,557	2,170	2,676				8,314
2,353	1,904	1,277	411				8,619

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DESCRIPTION	2010	2011	2012	2013	2014
2000 A&B MF SERIES (GREENBRIDGE)	$ 167	$ 148	$ 159	$ 171	$ 184
2000 A&B MF SERIES (GREENBRIDGE)	3,416	1,421	1,410	1,397	1,384
2000 A/C MF SERIES (COLLINGHAM PARK)	230	244	259	274	291
2000 A/C MF SERIES (COLLINGHAM PARK)	905	888	869	850	829
2000 A&B MF SERIES (WILLIAMS RUN)	302	106	115	124	133
2000 A&B MF SERIES (WILLIAMS RUN)	1,545	923	915	905	896
2001A MF SERIES (BLUFFVIEW SR. APTS.)	69	74	80	87	93
2001A MF SERIES (BLUFFVIEW SR. APTS.)	889	883	876	869	861
2001A MF SERIES (KNOLLWOOD VILLAS APTS)	89	96	103	111	120
2001A MF SERIES (KNOLLWOOD VILLAS APTS)	1,149	1,142	1,134	1,126	1,116
2001A MF SERIES (SKYWAY VILLAS)	130	135	145	150	160
2001A MF SERIES (SKYWAY VILLAS)	406	399	391	383	375
2001A MF SERIES (COBB PARK)	74	56	60	64	69
2001A MF SERIES (COBB PARK)	1,194	590	585	581	575
2001 MF SERIES (GREENS ROAD APTS.)	135	145	155	165	175
2001 MF SERIES (GREENS ROAD APTS.)	415	408	400	391	382
2001 MF SERIES (MERIDIAN APTS.)	72	75	84	84	94
2001 MF SERIES (MERIDIAN APTS.)	507	502	498	493	487
2001 MF SERIES (WILDWOOD APTS.)	60	60	67	72	72
2001 MF SERIES (WILDWOOD APTS.)	392	389	385	381	376
2001 A/C MF SERIES (FALLBROOK APTS.)	235	251	268	283	302
2001 A/C MF SERIES (FALLBROOK APTS.)	831	815	800	783	765
2001 MF SERIES (OAK HOLLOW APTS.)	46	49	53	57	61
2001 MF SERIES (OAK HOLLOW APTS.)	439	436	432	428	424
2001 A/B MF SERIES (HILLSIDE APTS.)	83	96	103	110	118
2001 A/B MF SERIES (HILLSIDE APTS.)	873	866	859	852	844
2002 MF SERIES (MILLSTONE APTS.)	185	195	215	215	230
2002 MF SERIES (MILLSTONE APTS.)	558	548	537	525	513
2002 MF SERIES (SUGAR CREEK APTS.)	90	100	105	110	120
2002 MF SERIES (SUGAR CREEK APTS.)	691	685	679	673	666
2002 MF SERIES (WEST OAKS APTS.)	66	71	76	82	88
2002 MF SERIES (WEST OAKS APTS.)	706	701	696	690	683
2002 MF SERIES (PARK MEADOWS APTS.)	65	80	80	85	90
2002 MF SERIES (PARK MEADOWS APTS.)	273	268	263	257	251

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$ 1,156	$ 1,671	$ 2,418	$ 3,495	$ 5,053	$ 4,852	$	$ 19,474
6,686	6,167	5,416	4,332	2,763	328		34,720
1,745	2,368	3,234	3,908				12,553
3,790	3,046	2,033	655				13,865
843	1,236	1,809	2,648	3,877	1,224		12,417
4,302	3,911	3,337	2,498	1,268	63		20,563
591	861	1,258	1,838	2,685	2,730		10,366
4,167	3,859	3,409	2,753	1,797	325		20,688
759	1,107	1,617	2,364	3,450	3,505		13,321
5,417	5,050	4,516	3,735	2,593	490		27,468
965	1,290	1,735	2,340	270			7,320
1,723	1,412	990	421	5			6,505
435	618	909	1,316	1,904	2,079		7,584
2,782	2,575	2,275	1,839	1,209	243		14,448
1,045	1,420	1,930	2,640				7,810
1,756	1,432	986	374				6,544
551	788	1,065	5,662	10			8,485
2,342	2,145	1,866	252	1			9,093
450	606	5,180		5			6,572
1,807	1,649	1,367	5	1			6,752
1,808	2,437	3,285	4,427	519			13,815
3,518	2,882	2,020	860	8			13,282
376	533	755	1,071	1,518	1,779		6,298
2,049	1,892	1,666	1,349	899	211		10,225
733	1,040	1,472	2,087	2,959	3,708		12,509
4,076	3,770	3,333	2,714	1,835	446		20,468
1,350	1,765	2,320	3,045	715			10,235
2,356	1,933	1,373	636	18			8,997
345					10,680		11,550
3,232	3,205	3,205	3,205	3,205	1,495		20,941
547	782	1,117	1,595	2,278	2,752		9,454
3,303	3,056	2,703	2,197	1,476	360		16,571
550	760	1,050	1,445				4,205
1,158	945	651	248				4,314

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DESCRIPTION	2010	2011	2012	2013	2014
2002 SERIES (CLARKRIDGE VILLAS APTS)	$ 93	$ 100	$ 107	$ 115	$ 123
2002 SERIES (CLARKRIDGE VILLAS APTS)	950	943	936	928	920
2002 SERIES A (HICKORY TRACE APTS)	77	82	88	94	101
2002 SERIES A (HICKORY TRACE APTS)	786	780	774	768	761
2002 SERIES A (GREEN CREST APTS)	76	82	88	94	101
2002 SERIES A (GREEN CREST APTS)	782	777	771	764	757
2002 SERIES A/B (IRON WOOD CROSSING)	87	95	103	113	123
2002 SERIES A/B (IRON WOOD CROSSING)	1,195	1,187	1,178	1,169	1,158
2002 SERIES A (WOODWAY VILLAGE)	120	130	135	145	155
2002 SERIES A (WOODWAY VILLAGE)	380	374	368	361	353
2003 SERIES A/B (READING ROAD)	30	30	30	30	30
2003 SERIES A/B (READING ROAD)	164	162	160	157	155
2003 SERIES A/B (NORTH VISTA)	210	230	240	250	260
2003 SERIES A/B (NORTH VISTA)	623	613	603	592	581
2003 SERIES A/B (WEST VIRGINIA)	155	165	165	180	190
2003 SERIES A/B (WEST VIRGINIA)	450	443	435	428	419
2003 SERIES A/B (SPHINX @ MURDEAUX)	180	185	195	205	215
2003 SERIES A/B (SPHINX @ MURDEAUX)	2,013	2,022	2,031	2,041	2,051
2003 SERIES A/B (PRIMROSE HOUSTON)	93	101	109	118	128
2003 SERIES A/B (PRIMROSE HOUSTON)	1,083	1,075	1,067	1,058	1,048
2003 SERIES A/B (TIMBER OAKS)	67	73	80	87	95
2003 SERIES A/B (TIMBER OAKS)	915	909	902	895	887
2003 SERIES A/B (ASH CREEK APTS)	94	101	110	119	129
2003 SERIES A/B (ASH CREEK APTS)	1,075	1,067	1,059	1,049	1,040
2003 SERIES A/B (PENINSULA APTS)	150	180	190	205	215
2003 SERIES A/B (PENINSULA APTS)	614	605	596	587	576
2003 SERIES (EVERGREEN @ MESQUITE)	125	133	142	151	161
2003 SERIES (EVERGREEN @ MESQUITE)	729	720	711	701	691
2003 SERIES A/B (ARLINGTON VILLAS)	87	95	102	111	120
2003 SERIES A/B (ARLINGTON VILLAS)	1,161	1,153	1,145	1,137	1,128
2003 SERIES A/B (PARKVIEW TWNHMS)	94	102	111	121	132
2003 SERIES A/B (PARKVIEW TWNHMS)	1,098	1,089	1,080	1,070	1,059
2003 SERIES (NHP-ASMARA)REFUNDING	400	430	450	480	510
2003 SERIES (NHP-ASMARA)REFUNDING	51	50	49	48	47
2004 SERIES A/B (TIMBER RIDGE)	39	42	45	48	52
2004 SERIES A/B (TIMBER RIDGE)	444	441	438	435	432

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$ 764	$ 1,081	$ 1,533	$ 2,173	$ 3,080	$ 4,453	$	$ 13,622
4,451	4,131	3,678	3,033	2,120	683		22,773
626	889	1,260	1,785	2,531	3,730		11,263
3,682	3,420	3,045	2,517	1,767	592		18,892
624	884	1,255	1,778	2,521	3,711		11,214
3,666	3,405	3,033	2,506	1,759	590		18,810
804	1,218	1,737	2,461	3,490	6,469		16,700
5,601	5,183	4,663	3,933	2,899	1,113		29,279
905	5,830						7,420
1,642	1,078						4,556
210	285	400	565	10,230			11,840
738	658	542	382	88			3,206
1,540	2,010	2,635	3,450	1,675			12,500
2,686	2,235	1,649	880	86			10,548
1,095	1,450	1,905	2,500	1,215			9,020
1,941	1,621	1,195	638	59			7,629
1,240	1,575	1,990	2,550	3,245	2,800		14,380
3,174	2,841	2,415	1,869	1,162	288		21,907
822	1,192	1,660	2,311	9,854			16,388
5,060	4,700	4,243	3,605	1,161			24,100
620	959	1,418	1,988	2,782	4,811		12,980
4,285	3,944	3,483	2,911	2,112	883		22,126
826	1,176	1,645	2,304	9,609			16,113
5,019	4,675	4,214	3,565	954			23,717
1,305	1,760	7,775					11,780
2,697	2,289	34					7,998
979	1,347	1,852	2,549	1,744	1,446		10,629
3,277	2,898	2,376	1,657	835	304		14,899
770	1,144	1,628	2,297	10,546			16,900
5,470	5,096	4,621	3,962	1,500			26,373
856	1,235	1,717	2,385	3,315	6,249		16,317
5,100	4,720	4,236	3,564	2,630	1,231		26,877
3,045	4,080	5,465	5,690				20,550
213	170	111	34				773
322	454	642	910	4,043			6,597
2,098	1,968	1,784	1,524	494			10,058

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2004 SERIES A/B (CENTURY PARK)	$ 185	$ 190	$ 200	$ 210	$ 230
2004 SERIES A/B (CENTURY PARK)	657	647	636	625	614
2004 SERIES A/B (VETERANS MEMORIAL)	94	102	111	121	132
2004 SERIES A/B (VETERANS MEMORIAL)	1,073	1,065	1,056	1,046	1,035
2004 SERIES (RUSH CREEK)	56	60	64	68	73
2004 SERIES (RUSH CREEK)	582	578	574	570	565
2004 SERIES (HUMBLE PARK)	110	120	130	135	145
2004 SERIES (HUMBLE PARK)	749	742	734	725	716
2004 SERIES (CHISHOLM TRAIL)					
2004 SERIES (CHISHOLM TRAIL)	42	42	42	42	42
2004 SERIES (EVERGREEN @ PLANO)	91	97	103	110	118
2004 SERIES (EVERGREEN @ PLANO)	951	945	939	932	924
2004 SERIES (MONTGOMERY PINES)					
2004 SERIES (MONTGOMERY PINES)	44	44	44	44	44
2004 SERIES (BRISTOL)					
2004 SERIES (BRISTOL)	44	44	44	44	44
2004 SERIES (PINNACLE)					
2004 SERIES (PINNACLE)	51	51	51	51	51
2004 SERIES (TRANQUILITY BAY)	96	102	109	117	124
2004 SERIES (TRANQUILITY BAY)	912	905	898	891	883
2004 SERIES (SPHINX @ DELAFIELD)	110	120	125	135	140
2004 SERIES (SPHINX @ DELAFIELD)	577	572	566	559	552
2004 SERIES (CHURCHILL @ PINNACLE)	77	82	87	93	99
2004 SERIES (CHURCHILL @ PINNACLE)	649	644	639	633	626
2004 SERIES A/B (POST OAK EAST)					
2004 SERIES A/B (POST OAK EAST)	50	50	50	50	50
2004 SERIES (VILLAGE FAIR)	91	97	103	110	118
2004 SERIES (VILLAGE FAIR)	899	893	887	880	872
2005 SERIES (PECAN GROVE)	90	96	102	109	116
2005 SERIES (PECAN GROVE)	896	890	883	877	869
2005 SERIES (PRAIRIE OAKS)	71	75	81	86	92
2005 SERIES (PRAIRIE OAKS)	706	700	695	690	684
2005 SERIES (PORT ROYAL)	78	83	88	94	101
2005 SERIES (PORT ROYAL)	779	774	768	762	756
2005 SERIES (MISSION DEL RIO)	73	78	83	89	95
2005 SERIES (MISSION DEL RIO)	734	729	723	718	712

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C (Continued)
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2009
(Amounts in Thousands)

2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	TOTAL REQUIRED
$ 1,370	$ 1,815	$ 2,430	$ 3,230	$ 2,425	$	$	$ 12,285
2,861	2,434	1,864	1,107	196			11,641
847	1,196	1,661	2,310	3,209	6,245		16,028
4,986	4,635	4,167	3,516	2,611	1,259		26,449
447	626	874	1,221	1,704	3,526		8,719
2,741	2,562	2,312	1,965	1,477	742		14,668
895	1,245	1,730	2,375	3,290	1,225		11,400
3,416	3,069	2,584	1,915	994	68		15,712
				11,700			11,700
210	210	210	210	113			1,163
719	997	1,384	1,918	2,658	6,377		14,572
4,489	4,209	3,822	3,286	2,539	1,446		24,482
				12,300			12,300
220	220	220	220	130			1,230
				12,200			12,200
220	220	220	220	120			1,220
				14,165			14,165
255	255	255	255	142			1,417
759	1,049	1,451	2,005	2,772	5,494		14,078
4,278	3,986	3,583	3,026	2,254	1,160		22,776
835	1,095	1,430	1,885	2,400	2,750		11,025
2,644	2,406	2,087	1,660	1,102	384		13,109
607	842	1,167	1,618	2,241	3,043		9,956
3,023	2,787	2,459	2,006	1,379	506		15,351
				13,600			13,600
250	250	250	250	159			1,409
717	993	1,371	1,897	2,623	3,626	2,139	13,885
4,231	3,955	3,574	3,046	2,315	1,307	35	22,894
710	983	1,356	1,877	2,597	3,590	2,197	13,823
4,218	3,946	3,570	3,051	2,333	1,340	57	22,930
559	772	1,069	1,478	2,045	2,828	1,731	10,887
3,319	3,104	2,807	2,395	1,827	1,039	34	18,000
613	848	1,173	1,623	2,245	3,104	1,977	12,027
3,668	3,433	3,105	2,653	2,028	1,164	49	19,939
578	799	1,105	1,529	2,114	2,923	1,860	11,326
3,455	3,232	2,925	2,499	1,910	1,098	44	18,779

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2009
(Amounts in Thousands)

DESCRIPTION	2010	2011	2012	2013	2014
2005 SERIES (ATASCOCITA)	$	$	$	$	$
2005 SERIES (ATASCOCITA)	42	42	42	42	42
2005 SERIES (TOWER RIDGE)					
2005 SERIES (TOWER RIDGE)	72	72	72	72	72
2005 SERIES (PRAIRIE RANCH)	125	125	135	140	150
2005 SERIES (PRAIRIE RANCH)	576	570	564	557	550
2005 SERIES (ST. AUGUSTINE)					
2005 SERIES (ST. AUGUSTINE)	26	26	26	26	26
2005 SERIES (PARK MANOR)					
2005 SERIES (PARK MANOR)	666	666	666	666	666
2005 SERIES (PROVIDENCE @ MOCKINGBIRD)	91	97	103	110	117
2005 SERIES (PROVIDENCE @ MOCKINGBIRD)	905	899	893	886	879
2005 SERIES (PLAZA CHASE OAKS)	227	238	251	264	277
2005 SERIES (PLAZA CHASE OAKS)	696	684	672	658	645
2005 SERIES (CANAL PLACE APTS))	56	81	88	95	103
2005 SERIES (CANAL PLACE APTS))	1,024	1,018	1,011	1,003	995
2005 SERIES (CORAL HILLS)	70	70	80	85	90
2005 SERIES (CORAL HILLS)	251	248	244	240	235
2006 SERIES (HARRIS BRANCH APTS)					
2006 SERIES (HARRIS BRANCH APTS)	82	82	82	82	82
2006 SERIES (BELLA VISTA APTS)	45	45	50	55	55
2006 SERIES (BELLA VISTA APTS)	413	411	408	404	401
2006 SERIES (VILLAGE PARK)	150	150	155	170	175
2006 SERIES (VILLAGE PARK)	529	522	515	507	499
2006 SERIES (OAKMOOR)	94	100	106	113	120
2006 SERIES (OAKMOOR)	862	856	850	844	837
2006 SERIES (SUNSET POINTE)					
2006 SERIES (SUNSET POINTE)	72	72	72	72	72
2006 SERIES (HILLCREST)	175	160	170	180	190
2006 SERIES (HILLCREST)	647	638	629	620	610
2006 SERIES (PLEASANT VILLAGE)	79	84	88	95	101
2006 SERIES (PLEASANT VILLAGE)	356	351	347	340	334
2006 SERIES (GROVE VILLAGE)	81	86	91	98	104
2006 SERIES (GROVE VILLAGE)	367	362	357	351	344
2006 SERIES (RED HILLS VILLAS)					
2006 SERIES (RED HILLS VILLAS)	20	20	20	20	20

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C (Continued)
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2009
(Amounts in Thousands)

2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	TOTAL REQUIRED
$	$	$	$	$ 11,700	$	$	$ 11,700
210	210	210	210	155			1,205
				15,000			15,000
360	360	360	360	258			2,058
870	1,135	1,470	1,840	2,325	2,945	675	11,935
2,631	2,392	2,076	1,677	1,175	543	19	13,330
				7,150			7,150
130	130	130	130	105			755
						10,400	10,400
3,330	3,330	3,330	3,330	3,330	3,330	541	23,851
712	980	1,348	1,856	2,554	3,514	2,713	14,195
4,268	3,997	3,628	3,118	2,417	1,451	133	23,474
1,617	2,079	2,676	3,443	2,825			13,897
2,992	2,528	1,930	1,160	237			12,202
663	958	1,317	1,813	10,926			16,100
4,831	4,548	4,195	3,709	2,860			25,194
500	665	3,435					4,995
1,105	962	318					3,603
				14,900			14,900
410	410	410	410	370			2,420
345	465	630	860	1,165	1,585	1,440	6,740
1,948	1,824	1,658	1,432	1,125	707	116	10,847
1,040	1,390	7,335					10,565
2,356	2,064	804					7,796
719	971	1,310	1,767	2,382	3,214	3,525	14,421
4,062	3,810	3,468	3,009	2,390	1,554	262	22,804
				15,000			15,000
360	360	360	360	351			2,151
1,155	1,565	1,195		7,645			12,435
2,881	2,524	2,093	2,005	1,840			14,487
605	4,845						5,897
1,570	974						4,272
622	4,991						6,073
1,618	1,001						4,400
	400	800	1,100	2,615			4,915
100	97	84	64	19			464

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2009
(Amounts in Thousands)

DESCRIPTION	2010	2011	2012	2013	2014
2006 SERIES (CHAMPIONS CROSSING)	$	$	$	$	$
2006 SERIES (CHAMPIONS CROSSING)	21	21	21	21	21
2006 SERIES (STONEHAVEN)	77	82	87	92	98
2006 SERIES (STONEHAVEN)	649	645	640	635	629
2006 SERIES (CENTER RIDGE)	120	110	115	125	135
2006 SERIES (CENTER RIDGE)	413	407	401	395	389
2006 SERIES (MEADOWLANDS)	77	82	87	92	98
2006 SERIES (MEADOWLANDS)	742	737	732	726	721
2006 SERIES (EAST TEX PINES)		80	95	105	110
2006 SERIES (EAST TEX PINES)	668	665	660	655	649
2006 SERIES (VILLAS @ HENDERSON)	47	98	104	110	116
2006 SERIES (VILLAS @ HENDERSON)	27	26	26	25	25
2006 SERIES (ASPEN PARK)	105	95	100	110	110
2006 SERIES (ASPEN PARK)	488	483	478	473	467
2006 SERIES (IDLEWILDE)	77	162	173	184	196
2006 SERIES (IDLEWILDE)	51	51	50	49	49
2007 SERIES (LANCASTER)					
2007 SERIES (LANCASTER)	51	51	51	51	51
2007 SERIES (PARK PLACE AT LOYOLA)		98	104	110	117
2007 SERIES (PARK PLACE AT LOYOLA)	870	867	861	855	848
2007 SERIES (TERRACES AT CIBOLO)					
2007 SERIES (TERRACES AT CIBOLO)	282	282	283	282	282
2007 SERIES (SANTORA VILLAS)		64	89	94	100
2007 SERIES (SANTORA VILLAS)	758	757	752	746	741
2007 SERIES (A/B VILLAS @ MESQUITE CREEK)	210	155	165	175	185
2007 SERIES (A/B VILLAS @ MESQUITE CREEK)	853	843	833	824	813
2007 SERIES (SUMMIT POINT)	165	100	105	120	120
2007 SERIES (SUMMIT POINT)	598	593	588	582	577
2007 SERIES (COSTA RIALTO)		91	96	101	107
2007 SERIES (COSTA RIALTO)	663	660	655	650	644
2007 SERIES (WINDSHIRE)					
2007 SERIES (WINDSHIRE)	50	50	50	50	50
2007 SERIES (RESIDENCE @ ONION CREEK)					
2007 SERIES (RESIDENCE @ ONION CREEK)	77	77	77	76	77
2008 SERIES (WEST OAKS APTS)					
2008 SERIES (WEST OAKS APTS)	47	47	47	47	47

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C (Continued)
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2009
(Amounts in Thousands)

2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	TOTAL REQUIRED
$ 300	$ 500	$ 800	$ 1,100	$ 2,325	$	$	$ 5,025
101	91	79	58	12			446
582	777	9,444					11,239
3,051	2,853	1,118					10,220
790	1,060	800		5,070			8,325
1,833	1,602	1,327	1,270	1,181			9,218
589	795	1,073	1,446	1,951	2,631	3,480	12,401
3,504	3,297	3,019	2,644	2,137	1,452	339	20,050
640	855	1,130	1,500	1,985	2,635	4,365	13,500
3,157	2,967	2,718	2,387	1,948	1,368	356	18,198
688	909	1,200	1,587	2,096	245		7,200
119	103	85	59	23	1		519
670	895	675		7,040			9,800
2,242	2,049	1,814	1,760	1,703			11,957
1,193	1,640	2,252	3,094	4,252	1,027		14,250
232	207	173	124	60	2		1,048
					14,250		14,250
255	255	255	255	255	54		1,584
696	929	1,240	1,657	2,212	2,955	4,882	15,000
4,128	3,894	3,580	3,163	2,604	1,858	558	24,086
					8,000		8,000
1,411	1,412	1,411	1,411	1,411	193		8,660
597	799	1,064	1,424	1,900	2,538	4,403	13,072
3,607	3,405	3,136	2,775	2,297	1,657	549	21,180
1,105	1,440	1,845	2,360	3,025	3,865	2,330	16,860
3,887	3,553	3,147	2,629	1,962	1,111	166	20,621
705	905	1,180	1,550	2,045	2,695	2,010	11,700
2,788	2,589	2,331	1,984	1,520	904	167	15,221
629	821	1,073	1,401	1,830	2,388	3,848	12,385
3,125	2,932	2,680	2,349	1,920	1,358	457	18,093
					14,000		14,000
250	250	250	250	250	81		1,581
					15,000		15,000
384	384	383	384	384	91		2,394
					13,125		13,125
235	235	235	235	235	94		1,504

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2009
(Amounts in Thousands)

DESCRIPTION	2010	2011	2012	2013	2014
2008 SERIES (COSTA IBIZA APTS)	$	$	$	$	$
2008 SERIES (COSTA IBIZA APTS)	49	49	49	49	49
2008 SERIES (ADDISON PARK APTS)					
2008 SERIES (ADDISON PARK APTS)	67	67	67	67	67
2008 SERIES (ALTA CULLEN)					
2008 SERIES (ALTA CULLEN)	56	56	56	56	56
2009 SERIES (COSTA MARIPOSA)					
2009 SERIES (COSTA MARIPOSA)	59	59	59	59	59
2009 SERIES (WOODMONT APTS)					
2009 SERIES (WOODMONT APTS)	64	64	65	64	64
Total Multifamily Bonds	$ 70,112	$ 67,019	$ 67,121	$ 67,072	$ 66,931
Total	$ 144,637	$ 143,542	$ 147,203	$ 148,831	$ 149,097
Less Interest	116,495	111,913	110,417	108,771	107,033
Total Principal	$ 28,142	$ 31,629	$ 36,786	$ 40,060	$ 42,064

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C (Continued)
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2009
(Amounts in Thousands)

2015-19	2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	TOTAL REQUIRED
$	$	$	$	$	$ 13,900	$	$ 13,900
245	245	245	245	245	83		1,553
					13,900		13,900
335	335	335	335	335	281		2,291
						14,000	14,000
280	280	280	280	280	280	28	1,988
					13,690		13,690
295	295	295	295	295	153		1,923
					15,000		15,000
321	322	321	321	321	185		2,112
$ 328,629	$ 343,592	$ 364,812	$ 317,889	$ 429,569	$ 305,849	$ 71,885	$ 2,500,480
$ 750,284	$ 779,201	$ 803,008	$ 782,511	$ 659,391	$ 310,944	$ 71,885	$ 4,890,534
499,849	438,857	343,884	232,525	118,550	39,983	3,910	2,232,187
$ 250,435	$ 340,344	$ 459,124	$ 549,986	$ 540,841	$ 270,961	$ 67,975	$ 2,658,347

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-D
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE - REVENUE BONDS
For the Fiscal Year Ended August 31, 2009
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2009			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2002 Single Family Series A	$ 2,330	$ 58	$	$ 1,986
2002 Single Family Series A (Jr. Lien)	248	15		288
2002 Single Family Series B	5,875	51		1,636
2002 Single Family Series C	633	16	515	513
2002 Single Family Series D	390	7	850	170
2004 Single Family Series A	12,729	418	3,690	4,234
2004 Single Family Series A (Jr. Lien)	1	24		184
2004 Single Family Series B	2,449	215		3,917
2004 Single Family Series C	5,733	162	280	1,300
2004 Single Family Series D	1,522	174		2,860
2004 Single Family Series E	609	42	1,065	313
2005 Single Family Series A	8,219	740		5,404
2005 Single Family Series B	2,219	74	645	793
2005 Single Family Series C	955	30		233
2005 Single Family Series D	148	13		152
2006 Single Family Series A	5,000	55	475	2,765
2006 Single Family Series B	5,750	62	1,450	3,202
2006 Single Family Series C	8,709	94	1,525	4,793
2006 Single Family Series D	3,711	22		1,064
2006 Single Family Series E	851	15	1,280	674
2006 Single Family Series F	6,900	309	505	3,985
2006 Single Family Series G	842	56	1,105	568
2006 Single Family Series H	1,914	142		2,025
2007 Single Family Series A	11,745	818		8,857
2007 Single Family Series B	9,717	147		8,048
Total Single Family Bonds	99,199	3,759	13,385	59,964
1998 RMRB Series A	5,351	35	1,070	1,814
1998 RMRB Series B	950	6		318
1999 RMRB Series A	1,045	11	155	250
1999 RMRB Series B-1	22,020	16	135	1,249
1999 RMRB Series C	3,702	3		208
2000 RMRB Series A	2,124	19	240	936
2000 RMRB Series B	6,999	67	245	2,432
2000 RMRB Series C	638	12		491
2000 RMRB Series D	532	9	575	310
2001 RMRB Series A	5,532	28	505	1,502
2001 RMRB Series B	1,403	11		594
2001 RMRB Series C	859	7	1,025	351
2001 RMRB Series D	254			2
2002 RMRB Series A	3,490	24	480	1,457
2003 RMRB Series A	5,945	56	915	2,789
2009 RMRB Series A	91			199
2009 RMRB Series B	26			40
Total Residential Mtg Revenue Bonds	60,961	304	5,345	14,942
1992 CHMRB Series C	2,097	24		664
Total 1992 CHMRB	2,097	24		664
1987 MF Series (South Texas Rental Housing)	472		84	34
1996 MF Series A/B (Brighton's Mark)	508	6		502
1996 MF Series A/B (Braxton's Mark)	845	3		841
1998 MF Series A (Pebble Brook)	530		205	530
1998 MF Series A-C (Residence Oaks)	429		159	429
1998 MF Series A/B (Greens of Hickory Trial)	632		250	632

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-D (Continued)
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE - REVENUE BONDS
For the Fiscal Year Ended August 31, 2009
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2009			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
1999 MF Series A-C (Mayfield)	574		222	574
2000 MF Series A (Creek Point Apts)	185			80
2000 MF Series A (Deerwood Apts)	376		95	376
2000 MF Series A (Timber Point Apts)	194			94
2000 MF Series A/B (Greenbridge)	1,442		83	1,442
2000 MF Series A/B (Oaks at Hampton)	696		82	696
2000 MF Series A/B (Parks @ Westmoreland)	691		80	691
2000 MF Series A/B (Williams Run)	950			950
2000 MF Series A-C (Collingham Park)	850		208	850
2000 MF Series A-C (Highland Meadow Apts)	565		130	565
2001 MF Series A (Bluffview Senior Apts)	790		64	790
2001 MF Series A (Knollwood Villas Apts)	1,015		82	1,015
2001 MF Series A (Oak Hollow Apts.)	442		43	442
2001 MF Series A (Greens Road Apts.)	422		130	422
2001 MF Series A (Skyway Villas)	412		120	412
2001 MF Series A/B (Cobb Park)	563		23	563
2001 MF Series A/B (Hillside Apts.)	878		47	878
2001 MF Series A/B (Meridian Apts.)	5,716		136	637
2001 MF Series A/B (Wildwood Apts.)	7,612		135	569
2001 MF Series A-C (Fallbrook Apts.)	847		220	847
2002 MF Series A (Clarkridge Villas Apts)	956		87	956
2002 MF Series A (Park Meadows Apts)	277		70	277
2002 MF Series A (Sugar Creek Apts.)	706		85	696
2002 MF Series A (West Oaks Apts.)	678		62	678
2002 MF Series A (Green Crest Apts)	787		71	787
2002 MF Series A (Hickory Trace Apts)	791		71	791
2002 MF Series A (Millstone Apts.)	568		175	568
2002 MF Series A (Woodway Village Apts)	386		115	386
2002 MF Series A/B (Ironwood Crossing)	1,202		79	1,202
2003 MF Series A (NHP-Asmara) Refunding	233		380	223
2003 MF Series A (Evergreen @ Mesquite)	720		117	720
2003 MF Series A/B (Reading Road)	354		20	254
2003 MF Series A/B (Arlington Villas)	1,167		80	1,167
2003 MF Series A/B (Ash Creek Apts)	1,082		86	1,082
2003 MF Series A/B (North Vista Apts)	632		210	632
2003 MF Series A/B (Parkview Twnhms)	1,105		86	1,105
2003 MF Series A/B (Peninsula Apts)	646		160	621
2003 MF Series A/B (Primrose Houston School)	1,089		85	1,089
2003 MF Series A/B (Sphinx @ Murdeaux)	712		170	712
2003 MF Series A/B (Timber Oaks Apts)	920		61	920
2003 MF Series A/B (West Virginia Apts)	456		150	456
2004 MF Series A (Bristol)	254			154
2004 MF Series A (Chisholm Trail)	349			149
2004 MF Series A (Churchill @ Pinnacle)	654		72	654
2004 MF Series A (Evergreen @ Plano)	957		85	957
2004 MF Series A (Humble Park)	757		110	757
2004 MF Series A (Montgomery Pines)	154			154
2004 MF Series A (Pinnacle)	279			179
2004 MF Series A (Rush Creek)	586		52	586
2004 MF Series A (Sphinx @ Delafield)	582		110	582
2004 MF Series A (Tranquility Bay)	918		90	918
2004 MF Series A (Village Fair)	905		85	905
2004 MF Series A/B (Century Park)	667		170	667
2004 MF Series A/B (Post Oak East)	175			175
2004 MF Series A/B (Timber Ridge)	446		37	446
2004 MF Series A/B (Veterans Memorial)	1,081		86	1,081

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-D (Continued)
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE - REVENUE BONDS
For the Fiscal Year Ended August 31, 2009
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2009			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2005 MF Series A (Alta Cullen)	14,218			218
2005 MF Series A (Atascocita Pines)	348			148
2005 MF Series A/B (Canal Place)	1,025			1,026
2005 MF Series A (Del Rio)	738		69	738
2005 MF Series A (Park Manor)	666			666
2005 MF Series A (Pecan Grove)	901		84	901
2005 MF Series A (Chase Oaks)	707		215	707
2005 MF Series A (Port Royal)	784		73	784
2005 MF Series A (Prairie Oaks)	710		66	710
2005 MF Series A (Prairie Ranch)	582		115	582
2005 MF Series A (Mockingbird)	911		85	911
2005 MF Series A (St Augustine)	600			100
2005 MF Series A (Tower Ridge)	197			197
2006 MF Series A (Aspen Park Apts)	490			490
2006 MF Series A (Bella Vista)	416		45	416
2006 MF Series A (Center Ridge)	416			416
2006 MF Series A (Champion Crossing)	63			63
2005 MF Series A (Coral Hills)	255		75	255
2006 MF Series A (East Tex Pines)	754			754
2006 MF Series A (Grove Village)	372		77	372
2006 MF Series A (Harris Branch)	297			197
2006 MF Series A (Hillcrest)	653			653
2006 MF Series A (Idlewilde Apts)	179			179
2006 MF Series A (Meadowlands)	1,891		9	801
2006 MF Series A (Oakmoor)	1,008		74	868
2006 MF Series A (Pleasant Village)	361		74	361
2006 MF Series A (Red Hills Villas)	163			63
2006 MF Series A (Stonehaven)	654		61	654
2006 MF Series A (Sunset Pointe)	197			197
2006 MF Series A (Village Park)	3,598		140	643
2006 MF Series A (Villas at Henderson)	87			87
2007 MF Series A (Villas @ Mesquite Creek)	858			858
2007 MF Series A (Costa Rialto)	663			663
2007 MF Series A (Lancaster Apts)	179			179
2007 MF Series A (Park Place @ Loyola)	870			870
2007 MF Series A (Santora Villas)	758			758
2007 MF Series A (Summit Point)	603			603
2007 MF Series A (Terraces at Cibolo)	94			94
2007 MF Series A (Windshire)	176			176
2007 MF Series A (Residences @ Onion Creek)	199			199
2008 MF Series A (West Oaks Apts)	165			165
2008 MF Series A (Costa Ibiza Apts)	162			162
2008 MF Series A(Addison Park)	283			183
2008 MF Series A (Alta Cullen)	63			63
2009 MF Series A (Costa Mariposa)	15			15
2009 MF Series A (Woodmont Apts)	6			6
Total Multifamily Bonds	92,202	9	7,177	59,698
Total	$ 254,459	$ 4,096	$ 25,907	$ 135,268

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-E
DEFEASED BONDS OUTSTANDING
For the fiscal year ended August 31, 2009

Description of Issue	Year Refunded		Par Value Outstanding
Business-Type Activities			
1999 RMRB Series B-1	2009	$	19,205,000
1999 RMRB Series C	2009		3,400,000
Total Business-Type Activities		$	22,605,000

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-F
EARLY EXTINGUISHMENT AND REFUNDING
For the fiscal year ended August 31, 2009

Description of Issue	Category	Amount Extinguished or Refunded	For Refunding Only: Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Business-Type Activities					
2002 Single Family Series A (Jr. Lien)	Early Extinguishment	$ 145,000	$	$	$
2002 Single Family Series A	Early Extinguishment	615,000			
2002 Single Family Series B	Early Extinguishment	4,355,000			
2002 Single Family Series C	Early Extinguishment	165,000			
2002 Single Family Series D	Early Extinguishment	195,000			
2004 Single Family Series A	Early Extinguishment	7,975,000			
2004 Single Family Series C	Early Extinguishment	4,310,000			
2004 Single Family Series E	Early Extinguishment	245,000			
2005 Single Family Series A	Early Extinguishment	4,035,000			
2005 Single Family Series B	Early Extinguishment	1,370,000			
2005 Single Family Series C	Early Extinguishment	605,000			
2006 Single Family Series A	Early Extinguishment	1,880,000			
2006 Single Family Series B	Early Extinguishment	2,205,000			
2006 Single Family Series C	Early Extinguishment	3,320,000			
2006 Single Family Series D	Early Extinguishment	2,435,000			
2006 Single Family Series F	Early Extinguishment	2,730,000			
2006 Single Family Series G	Early Extinguishment	90,000			
2007 Single Family Series A	Early Extinguishment	4,255,000			
2007 Single Family Series B	Early Extinguishment	1,435,000			
1998 RMRB Series A	Early Extinguishment	3,085,000			
1998 RMRB Series B	Early Extinguishment	550,000			
1999 RMRB Series A	Early Extinguishment	685,000			
1999 RMRB Series B-1	Advance Refunding	19,205,000	19,205,000	14,463,575	3,721,321
1999 RMRB Series B-1	Early Extinguishment	1,485,000			
1999 RMRB Series C	Advance Refunding	3,400,000	3,400,000	2,560,591	658,812
1999 RMRB Series C	Early Extinguishment	85,000			
2000 RMRB Series A	Early Extinguishment	1,100,000			
2000 RMRB Series B	Early Extinguishment	4,320,000			
2000 RMRB Series C	Early Extinguishment	145,000			
2000 RMRB Series D	Early Extinguishment	180,000			
2001 RMRB Series A	Early Extinguishment	4,075,000			
2001 RMRB Series B	Early Extinguishment	820,000			
2001 RMRB Series C	Early Extinguishment	495,000			
2001 RMRB Series D	Early Extinguishment	230,000			
2002 RMRB Series A	Early Extinguishment	2,030,000			
2003 RMRB Series A	Early Extinguishment	3,230,000			
1992 Coll Home Mtg Rev Bonds, Series C	Early Extinguishment	1,300,000			
1987 MF Series (South Texas Rental Housing)	Early Extinguishment	435,605			
2000 Series (Timber Point Apts)	Early Extinguishment	100,000			
2000 Series (Creek Point Apts)	Early Extinguishment	105,000			
2001 MF Series A/B (Meridian Apts.)	Early Extinguishment	5,079,000			
2001 MF Series A/B (Wildwood Apts.)	Early Extinguishment	7,043,000			
2003 MF Series A/B (Reading Road)	Early Extinguishment	100,000			
2003 MF Series A/B (Peninsula Apts)	Early Extinguishment	25,000			
2004 MF Series A (Chisholm Trail)	Early Extinguishment	200,000			
2004 MF Series A (Bristol)	Early Extinguishment	100,000			
2004 MF Series A (Pinnacle)	Early Extinguishment	100,000			
2005 MF Series A (Atascocita Pines)	Early Extinguishment	200,000			
2005 MF Series A (Alta Cullen)	Refunding	14,000,000	14,000,000	31,527,067	29,355,793
2005 MF Series A (St Augustine)	Early Extinguishment	500,000			
2006 MF Series A (Harris Branch)	Early Extinguishment	100,000			
2006 MF Series A (Village Park)	Early Extinguishment	2,955,000			
2006 MF Series A (Oakmoor)	Early Extinguishment	140,000			
2006 MF Series A (Red Hills Villas)	Early Extinguishment	100,000			
2006 MF Series A (Meadowlands)	Early Extinguishment	1,090,000			
2008 MF Series A (Addison Park)	Early Extinguishment	100,000			
Total Business-Type Activities		$ 121,257,605	$ 36,605,000	$ 48,551,233	$ 33,735,926

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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*

To the Honorable Rick Perry, Governor,
and the Governing Board of
Texas Department of Housing and Community Affairs:

We have audited the basic financial statements of the Texas Department of Housing and Community Affairs (the "Department") as of and for the year ended August 31, 2009, and have issued our report thereon dated December 18, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures 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 Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, including the Public Funds Investment Act (§2256, Texas Government Code); 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*.

We noted certain matters that we reported to management of the Department in a separate letter dated December 18, 2009.

This report is intended solely for the information and use of the Governing Board, management, and federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

December 18, 2009

Deloitte.

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December 18, 2009

To the Audit Committee of the Governing Board of
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, TX 78711-3941

Dear Members of the Audit Committee of the Governing Board:

We have performed an audit of the financial statements of the Texas Department of Housing and Community Affairs (the "Department") as of and for the year ended August 31, 2009, in accordance with auditing standards generally accepted in the United States of America and have issued our report thereon dated December 18, 2009.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Department is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

Our responsibility under auditing standards generally accepted in the United States of America has been described in our engagement letter dated April 8, 2009. As described in that letter, the objective of a financial statement audit conducted in accordance with auditing standards generally accepted in the United States of America is to express an opinion on the fairness of the presentation of the Department's financial statements for the year ended August 31, 2009 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit Committee of the Governing Board are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit Committee of the Governing Board of their responsibilities.

We considered the Department's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Department's 2009 financial statements include allowance for doubtful accounts, accumulated depreciation, and fair market value of investments. During the year ended August 31, 2009, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no uncorrected misstatements or disclosure items passed identified during our audit.

MATERIAL CORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no material misstatements that were brought to the attention of management as a result of our audit procedures.

SIGNIFICANT ACCOUNTING POLICIES

The Department's significant accounting policies are set forth in Note 1 to the Department's 2009 financial statements. During the year ended August 31, 2009, there were no significant changes in previously adopted accounting policies or their application, except the following:

At the request of the State Comptroller's Office, the Department changed its accounting for federal long term loans and related revenue recognition for such loans. Prior to this change, revenues associated with outstanding loan programs were not recognized until the loans were collected and therefore presented as deferred revenues in the balance sheets. After a consultation with GASB, the State Comptroller's Office determined that the practice currently varies among governments and recognizing such revenues and reserving fund balances and related net assets is an acceptable presentation.

These reclassifications were shown as cumulative effect of a change in accounting principle in the Statement of Activities, the Statement of Revenues, Expenditures and Changes in Fund Balance, and the Statement of Revenues, Expenses and Changes in Net Assets.

The deferred revenue balances were related to HOME/CDBG revolving loans and Housing Trust Fund mortgage loans. See Note 9 to the Basic Financial Statements.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Department's 2009 financial statements.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2009.

SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR INTITIAL ENGAGEMENT OR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

OTHER SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant issues requiring communication to the Audit Committee of the Governing Board.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Department's management and staff and had unrestricted access to the Department's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Department's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Department is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix A, those representations we will request from management.

CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated December 18, 2009 containing certain matters involving the Department's internal control over financial reporting that we consider to be deficiencies under standards established by the American Institute of Certified Public Accountants.

* * * * * *

This report is intended solely for the information and use of management, the Audit Committee, the Governing Board, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

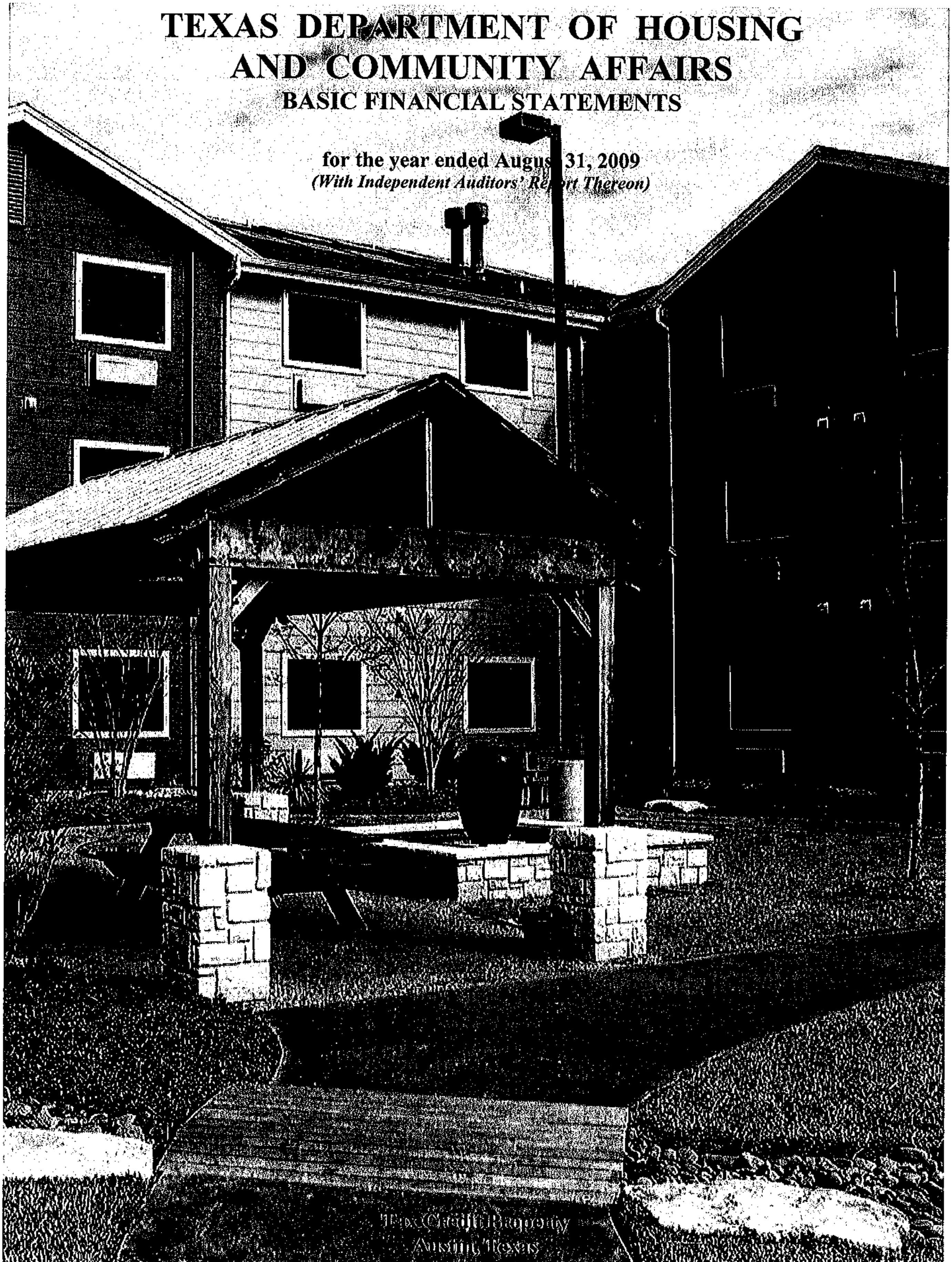
Deloitte & Touche LLP

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BASIC FINANCIAL STATEMENTS

for the year ended August 31, 2009

(With Independent Auditors' Report Thereon)



Tax Credit Property
Austin, Texas

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

December 18, 2009

The Honorable Rick Perry, Governor
The Honorable Susan Combs, Texas Comptroller
Mr. John O'Brien, Director, Legislative Budget Board
Mr. John Keel, CPA, State Auditor

Dear Governor Perry, Comptroller Combs, Mr. O'Brien and Mr. Keel:

We are pleased to submit the Annual Financial Report of the Texas Department of Housing and Community Affairs for the year ended August 31, 2009, in compliance with TEX. GOV'T CODE ANN §2101.011, and in accordance with the requirements established by the Comptroller of Public Accounts.

The accompanying annual financial report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) reporting requirements. The financial report has been audited by an independent auditor as required by statute.

If you have any questions, please contact David Cervantes, Director of Financial Administration at (512) 475-3875. Esther Ku may be contacted at (512) 475-3871 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Michael Gerber
Executive Director

MG/tt

221 EAST 11TH • P. O. BOX 13941 • AUSTIN, TEXAS 78711-3941 • (800) 525-0657 • (512) 475-3800

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Basic Financial Statements
for the year ended August 31, 2009

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Rick Perry, Governor,
and the Governing Board of
Texas Department of Housing and Community Affairs:

We have audited the accompanying financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, as of and for the year ended August 31, 2009, which collectively comprise the Texas Department of Housing and Community Affair's (the "Department") basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the state of Texas as of August 31, 2009, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, major funds, and remaining fund information of the Department, as of August 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the financial statements, the Department changed its method of accounting for revenues related to long-term loans and contracts.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of the Department's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules listed in the table of contents are presented for the purpose of additional analysis as required by the Texas Comptroller of Public Accounts and are not a required part of the basic financial statements. These schedules are the responsibility of the Department's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

December 18, 2009

Internal Audit Division

BOARD ACTION REQUEST

March 10, 2010

Action Items

Presentation and discussion of the status of external audit reports.

Required Action

Acceptance of the report from Deloitte and Touche, LLP. Other items are information only.

Background

1) Deloitte and Touche, LLP-
The Department's governing statute, Texas Govt. Code §2306.074, requires an annual audit of the Department's books and accounts. Texas Govt. Code §2306.204 requires an annual audit of the Housing Trust Fund to determine the amount of unencumbered fund balances that is greater than the amount required for the reserve fund. Additionally, the Department's bond indentures require audited financial statements of the Housing Finance Division and the Supplemental Bond Schedules.

Results of the audits are as follows:

- FY 2009 Basic Financial Statements
  Unqualified Opinion
- FY 2009 Revenue Bond Program Audit
  Unqualified Opinion
- FY 2009 Unencumbered Fund Balances Calculation
  Results yielded no required transfer to the Housing Trust Fund
- FY 2009 Report to Management
  Section I - Deficiencies

  Recommendations are for the following control deficiencies:

  - **Database Change Management – PeopleSoft / Oracle**

    *Recommendation**:*** All requests by the business to allow IT support to make data changes should be written, maintained and monitored for appropriateness.

  Section II - Other Matters and Status of Prior-Year Observations

  - **Estimated Loan Loss Reserve Methodology**

    Recommendation: The Department should review and challenge the current methodology of calculating related allowances. Additional assumptions that could be used to refine the allowance calculation may include consideration of the effect of all remedies available to the Department in the event of loan default or nonpayment as well as a comparison of actual loan losses experienced to estimates previously recorded.

  - **Recently Issued Government Accounting Standards Board (GASB)**

Recommendation: Begin reviewing GASB Statement Nos. 51, 53 and 54 and their implications to determine the potential impact on the TDHCA's financial statements.

- **Status of Prior-Year Observations**

General Computer Controls Observations

- **Network and Systems Software Change Management (Windows, UNIX, Firewall, Network Components)**

Recommendation: Changes made to network and operating systems software should be documented. Documentation should evidence testing and approvals of changes made.

2) KPMG Statewide -
The Statewide audit is an annual review of federal grant funds. The fiscal year 2009 review covered the Disaster Recovery Program's CDBG grants and Community Affairs' LIHEAP grants. Issues identified include:
   - Four quarterly performance reports required by HUD for the CDBG program were not posted to the Department's website. These reports were posted as soon as the finding was identified and controls were established to ensure posting no later than 3 days after submitting the reports to HUD.
   - A lack of segregation of duties in system access for the Genesis and Peoplesoft systems create a risk of unauthorized changes to the production environment and/or risks of unintentional errors or omissions in processing. No material compliance issues were noted with regard to these programs.
   - Significant system access issues were associated with the Worldtrac and Portfolio systems used by ACS and its subcontractors to determine eligibility and to track financial information for the CDBG program.

3) HHS CSBG Update – The final report from the February 2009 audit has not yet been issued.

Recommendation

Staff recommends acceptance of the Deloitte and Touche, LLP audit report.

Texas Department of Housing and Community Affairs

Reference No. 10-28
Reporting

CFDA 14.228 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
Award year - N/A since disaster-based only
Award number - B-06-DG-48-0002
Type of finding - Non-Compliance

Questioned Cost:	$0
U.S. Department of Housing and Urban Development (HUD)	

The requirements for submission of a Performance Evaluation (PER) pursuant to 42.U.S.C. 12708 and 24 CFR 91.520 are waived for Community Development Block Grant (CDBG) Disaster Recovery Grantees Under 2008 CDBG Appropriations. However, the alternative requirement is that each grantee must submit a quarterly performance report, as HUD prescribes, no later than 30 days following each calendar quarter, beginning after the first full calendar quarter after grant award and continuing until all funds have been expended and all expenditures reported. Each quarterly report will include information about the uses of funds during the applicable quarter including (but not limited to) the project name, activity, location, and national objective; funds budgeted, obligated, drawn down, and expended; the funding source and total amount of any non-CDBG disaster funds; beginning and ending dates of activities; and performance measures such as numbers of low- and moderate-income persons or households benefiting. Quarterly report to HUD must be submitted using HUD's Internet based DRGR system and, within 3 days of submission, be posted on the grantee's official Internet site open to the public. (February 13, 2009 Federal Register Vol. 74, No. 29, page 7252)

The performance reports for quarters ending December 31, 2008, March 31, 2009, June 30, 2009, and September 30, 2009, were not posted to Texas Department of Housing and Community Affairs' (TDHCA) website. Since notification, management of TDHCA has posted the above noted performance reports to their website.

Recommendation:

TDHCA should ensure that someone is responsible for the posting of the above noted performance reports on a timely basis.

Management Response and Corrective Action Plan:

Controls have been established to ensure posting of the DRGR reports to TDHCA's website no later than three days after the report has been submitted to HUD via their internet based DRGR system.

Implementation Date: *January 31, 2010*

Responsible Person: *Kelly Crawford*

Reference No. 10-29
Cash Management
Earmarking
Reporting
Subrecipient Monitoring
(Prior Audit Issue - 09-27)

CFDA 14.228 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
Award year - N/A since disaster-based only
Award number - B-06-DG-48-002

CFDA 93.568 - Low-Income Home Energy Assistance
Award years - October 1, 2008 to September 30, 2010, October 1, 2007 to September 30, 2009, October 1, 2006 to September 30, 2008, and October 1, 2005 to September 30, 2007
Award numbers - G-09B1TXLIEA, G-08B1TXLIEA, G-07B1TXLIEA, and G-06B1TXLIEA
Type of finding - Significant Deficiency

Questioned Cost:	$0
U.S. Department of Health and Human Services	
U.S. Deparment of Housing and Urban Development	

Texas Department of Housing and Community Affairs (TDHCA) utilize the following Community Affairs contract systems for monitoring contracts with subrecipients: the legacy Genesis Community Affairs Contract System, the TDHCA Community Affairs Contract System (CACS), and a Housing Contract System (HCS). In addition, TDHCA utilizes PeopleSoft for its general ledger system. These systems reside on the production Windows domain (network) and users are required to authenticate through the network to gain access to the applications, servers, and databases. It was noted that in some of these systems, duties are not appropriately segregated between the application administrators, database administrators, and developers. Also, specific developers have access to move changes into the production environment of the individual systems. Users with inappropriate rights to modify applications create a risk of unauthorized changes to the production environment and/or risks of unintentional errors or omissions in processing.

Specifically, the following items were noted:

- Genesis - Four users have administrative privileges that allow them the ability to have access to application and database administrator roles and to migrate application code changes into production. In addition, two of these four users are developers. It was also noted that two generic IDs are accessed by programmers. Application was retired April 2009.
- PeopleSoft - One developer/analyst has database administrator privileges, application administrator rights, and access to migrate code changes into production as of January 2009. TDHCA's Director of Information Systems performs a quarterly review of a PeopleSoft report that includes all changes made to the application. However, the developer/analyst has the ability to alter the report with his high-privilege access rights which are assigned so he can migrate changes into production. The access for this developer was removed as of May 2009.
- At the network level, one developer has domain administrative privileges. This impacts the PeopleSoft reporting server, as the reporting server is Windows-based and on the network.

No material compliance issues were noted with regard to the major programs noted above.

Recommendation:

Duties should be segregated between application administrators, system administrators, database administrators, and developers. In addition, developers who have programming responsibilities should not have access to migrate changes to production. In cases where such condition is necessary, management should implement a monitoring control to help ensure that changes implemented to production are appropriate. Privileged access should only be granted to developers in the test environment. If monitoring controls such as report reviews are put in place, developers should not have access to modify the report.

Management Response and Corrective Action Plan:

The three items noted in this finding were previously noted in SAO Report 09-033, "Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2008." The Department responded with its corrective action plan in February 2009. In that response, the Department stated that it would take the following actions:

- *Reduce the number of users with admin privileges from 1) two developers and four user account administrators (six total) to 2) two developers and two user account administrators (four total).*
- *Retire the Genesis version of the Community Affairs Contract System from all but historical entry in April 2009.*
- *Remove application and database administrator access from the PeopleSoft developer/analyst by March 31, 2009.*
- *Leave domain administrator privileges in place for the ISD employee identified as a developer with Windows domain administrator privileges, because these privileges are assigned for backup ISD Network and Technical Support section purposes and the employee performs no development duties in the Windows environment.*

The Department completed all corrective actions as stated in the SAO Report 09-033 response, with the exception of removing application and database administrator access from the PeopleSoft developer/analyst in May 2009 instead of by March 31, 2009.

Regarding the developer with domain admin administrator privileges, the Department plans to continue to leave these privileges in place because this ISD employee performs no development duties in the Windows or PeopleSoft environments and assists Network and Technical Support section staff in providing Windows computer support to Department employees.

Implementation Date: *Completed in April and May 2009*

Responsible Person: *Curtis Howe*

Reference No. 10-30

Allowable Costs/Cost Principles
Special Tests and Provisions - Environmental Reviews

CFDA 14.228 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
Award year - N/A since disaster-based only
Award number - B-06-DG-48-0002
Type of findings - Significant Deficiency and Material Non-Compliance

Questioned Cost:	$0
U.S Department of Housing and Urban Development	

Access to migrate code changes into production as well as system administrator privileges should be restricted appropriately based on job function to help ensure adequate internal controls are in place and segregation of duties exist. Access to deploy and develop code changes should be segregated. Similarly, system administrative access should also be restricted to non-developers. Texas Department of Housing and Community Affairs (TDHCA) outsource both WorlTrac and Portfolio maintenance and operations to multiple third-party providers. Portfolio's primary function is applicant eligibility while WorlTrac is the primary source of the financial transactions. During the performance of general controls test work for the WorlTrac and Portfolio applications, the following items were noted:

- Three developers have access to the administrative server-level IDs for the Portfolio application server, while one developer also has direct administrative access on the application server. These three developers also have DBA rights on the production database server. Overall, the three developers could also deploy code changes into production. In addition, there is no policy restricting the use of generic IDs. Generic IDs are in use by the above developers that allows them access to administrative functions on the servers. Additionally, user access reviews as it relates to Portfolio are not defined and/or performed periodically. If performed, evidence of access review is not retained.

- Of 25 Portfolio changes selected, 4 exceptions were noted in that evidence of authorization. Testing and approval were not consistently retained and in one case, approvals were obtained after code was deployed into production.
- Access to the disbursement file is open to all ACS Domain users as it is placed on a shared drive. Access should be restricted only to the disbursements team and the ACS Finance team.
- Three application developers have access to migrate WorlTrac code changes into production and were intentionally assigned this access as part of their daily job functions; however, no additional monitoring control was put in place to mitigate the associated risk. Also, three developers were noted to have administrative access on the WorlTrac application and one developer has administrative access on the production database.
- For 40 selected WorlTrac changes, no end-user testing had been performed prior to deployment. As a policy, QA testing of WorlTrac changes is not performed by the end user prior to deployment, unless specifically requested. Also, 13 of 40 WorlTrac changes did not contain any approval before or after deployment into production. In addition, the generic ID with DBA privileges on the WorlTrac database is accessed by two System Administrators, and one Developer.
- No policy document exists to define user access review requirements for the WorlTrac application. Also, no user access privileges review was performed for the WorlTrac application during the audit period. Further, a password policy was not adequately defined for the WorlTrac application. Its underlying systems did not have password requirements defined. Lastly, no Information Security Policies and Procedures exist for the WorlTrac application specific to the Texas HAP/SPRP project.

Developers were granted access to production to assist in troubleshooting, end user support, and application changes. However, developer access to administrative functions on any production system results in the risk of unauthorized changes to applications and data. Additionally, developer access to move their code changes into production increases the risk that unauthorized changes to application functionality have been deployed into the production environment.

During the performance of application controls test work for the WorlTrac and Portfolio applications, the following items were noted:

- During review of disbursements to contractors, 14 of 40 disbursement files did not contain all the required documentation to support the expenditures. Each of the 14 files had some of the required documentation. This function is performed by the primary contractor. (24 CFR Section 570.482)
- With regard to the environmental inspection process, 1 of 40 files reviewed did not contain the required environmental inspection and environmental clearance documents. Environmental files are maintained in WorlTrac (24 CFR Section 58.4(b)(1), 58.34, and 58.35).

Recommendation:

Management should implement robust information technology general controls over all key applications and underlying systems. Information technology general controls should be in place to restrict high-privileged access to applications, servers and databases, enforce generic ID policies, periodic access review controls, and strong change management controls including authorization, testing and final approval of changes. Developer access to administrative functions on any production system results in the risk of unauthorized changes to applications and data. Additionally, developer access to move their code changes into production increases the risk that unauthorized changes to application functionality have been deployed into the production environment. Developer access to production should also be segregated. Further management should remove system administrative privileges granted to the developers. TDHCA should monitor their contractors to ensure compliance with the program's policies and procedures as to processing transactions and maintaining documentation.

Management Response and Corrective Action Plan:

TDHCA agrees with the finding and is committed to effecting corrective actions. TDHCA has been in consultation with the vendor, ACS, on enhancing IT controls in place and defining and implementing additional IT controls to address the issues in this finding. The IT controls and implementation dates are detailed below. TDHCA, ACS, and two subcontractors, Reznick and Worley Company, will be involved in these corrective actions. TDHCA has been monitoring IT controls for Portfolio and WorlTrac since October 2009 and will increase the level of monitoring for the remainder of the contract.

Detailed Responses for Each Audit Issue:

- *Developers no longer have administrative or DBA access to production servers and data and can no longer deploy code changes into production. To ensure the proper separation of duties, effective January 30, 2010, an individual different from the developers is required for production deployment. As of February 1, 2010, database mirroring was implemented for Portfolio, which causes a copy of the live database to be in a separate instance. This allows the developers to have full control over a snapshot of the live data without accessing the production environment, so they can complete reporting, troubleshooting, and other requirements. Developers are now limited to read-only access to the production data.*

  Generic IDs are required for the execution of services and scripts and are utilized to connect applications to databases securely. Administrators cannot utilize their own usernames because it will give the false impression that an administrator has executed the script, service, or application in question. As of January 30, 2010, all generic IDs have lost their administrative level access, except for the account 'aisrunner' which is currently required for the operation of Portfolio. Ways to limit this account's access are being tested with a planned implementation date of February 28, 2010. In addition, a Generic ID policy was created that restricts the account knowledge, management, and administration to the senior systems administrator and the Reznick IT manager and implements separation of duties by requiring any use or management of these IDs to be documented and approved in writing.

  At the time of the audit, the Reznick Information of Technology was not recording regular user account audits due to the size of the entity. Reznick recognizes that documentation should have been gathered and stored for review purposes of regularly scheduled account audits, so regularly scheduled account audits will be conducted from this point forward.

- *Regarding obtaining evidence of testing and approval, this process follows a documented change policy. The Reznick IT manager must approve changes before designated employees can deploy code to production. In two of the four cases noted, a hard drive crash erased the e-mails that documented the authorization, testing and approval prior to January 2009, and the evidence for those cases was unavailable. In another case, changes were approved prior to deployment, but were not tested. The deployment contained other items that had been tested. The item in question was tested the morning after deployment, in compliance with the standard practice to review all deployments immediately after they are released in the production environment. For the remainder of the Texas Homeowner Assistance Program/Sabine Pass Restoration Program (HAP/SPRP) contract, IT management will ensure that testing and approval actions for code changes are performed and documented prior to deployment to production.*

- *As of December 2, 2009, the Solomon financial system folder that contains the disbursement files has been restricted to individuals requiring access to perform their required job functions. As a mitigating control prior to the time of this change, an individual would also have required access to the Solomon financial system in order to import a disbursement file. In addition, the disbursement files are write-protected. The ACS Finance team reviews all disbursement files to ensure the proper payment amount and payee prior to their import into Solomon.*

- *Administrator access and access to migrate code change were removed from developers on January 30, 2010.*

- *Only modifications or additions requested by ACS in writing are considered by Worley. Effective January 30, 2009, user acceptance testing (UAT) and approval is performed and documented before promoting WorlTrac changes into production. Worley will enforce the TDHCA password policy for the generic ID used by the Database Administrator (DBA). Use of this ID and knowledge of this password will be limited to the WorlTrac DBA and Worley Project Manager.*

- *Every effort is made to ensure that access to the WorlTrac system is kept current for all individuals that require such access. When an employee separates from the program, notification is sent to the Call Center Manager who then submits a Mantis ticket to have the individual's access deactivated immediately. Confirmation of this deactivation is sent through the Mantis ticket response. Effective February 1, 2010, a monthly review process of all active user accounts is performed by extracting a report of all active users from WorlTrac by company. A list of all active users is e-mailed to a designated member of management from each company to review their subset of the report and identify any errors. Confirmation that verification of report has been completed is returned by e-mail. Any problems are immediately addressed. Worley will document its IT security policies and procedures for WorlTrac specific to the Texas HAP/SPRP project by February 28, 2010. The written policies will include WorlTrac password requirements for all WorlTrac accounts. The password requirements will be enforced on the WorlTrac server.*

- *We agree that at the time of the draw request, 14 of the 40 Disbursement files did not contain all the required documentation to support the draw. Prior to the last day the auditor was on site, documentation had been received in 11 of the 14 cases. Subsequently, the documentation was received for the three remaining cases. While the process to verify the draw documentation was not consistently followed, there exist a number of other controls to ensure funds are not disbursed to the wrong contractors. These controls are both system enforced (for example, an accepted inspection work order must be complete in WorlTrac before any disbursement can be made) and manual (for example, the contractors to whom payments are made are set up in Solomon by an individual completely outside the draw process). Since October 5, 2009, no payments have been released to any contractor without the proper documents having been verified by ACS staff.*

- *The environmental inspection process consists of two components, an on-site inspection and the completion of a Site Specific Check List (SSCL). With respect to the application identified in this audit finding, the on-site environmental inspection was performed on December 29, 2008, in conjunction with the program initial inspection. The SSCL was, however, not submitted to TDHCA for approval. On October 7, 2009, ACS identified that the environmental work order was accepted without approval from TDHCA and took immediate measures to prevent this from occurring again. In November 2009, system modifications were implemented, which do not allow the claim state of Environmental Work Orders to be changed to "Accepted" without an approved SSCL.*

Implementation Date: *February 28, 2010*

Responsible Person: *Curtis Howe*

Internal Audit Division

BOARD ACTION REQUEST

March 10, 2010

Action Items

Presentation and discussion of Recent Internal Audit Reports.

Required Action

None, information item only.

Background

An Audit of the 4% Tax Credit Program –

Based on the work we performed, the Department has controls in place to provide reasonable assurance that information received from applicants for the 4% tax credit program is accurate and complete, that applications are reviewed thoroughly and objectively and that all applicable program requirements are followed. The Department allocated 4% tax credits to twelve developments in 2008 and five developments in 2009. We tested 10 application files and the associated supporting documentation from the 2008 and 2009 application cycles and found no errors.

In addition, we followed up on prior audit issues related to the QAP identified in previous internal audits of the 9% Competitive Housing Tax Credit Program. Of the four prior audit issues related to the QAP, all four were fully implemented.

Recommendation

None, information item only.

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

October 30, 2009

To: The Governing Board and Audit Committee Members of the Texas Department of Housing and Community Affairs

Re: An Internal Audit Report on the 4% Non-Competitive Housing Tax Credit Program

The internal audit division has completed its audit of the 4% Non-Competitive Housing Tax Credit Program. The objectives of the audit were to:

- identify significant risks,
- evaluate whether there are adequate controls in place to address the risks, and
- determine whether the Department has complied with all program requirements.

Based on the work we performed, the Department has controls in place to provide reasonable assurance that information received from applicants for the 4% tax credit program is accurate and complete, that applications are reviewed thoroughly and objectively and that all applicable program requirements are followed. The Department allocated 4% tax credits to twelve developments in 2008 and five developments in 2009. We tested 10 application files and the associated supporting documentation from the 2008 and 2009 application cycles and found no errors.

Bond Financing

To obtain 4% tax credits, a construction or rehabilitation project must utilize private activity bonds for a portion of the financing and use the bond funds for construction.

The bond program is administered by the Texas Bond Review Board, who distributes a portion of the bonds to the Department. Texas State Affordable Housing Corporation (TSAHC) and local housing authorities also issue a portion of the available bond funding each year. The decision to obtain bond funding from the Department or another entity rests solely with the project developer.

Although a developer could apply for 4% tax credits in the competitive round with some private activity bond participation, the project would be competing against many projects that may be larger, more attractive, or more viable for finite funding.

By ensuring that bond financing is at least 50% of the cost of building, the project is judged on its own merit and can be awarded 4% tax credits without concern for the volume cap.

We noted that the applications were reviewed by two reviewers independently, that a supervisory review was performed and that any discrepancies between the independent reviewers were discussed, resolved and documented. We tested the 10 application files in our sample to determine whether reviewers identified deficiencies such as inaccurate and incomplete information. When deficiencies were identified, we evaluated whether the developers were notified timely and determined whether the

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deficiencies were resolved according to program requirements. We found no errors in the timeliness of notifications or the resolution of deficiencies.

We also reviewed the application process to determine if it is easy to use, consistent with relevant criteria, and compliant with program requirements. The application process is comprehensive, but labor intensive. We found that the information necessary to apply for the 4% tax credits along with a multiplicity of guidance, resources and templates are easily accessible from the Department's website. Further we observed that Department staff is knowledgeable and readily available to assist program applicants. The applications can now be submitted electronically, which further enhances the application process.

Program requirements for the 4% Non-Competitive Housing Tax Credit Program are governed by the Qualified Allocation Plan and Rules (QAP). The QAP provides detailed guidance on the program. We noted no instances of non-compliance with the QAP or other program requirements.

In addition, we followed up on prior audit issues related to the QAP identified in previous internal audits of the 9% Competitive Housing Tax Credit Program. Of the four prior audit issues related to the QAP, all four were fully implemented.

We used the following documents as criteria:

- Internal Revenue Code Section 42,
- 2008 and 2009 Qualified Allocation Plan and Rules,
- Texas Administrative Code Title 10, Part 1, Chapters 49 and 50,
- Texas Government Code 2306.111-115 and 670 DD,
- 2008 and 2009 Application Submission Procedures Manual, and
- Multifamily Finance Production Division Policies and Procedures.

This audit was a performance audit and was conducted as part of the 2009 annual internal audit plan. Audit fieldwork was performed in October 2009. This audit was conducted in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing.*

We would like to extend our sincere thanks to executive management and the multifamily finance production division staff for their cooperation and assistance during the course of this audit.

Sincerely,

Sandra Q. Donoho

Sandra Q. Donoho, MPA, CIA, CISA, CFE, CICA
Director of Internal Audit

cc: Michael Gerber, Executive Director
Tim Irvine, Chief of Staff
Tom Gouris, Deputy Executive Director for Housing Programs
Robbye Meyer, Director of Multifamily Finance Production

Internal Audit Division

BOARD ACTION REQUEST

March 10, 2010

Action Items

Presentation and discussion of the status of prior audit issues.

Required Action

None, information item only.

Background

Audit standards require auditors to follow-up on the implementation status of their audit recommendations. Internal maintains a data base of prior audit issues to track the findings and recommendations from both internal audits and external audits.

Of the 108 current prior audit issues:

- 54 of the 108 current prior audit issues reported as "implemented" were verified and were closed by internal audit.
- 41 issues have recently been reported by management as "implemented" and are reflected on the attached list. We will verify and close these issues as time allows.
- 3 issues were reported as "pending" or "action delayed". We will verify and close these issues when they are reported as "implemented."
- 2 issues were reported as "not implemented."
- 8 issues – we did not receive responses from management on these issues.
- All OCI issues are "implemented" and were verified and closed by internal audit.

Recommendation

No action is required.

Internal Audit Division

BOARD ACTION REQUEST

March 10, 2010

Action Items

Presentation and discussion of the status of fraud complaints.

Required Action

None, information item only.

Background

Internal Audit receives and resolves the calls from the Department's fraud hotline. In addition, Internal Audit receives complaints of possible fraud, waste and abuse from other sources such as the State Auditor's Office, legislative complaints, HUD-OIG, etc.

Fiscal Year 2009 Hotline Calls

34 reports total

- 1 investigated internally
- 3 investigated and referred to the State Auditor's Office
- 30 were not in TDHCA's jurisdiction

Fiscal Year 2010 Hotline Calls

23 reports total

- 17 hotline calls
- 3 from SAO
- 1 from Legislative Staff
- 1 from HUD-OIG
- 2 from Program Staff

Recommendation

No action is required.

Internal Audit Division

BOARD ACTION REQUEST

March 10, 2010

Action Items

Discussion of Davis Bacon Requirements.

Required Action

None, information item only.

Background

At the October 15, 2009 audit committee meeting, Ms. Ray requested a discussion of the Davis Bacon requirements related to ARRA at the next audit committee meeting.

Recommendation

No action is required.